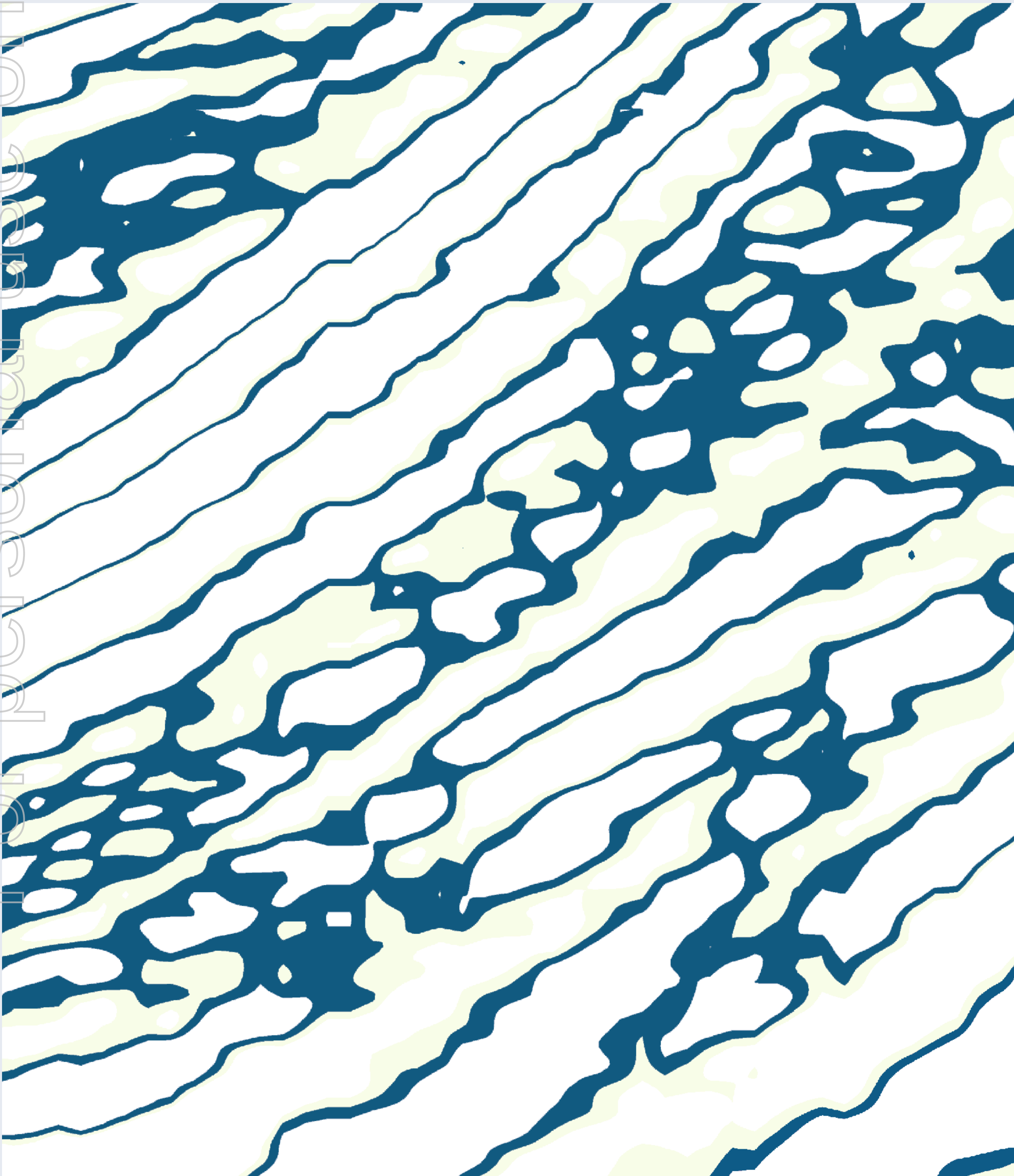
BYRONENERGY LIMITED

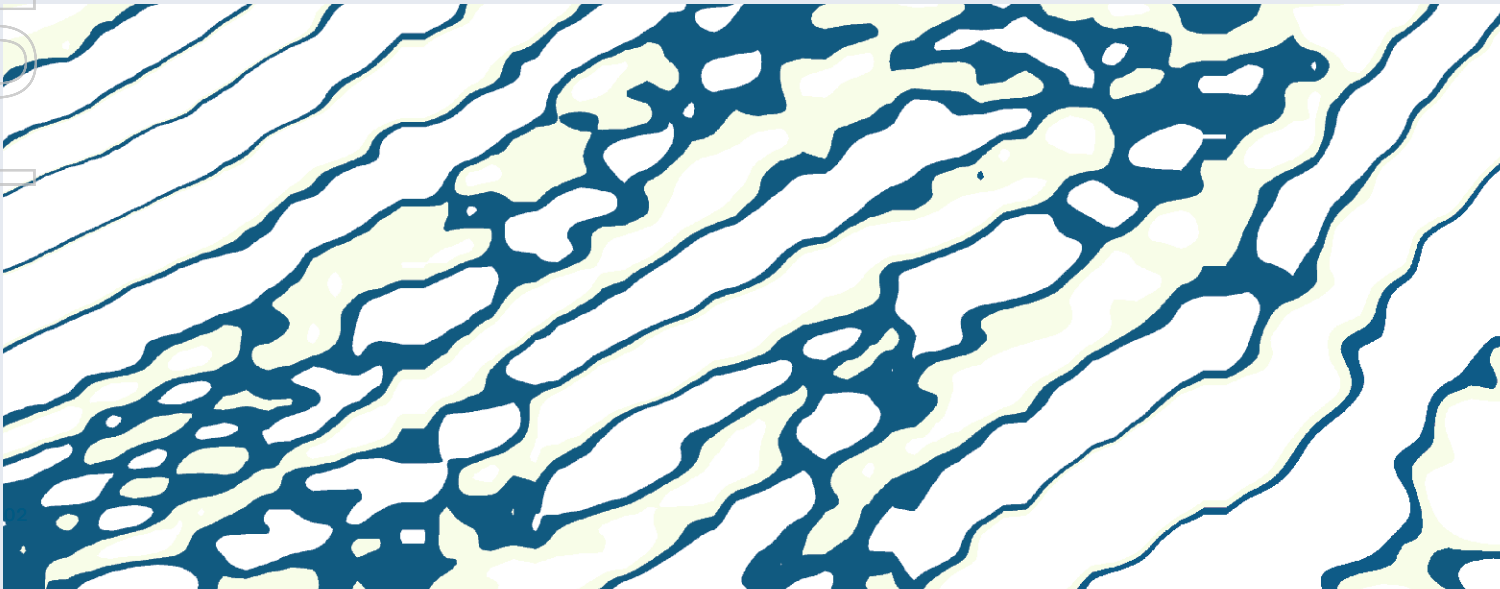
Annual Report →
2016–17

BYRON ENERGY LIMITED



Contents

Byron Energy is focused on oil and gas exploration and development in the shallow water of the Gulf of Mexico, and the Transition Zone including the State Waters and adjacent coastline in the USA.



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Highlights

SM 71

→ Production expected to commence early in 2018

→ 151 TVT feet of hydrocarbon logged in 4 sands

→ 2P reserves net to Byron 2,269 mboe/3P net to Byron 2,867 mboe*

SM 57/59/74

→ Newly aquired leases in the vicinity of SM 71

→ Gross prospective resources for SM 57/59/74 – 28.3 mmbo and 295.5 bcf*

Bivouac Peak

→ Gross prospective resources for Bivouac Peak leases – 177.7 bcf and 16.0 mmbo*

→ Exploration well expected to spud in second half of 2018

*See Company's ASX announcment dated 28 September 2017 – Byron Energy Independent Reserves and Resources

Chairman's Letter

→ Byron made excellent progress in 2016/17 on several fronts

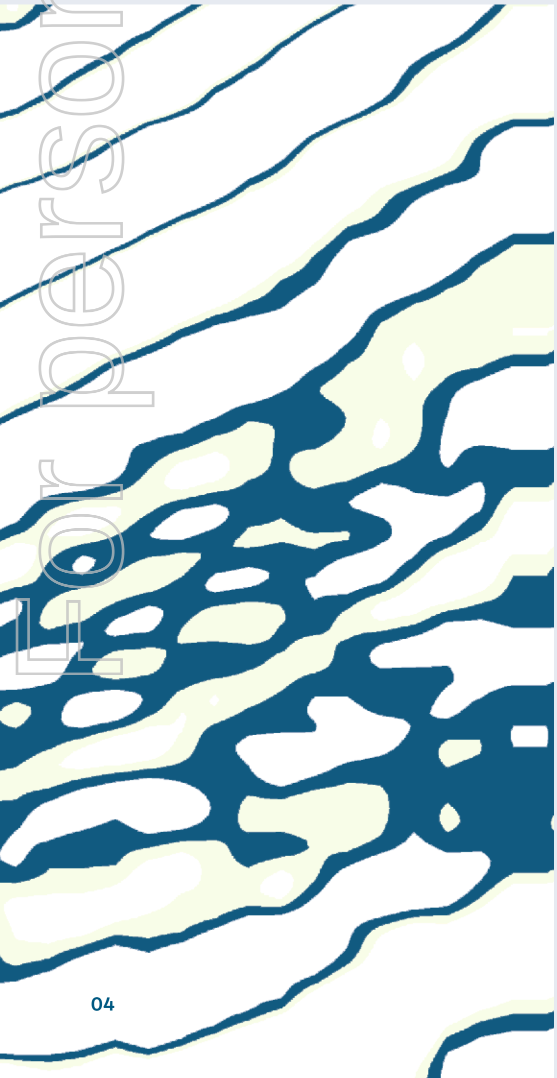
Dear Shareholder,

Notwithstanding relatively stable oil and gas prices, 2016/17 was another challenging year for our industry. At 30 June 2017 the WTI oil price was US $46.02 per barrel compared to US$48.27 per barrel at 30 June 2016 while the US spot gas price at 30 June 2017 was US$3.04 per Mcf compared to $US2.92 at June 2016. The level of drilling activity in the sector remained at historically low levels as companies, large and small, focussed on cash conservation. Access to capital was and is still difficult and expensive for many exploration companies, particularly smaller ones like Byron.

However in spite of the industry challenges during 2016/17 Byron made excellent progress on several fronts.

First, Byron has made substantial progress with the development of our SM 71 oil project during the past year. Byron has a 50% working interest (40.625% net revenue interest) in the SM 71 block and is the Operator. We have almost completed the construction and modifications of a tripod production facility at Laredo Construction's onshore yard in Galveston, Texas. Load out and installation of the facility is scheduled to occur in late October. Pipelines for gas and oil have received government approval and access to nearby gas and oil trunklines has been negotiated. Installation of the SM 71 pipelines will commence in mid-October.

We have also contracted the Ensco 68 drilling rig which will be available by the end of November 2017 immediately after Byron sets its tripod production facility on the lease. The 60-day contract will allow Byron to drill the SM 71 F2 well and then complete both the SM 71 F2 and SM 71 F1 (previously referred to as SM 71 #1) wells. As previously reported in May 2016, the Company operated and drilled the Byron SM 71 F1 well which logged 151 feet of true vertical thickness of hydrocarbons in four sands.



Production from the SM 71 wells is currently expected to commence in late January 2018 after completion and final hook-up operations.

Second, Byron initially accessed capital through the establishment of $A8.0 million convertible note facility from Metgasco Limited to underpin the cost of bringing our SM 71 oil discovery into development via a minimal platform facility that connected to an offset operators processing platform. However it became apparent in late 2016 that the development of SM 71 required the installation of a higher cost manned production facility and subsequently an equity raising of $A28.5 million, comprising a $A26.5 million placement and a $A2.0 million share purchase plan, was completed in September 2017.

Third, Byron acquired three new leases at the Central Gulf of Mexico OCS Lease Sale 247 held on Wednesday 22 March, 2017. SM 74, SM 57 and SM 59 are near Byron's SM 71 block. The prospective resources identified in these blocks were generated by interpretation of the Company's high quality ARTM and Inversion processed 3D seismic data. Independently, Collarini Associates has estimated the gross prospective resources in these leases at 28.3 million barrels of oil and 296 bcf of gas. These three blocks represent very attractive opportunities for Byron's future growth and add high quality oil and gas projects to Byron's prospect portfolio. The economics of any future discovery on these blocks will be enhanced by leveraging our SM 71 platform and processing facility.

Fourth, we have secured the services of key executives, Messrs Smith, Kallenberger and Sack for at least a further three years. They are a very talented and experienced team of oil and gas professionals whose contribution has been invaluable in bringing the Company to its highly exciting current position and will continue to be instrumental in the future as we bring our SM 71 oil discovery into production and implement our growth strategy in the Gulf of Mexico.

Byron's current focus is still very much on bringing SM 71 into production on schedule in early 2018.

Finally, on behalf of the Board, I would like to thank our shareholders for their continued support of the Company and also our dedicated team of executives, staff and contractors for their sterling efforts. Without the continued support from our shareholders and our staff, we would not be on the verge of production as we now are. We look forward to joining the ranks of oil and gas producers in 2018.

Doug Battersby
Chairman

Message from the CEO

Dear Shareholder,

Recently, I had the opportunity to travel and meet with a number of existing and potential shareholders. Each conversation revolved around the unique opportunity that Byron Energy represents as an investment. Reflecting on those discussions, three things come to mind that make Byron such a dynamic company: our use of technology, the advantage we have by being an operator and the exciting platform for growth that lies ahead.

Byron has always been a company focused on generating value and growth, driven by earth science. The principals of Byron are seasoned, experienced geologists and geophysicists who together, have created and drilled many successful prospects in the Gulf of Mexico. That in and of itself may not set us apart, but over the years our team has always embraced new technology as it becomes available in the marketplace. Some members of our team were among the first to use computerized workstations to interpret 3D seismic data, others were parts of teams that studied the Gulf in regional detail and set the stage for new discoveries in new trends within the basin.

Together, there is little we have not seen on the GOM shelf.

At Byron, we embraced a new 3D seismic processing technique called Reverse Time Migration (RTM), a processing algorithm geared at enhancing the imaging of complex geologic settings like salt domes. In fact, the use of RTM is the basis for where Byron finds itself today. Embracing new technology early can have its challenges as we experienced at SM 6, but a cohesive team working together who are judicious in their efforts can understand the limitations and refine the technology and then enhance its application.

A good example is Byron's South Marsh Island 71 #1 well (now known as the SM 71 F1 well). This well, drilled in 2016, logged hydrocarbons directly under an old oil pool developed with what was state of the art drilling technology in the early 1990's; horizontal wellbores. Early 3D datasets from the 1990's suggested to operators of that time, that the bright reflector we now know as the productive D5 Sand, had been tested by updip wells.

Byron's RTM data showed something different and it took several months of detailed subsurface work to become comfortable with the complex stratigraphy and geophysical imaging presented by the RTM data.

As other D5 Sand producing wellbores were evaluated and compared to our prospect, we became convinced that the D5 Sand reflector had not yet been tested and in fact had pinched out down dip of those wet wells, in a manner analogous to the 22 million-barrel D5 Sand pool that lies just east of SM 71. Pushing forward despite the decline in oil prices, we attracted a partner who recognized and appreciated the exceptional technical effort, and was willing to participate on a promoted basis and joined Byron in drilling the SM 71 F1 well. As you know, the SM 71 F1 well was successful and initial oil production is expected in late January 2018.

Our second well at SM 71, the F2, will not only give Byron a second D5 Sand take point, it will also test a prospect mapped on our proprietary full-waveform inversion processing. This dataset has delineated a trap associated with the B65 Sand and comparisons to other B65 Sand pools are favourable. If successful, the B65 Sand will add significant reserves to the SM 71 project

Without the integrated business strategy to license our own 3D data and devote the resources and knowledge to reprocess this data, then generate prospective opportunities and advance them to the drill stage, Byron may not have discovered the productive D5 Sand at SM 71.

Because our RTM dataset covers 15 blocks around the South Marsh Island 73 field, we began looking at the 350+ wells drilled within our dataset. Thanks to a third-party database we license, any one of us at Byron can pull up well logs, production history and virtually any piece of public information available on any well or any block in the GOM and integrate it in to our interpretation. As we continued to work our data, new prospective areas were identified and refined. In fact, three weeks prior to that sale, we licensed additional RTM data, expanded our area of coverage and rolled up our sleeves. Byron submitted four bids at OCS Sale 247 in March.

That lease sale effort produced three exciting new leases for Byron in the SM 71 area that have added 28.3 million barrels and 296 bcf of gas to our portfolio on a gross Prospective Resource basis. These blocks provide us with several opportunities to expand on what we have learned at SM 71 and provide our shareholders exposure to future drilling opportunities and growth.

Our Bivouac Peak project is the outgrowth of merging the corners of existing 3D seismic datasets which provided us with the ability to map an exciting opportunity involving a geologic trend one of our team members has had great success with. Without the detailed effort involved in this work and the "local" knowledge that comes with time and experience, Bivouac Peak may have been overlooked for many years. We intend to drill Bivouac Peak in 2018 and have initiated the permit process.

As a small company, the decision to become an operator was not one we made lightly. Having been operators at other GOM companies, we knew what we were taking on. A great deal of time and effort is involved with regulatory matters, permitting, safety and environmental responsibility, designing and drilling wells and ultimately, the day to day issues that come with managing production.

But with that responsibility comes control, a valuable asset in the energy industry. This is reflected in determining the priority of projects, the timing of drilling, making the real-time decisions that come while drilling wells and ultimately control the pace of development. As operator, we make day to day decisions on development scenarios, platform design and oversee the construction process. It is also our responsibility to work closely with our partners and ensure that they are provided with the proper information to make informed decisions and approve proposals within the prescribed time frames.

With this comes a large responsibility to our shareholders and partners. This is a responsibility we take very seriously every day. The benefits of operating deliver a value to shareholders that outweigh the alternative as a non-operator.

So, what does this all mean for our shareholders?

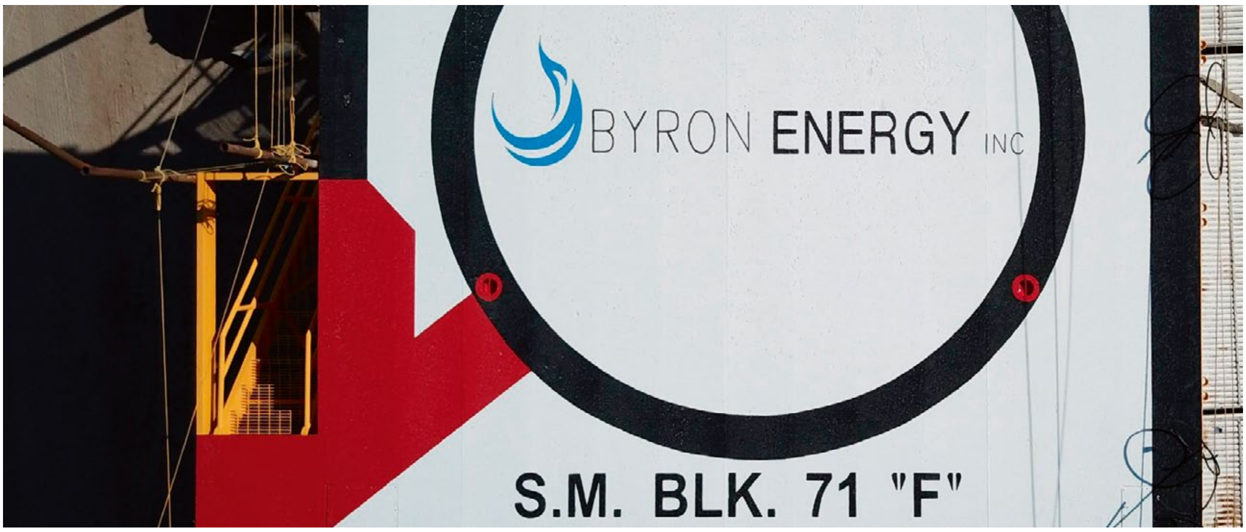
Our June 30, 2017 reserve report published in late September, clearly shows the potential for growth that Byron now controls. We have and will continue to benefit from leveraging our knowledge and portfolio into joint venture relationships where Byron reduces risk dollar exposure and partners pay a disproportionate share of drilling costs and reimburse us for past costs to earn an interest in the project we choose to bring forward, all the while maintaining the ability to pursue projects at 100% interest for maximum growth should the opportunity warrant it. We continue to entertain inquiries from other GOM companies about projects we may be looking for partners on. This is one of the benefits of both generating prospects and controlling acreage.

As operator, we can pursue prospects as they mature, and manage our prospect portfolio and choose the order of drilling to suit our needs and protect our capital.

But we are not distracted from the task of bringing SM 71 on line and each day we move closer to installing the platform, drilling the F2 well and we look forward to completing our wells. We understand that the cashflow from this project is the real platform for growth, one that allows us to continue to leverage our capital, find new opportunities and execute on those projects and our business plan.

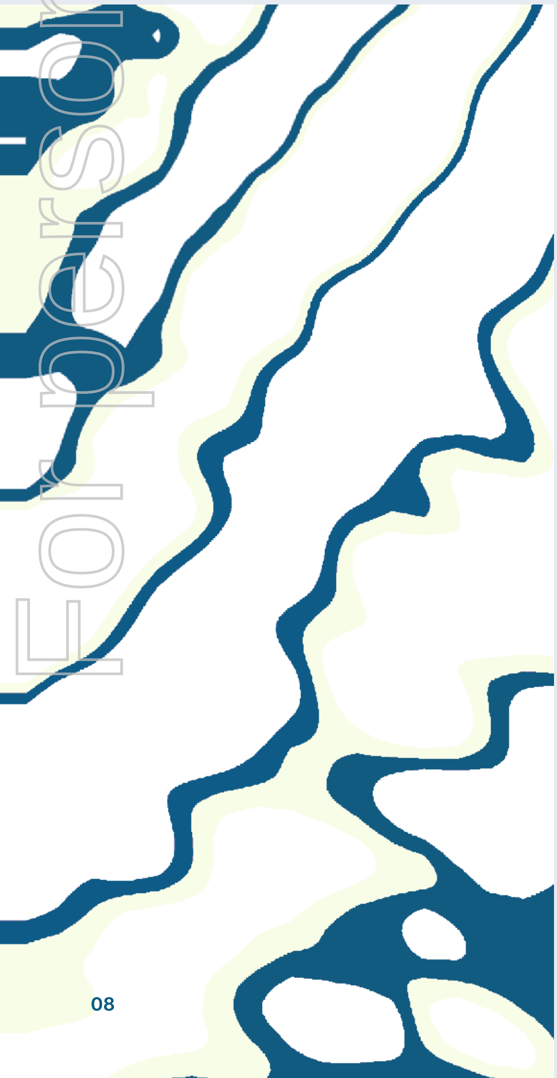
To those new shareholders I met, I want to welcome you on board and to our existing shareholders who have continued to support us over the years, I want to say thank you. Rest assured the Byron team will continue to do the work you have come to expect and support. Our work is far from complete and the journey that lies before us promises many adventures.

Maynard Smith
CEO



Review of Operations

Byron is focused on oil and gas exploration and development in the shallow water of the Gulf of Mexico and the Transition Zone including the State Water's and adjacent coastline in the United States of America.



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") and the Transition Zone including the State Waters and adjacent coastline in the United States of America.

The experienced and committed team at Byron has a proven track record of drilling and operating 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.

The GOM and the Transition Zone is viewed by Byron as an attractive area to focus on due to:-

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

Byron actively manages its portfolio of leases through participation in the GOM lease sales conducted by the Federal Government through the Bureau of Ocean Energy Management ("BOEM") and leasing of properties from private landowners.

Properties

At 30 June 2016 Byron's had eight areas of interest in the shallow water of the GOM and the Transition Zone, offshore Louisiana, covering six projects. During the year Byron acquired three new high potential blocks, SM 57/59/74, in the vicinity of the Company's SM 71 block and relinquished SM 6 and GI 9 blocks.

At 30 June 2017 Byron's had an interest in nine leases in the shallow water of the GOM and the Transition Zone, offshore Louisiana, covering five projects. Following the relinquishment of SM 70 and the re-lease of GI 95, post June 30 2017 balance date, Byron has eight leases at the date of this report. With operatorship and a holding between 50-100% currently in each project, Byron is able to control or significantly influence timing of projects, optimise use of capital and retain flexibility to farm-out equity in the project (s). Byron's areas of interest, all of which are currently undeveloped, are summarised below.

PROPERTIES	OPERATOR	INTEREST WI/NRI(%)*	LEASE EXPIRY DATE	LEASE AREA (KM2)
South Marsh Island				
Block 70[#]	Byron	50.00/40.625	July 2017**	22.13
Block 71[#]	Byron	50.00/40.625	July 2017***	12.16
Block 57	Byron	100.00/81.25	June 2022	21.98
Block 59	Byron	100.00/81.25	June 2022	20.23
Block 74[##]	Byron	100.00/81.25	June 2022	20.23
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
Transition Zone (Coastal marshlands Louisiana)				
Bivouac Peak Leases[###]	Byron	90.00/67.05	September 2018	9.70

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

** SM 70 expired at the end of July 2017.

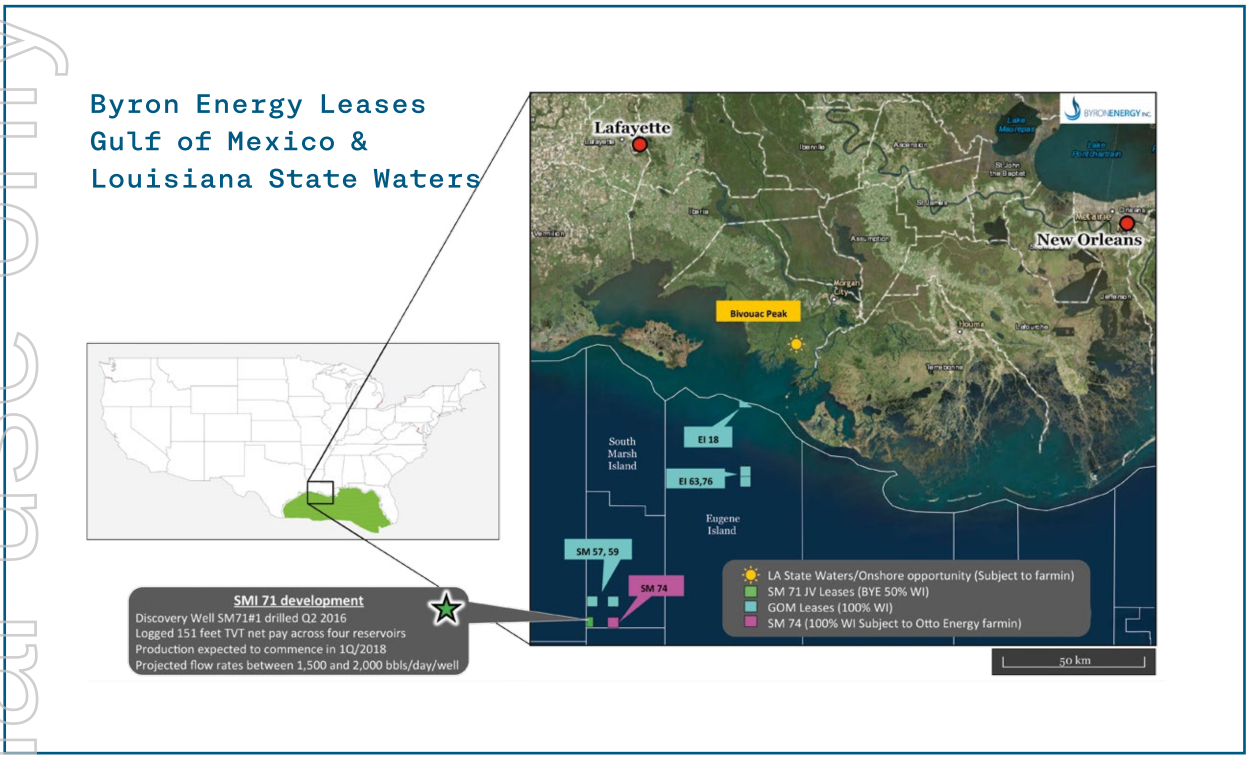
*** On June 28, 2017 Byron requested a Suspension of Production ('SOP") for lease SM 71. The Bureau of Safety and Environmental Enforcement ("BSEE") granted the SOP on 29 August 2017.

\# Otto Energy Limited ("Otto')has a 50% working interest in Byron's SM 71 lease.

\## If VR 232 is not awarded to Byron (see SM 57/59/74 section in this report) , Otto will have a right to acquire a 50% working interest/40.625% net revenue interest in SM 74, under promoted terms leaving Byron with a 50% working interest/40.625% net revenue interest.

\### Both Otto and Metgasco Limited ("Metgasco") have acquired an option to earn a 45% and 10% working interest respectively in Byron's Bivouac Peak leases. If both Otto and Metgasco earn into the Bivouac Peak project, Byron's working interest and net revenue interest will reduced to 35% and 26.075% respectively.

Location of Byron leases



1. SOUTH MARSH ISLAND BLOCK 70/71

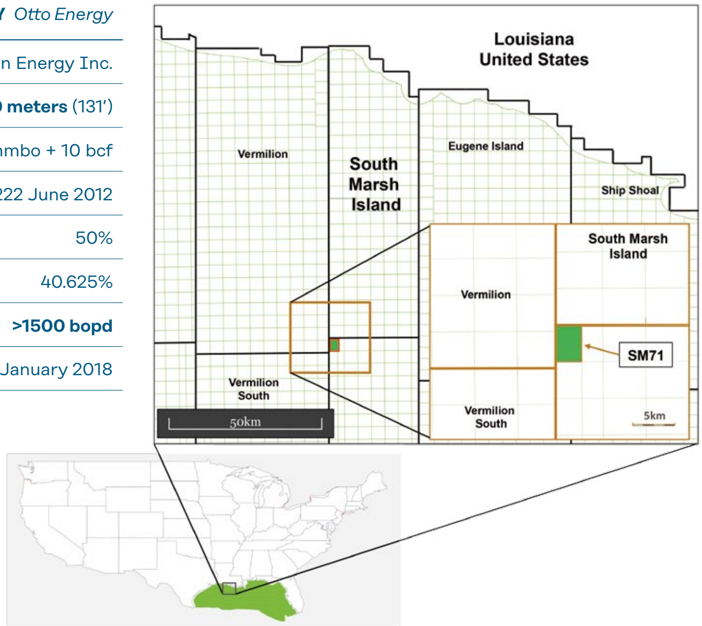
Byron owns the South Marsh Island Block 71 lease ("SM 71") in the South Marsh Island Block 73 ("SM 73") Field. The SM 71 Block was acquired by Byron as high bidder in Gulf of Mexico ("GOM") Outer Continental Shelf ("OCS") Lease Sale 222 on June 20, 2012. Byron is the designated operator of SM 71 and owns a 50% Working Interest ("WI") and a 40.625% Net Revenue Interest ("NRI"), with ASX listed Otto Energy Limited holding the balance of the WI and NRI. Water depth in the area is approximately 138 ft. There is no production from SM 71 currently.

SM 71 lies within the SM 73 field as defined by the Bureau pf Ocean Energy Management ("BOEM"). The SM 73 field is located in the Gulf of Mexico, 160 miles southwest of New Orleans. The SM 73 field comprises nine OCS blocks which together have cumulatively produced 117.5 million barrels of oil (mmbo) and 377 Billion cubic of gas (bcf) since production in the field began in April 1963. More importantly, over 75 mmbo and 71 bcf have been produced from the SM 73 field above 7,500 ft True Vertical Depth ("TVD") which is the depth interval targeted by the Company in its Byron Energy SM 71 #1 well , now designated by the SM 71 F1 well by the Bureau of Safety and Enforcement ("BSEE").

The GOM has an extensive existing infrastructure of oil and gas pipelines to transport produced oil and gas to sales points onshore. This infrastructure has resulted in an operating environment that is lower cost than shale or other unconventional resource projects in the USA. The Company will take advantage of this low-cost operating environment in its SM 71 development by tying in to those pipelines at an offset operated platform. This approach not only lowers operating expenses, it provides a faster path to initial production.

South Marsh Island 71 (SM 71) Project Summary

JOINT VENTURE PARTNERS	BYRON ENERGY *Otto Energy*
Operator	Byron Energy Inc.
Water Depth	**40 meters** (131')
Previous SM 71 Production	3.9 mmbo + 10 bcf
Acquired	OCS Sale 222 June 2012
Byron Working Interest	50%
Byron Net Revenue Interest	40.625%
Forecast Gross Production Per Well	**>1500 bopd**
Initial Production (Two Wells)	January 2018

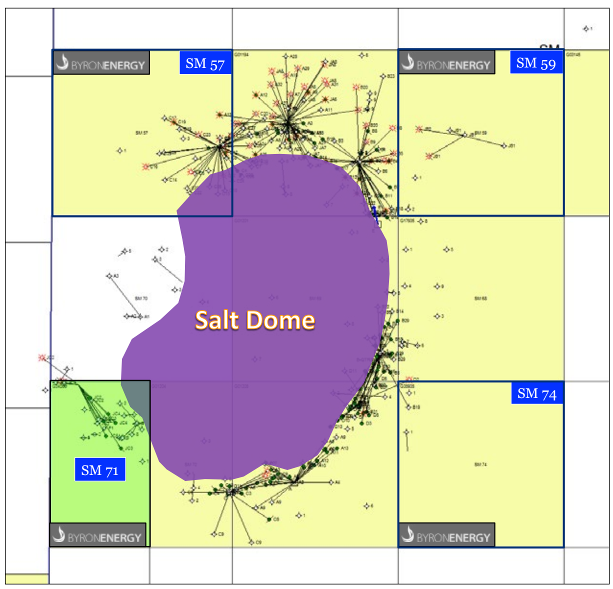


Regional Geology

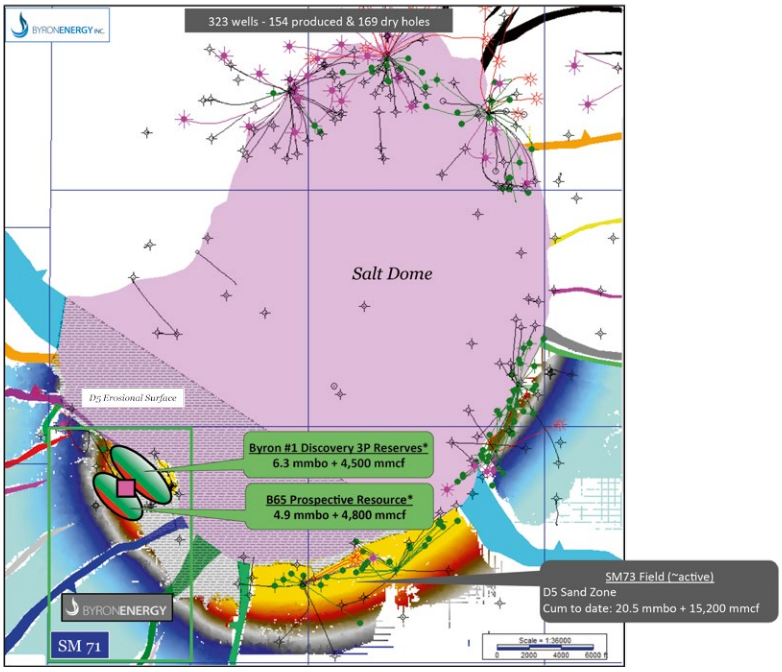
The SM 73 field encompasses nine OCS lease blocks (81 square miles) which overlie a large piercement salt dome. The salt dome is responsible for providing the trapping mechanism for production in all portions of the SM 73 field. The SM 73 field is productive from discrete hydrocarbon-bearing sandstone reservoirs which are primarily trapped in three-way structural closures bound either by salt or stratigraphic thinning, on their updip edge. These reservoirs are Pleistocene to Pliocene age sands ranging in depth from 5,000 ft to 8,800 ft TVD. The majority of the field production has come from depths less than 7,500 ft in high quality sandstone reservoirs.

Total production for previous SM 71 leaseholders from 1962 to 2010 reached 3.9 mmbo from the I and J Sands from 28 wellbores that were located on the basis of gravity, magnetic and low fold 2D seismic geophysical data. Beginning in 1994 Shell Oil Company used 1990's vintage 3D seismic data for seven horizontal oil wells that primarily were drilled and completed in the J Sand reservoir. That none of these wellbores was located in a position to penetrate the D5 Sand, a major producing sand on the adjacent blocks, is believed responsible for the resulting relatively limited production volumes.

After extensive processing and interpretation, Byron drilled the SM 71 F1 well on the basis of modern Reverse Time Migration ("RTM") 3D Seismic data. The SM 71 F1 drilled in April/May 2016 encountered oil in the I Sand, J Sand, and D5 Sand in what is designated Fault Block "A". Each of these sands has been historically productive either on SM 71 (I and J Sands) or in the adjacent leases (I, J and D5 Sands), especially blocks South Marsh Island 72 ("SM 72") and South Marsh Island 73 ("SM 73").



SM 70/71 D5 Structure Map Total Field Production 116mmbo+375BCF



SM 71 Byron #1 Discovery

Gross 3P Reserves*
6.3 mmbo + 4,500 mmcf

SM 71 B65

Gross Prospective Resource*
4.9 mmbo + 4,800 mmcf

* As at 30/06/2017; Collarini and Associates report dated 25 September 2017; refer ASX release dated 28/09/2017

A critical factor in trapping oil and gas is timing of sand deposition and hydrocarbon migration. As demonstrated by historical production, these are key elements and both elements were satisfied at SM 71. Also critical is identifying where channelized sands are present. Historically, most SM 73 field wells were drilled on the basis of conventionally processed 2D and 3D seismic data. Utilizing modern RTM processing techniques and high- resolution 3D seismic inversion processing has given Byron the ability to image and target new productive areas in the southwest portion of the SM 73 field on block SM 71. The Company believes that by including technology such as RTM as an integral part of its business strategy will result in it having an operational advantage over other Gulf of Mexico operators.

The trapping style of all hydrocarbon sands logged in the Byron SM 71 F1 well is nearly identical in nature to hydrocarbons trapped and produced on nearby blocks, especially SM 72 and SM 73. Average per well recovery from sands on SM 72 and SM 73 are 1.2 million barrels of oil and 1 bcf of gas.

South Marsh Island Block 71 Development

The SM 71 F1 well spudded on April 3, 2016 and was directionally drilled to a total depth of 7,477 feet measured depth and 6,915 feet true vertical depth. The Company's primary objective in drilling the well was to provide the opportunity to evaluate the strong seismic amplitude anomaly that could only have been imaged using RTM processed seismic data. The RTM data resulted in an interpretation that suggested the presence of trapped hydrocarbons in the D5 Sand. The distinct seismic character of the pre-drill prospect was nearly identical to known D5 Sand production on SM 72 and SM 73 where 17 completed wells have produced 26 mmbo.

The SM 71 F1 well was drilled with a jack up rig owned and operated by Hercules Offshore. Byron was the lease operator of the well. The well logged 132' feet of true vertical thickness oil pay in the I, J and D5 Sands. A fourth, gas bearing sand, was logged near the bottom of the well and is 19' thick, resulting in a combined 151 ft (true vertical thickness) of oil pay in four zones.

The D5 Sand, the primary target, has 91 feet of oil pay as demonstrated by electric logs and isotopic analysis of drilling gas. Reservoir quality is high with porosities in the D5 Sand in the range of 32% and up to 30% in the I and J Sand intervals. Initial production ("IP") from D5 Sand completions in SM72 and SM 73 has averaged 1,750 barrels of oil per day. Byron plans to initially complete the SM 71 F1 well at the D5 Sands with expectations of achieving IP rates similar to those recorded on SM 72 and SM 73 blocks.

The Company's independent reserve assessment prepared by Collarini Associates ("Collarini") assigned a total of 1.27 million barrels equivalent net to Byron to the SM 71 F1 well on a 3P basis, with the bulk of those reserves coming from the D5 Sand. The D5 Sand has been productive in other parts of the South Marsh Island 73 Field where over 20 million barrels of oil have been produced from multiple D5 Sand completions.

In August 2016 Byron reported that (i) signed an agreement for the purchase of a used tripod jacket, decks, helideck, boat landing and production equipment that will be set and utilised at the SM 71 discovery, and (ii) it was in negotiations with an offset operator to transport produced oil and associated gas from an unmanned platform to a facility five miles to the east of SM 71 for final separation and sales into existing sales pipelines.

Following extensive engineering due diligence, Byron instead decided to proceed with the installation of a fully manned, Byron operated facility rather than a non-operated satellite platform. The due diligence on the unmanned option identified that limitations on oil production from Byron's well and future wells would have been necessary because some facets of the existing infrastructure would limit associated gas production. Additional previously unknown costs were also identified in oil and gas metering and future water handling capacities.

In conjunction with its consulting structural engineers Byron completed the redesign of the existing tripod jacket and decks to accommodate a fully manned facility. The Byron operated facility will have the capability of separating oil and gas with subsequent metered production going into existing sales pipelines on the SM 71 block. The tripod will be capable of holding up to six wells to provide for future identified development wells in all zones identified by the SM 71 F1 well.

The manned facility is considered a significantly more attractive economic option than the unmanned option because of the ability to handle higher oil and gas production rates and accelerate the development of the oil discovery as additional wells are drilled. Additionally, Byron will have total control over all aspects of production, safety and environmental aspects and will not rely on any third-party facilities or pipelines other than existing sales trunk pipelines.

Byron has made significant progress during the year on construction of the manned platform and in obtaining the necessary permits. Construction is nearly complete in Galveston, TX. Currently, the jacket and decks are on schedule to be installed at SM 71 in late October, depending on weather conditions.

Byron's Development Operations Coordination Document ("DOCD") has been approved. Byron has also received approval for the structural design, the facility permit, the oil and the gas pipelines and is only awaiting the approval of the metering permit which will not occur until the platform is set.

Byron received notice in August that its Suspension of Production ("SOP") request for SM 71 has been granted by the Bureau of Safety and Environmental Enforcement ("BSEE") and is effective from August 1, 2017 through November 30, 2017. The approved SOP is based on an activity schedule submitted by Byron. In accordance with this activity schedule, the Company will first complete the platform fabrication, submit an Application for Permit to Modify the initial completion of SM 71 F1 well and an Application for Permit to Drill SM 71 F2 well. Under the activity schedule, operations for drilling of SM 71 F2 well and completion of SM 71 #1 well are expected to commence before the end of November.

Pipeline work to lay and connect a 4" oil pipeline (500 ft) and a 6" gas pipeline (7,000 ft) from the proposed platform location to the Crimson 8" oil pipeline and Kinetica 30"gas pipelines respectively is scheduled to begin in mid - October weather permitting.

South Marsh 71 Development plan

Complete Manned Tripod

Expected completion early Oct 2017

Lift boat delivery to SM 71 location Oct 2017

Drilling rig arrives Nov 2017 Departs Jan 2018

Drill the **#2 Well** to test the **B65 Sand** and complete in D5 Sand

Complete the **#1 Well** in D5 Sand

Pipeline work to be completed by Nov 2017

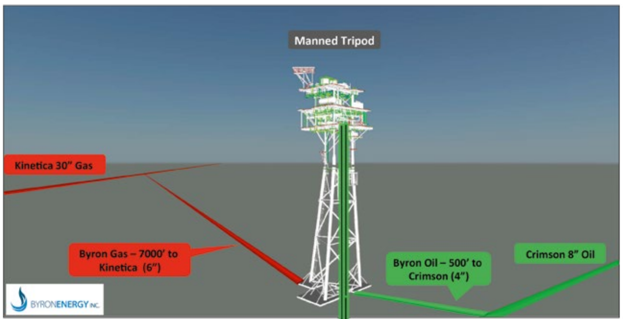
Build and connect (4") 500' oil pipeline to Crimson 8" oil line

Build and connect (6") 7,000' gas pipeline to Kinetica 30" gas line

First production Jan 2018

Oil and gas production expected to commence Jan 2018 from the #1 & #2 wells at a combined rate between **3,000 – 4,000 barrels** of oil per day

Fixed low cost **contract operations**



Manned Tripod

Robust oil and gas throughput to handle future exploration success
6 x well capacity

Oil

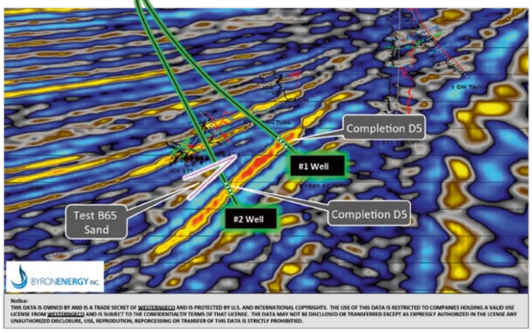
4,500 Bopd from wells on SM 71
15,000 Bopd throughput

Gas

20,000 Mcfpd from wells on SM 71
75,000 Mcfpd throughput

Water

5,000 Bwpd



South Marsh Island Block 71 Development Drilling

The Company currently plans to develop the field by completing the SM 71 F1 well and drilling up to five additional wells.

In early September 2017, Byron executed a drilling contract with Ensco Offshore Company, under which the Ensco 68 jack-up rig will be provided for Byron's SM 71 drilling and completion program. The 60-day contract will allow Byron to drill the SM 71 F2 well and then complete the SM 71 F2 and SM 71 F1 wells.

The SM 71 F2 well has two targets, the B65 Sand and the D5 Sand. The D5 Sand is the primary focus of the development at SM 71 and the SM 71 F2 well will provide a second take point in the D5 Sand reservoir. The secondary target of the SM 71 F2 is the B65 Sand which lies above the D5 Sand and was stratigraphically pinched-out in the SM 71 F1 well. Byron's RTM and proprietary inversion processing indicates a positive anomaly at the B65 Sand level that is analogous to known productive reservoirs of the B65 Sand; this well will test the prospective resources attributable to the B65 Sand and provide further calibration for those data sets as Byron explores in the greater SM 71 area. Collarini assigned 2.0 million barrels of oil and 2.0 bcf of gas net to Byron to the B65 Sand as Prospective Resources. The B65 has produced 13 million barrels of oil from four trapping areas around the SM73 field.

The SM 71 F2 well is currently programmed to a depth of 8,965 feet/2,608 metres measured depth (7,555 feet/2,303m True Vertical Depth) and is expected to take less than 30 days to drill. After drilling the SM 71 F2, rig operations will convert to completing the SM 71 F1 and SM 71 F2 wells before the rig is released. Production is expected to start in in late January 2018 or approximately 10 days after the rig leaves location upon final hook-up of production equipment

The development plan envisages drilling of SM 71 F3 well, subject to a successful outcome with SM 71 F2, at a location believed to have a superior structural position relative to the SM 71 F1 well and is expected to access attic type hydrocarbons in the I, J, and D5 sands reservoirs in a structural position that would not otherwise be drained by the SM 71 F1 well. Total estimated gross reserve exposure across all reserve categories from the SM 71 F3 well is 1.5 mmbo and 1.0 bcf natural gas representing approximately 600 mbo and 400 mmcf natural gas net to Byron. Timing of the F3 well is not yet determined.

Based on historical production Byron expects that once brought online, the combined initial production potential from the F1, F2, and F3 wells will reach between 4,000 and 4,500 barrels per day.

Byron expects to start production from SM 71 in January 2018.

South Marsh Island Block 71 Development Drilling Potential

As at 30 June 2017, Byron's share of net reserves at SM 71, based on an independent reserves and resources estimate, were:-

RESERVE CATEGORY	OIL (MBBL)	GAS (MMCF)	OIL EQUIVALENT (MBOE 6:1)
Proved	**581**	**403**	**648**
Probable	1,445	1,058	1,621
Proved & Probable (2P)	**2,026**	**1,461**	**2,269**
Possible	536	370	6598
Proved, Probable & Possible (3P)	**2,562**	**1,831**	**2,867**

In addition, SM 71 prospective resource as at 30 June 2017 attributed to Byron was 2,402 mbbl and 21,495 mmcf.

2. SM 57/59/74

Byron Energy Inc, a wholly owned subsidiary of the Company, was the high bidder on each of the four blocks bid at the Central Gulf of Mexico, Outer Continental Shelf ("OCS") Lease Sale 247 held on 22 March, 2017 in New Orleans, Louisiana ("Lease Sale 247 Leases").

The BOEM awarded Byron three leases and rejected one of the bids. The bids were generated by interpretation of the Byron's high quality ARTM and Inversion processed 3D seismic data.

The SM 57/59/74 leases are in close proximity to Byron's previously announced SM 71 discovery and will increase Byron's footprint in the South Marsh Island 73 Field.

SM 57/59/74 have substantially boosted the Company's prospective resources, adding a number of exciting prospects to the Company's inventory. To date, Byron has mapped 15 prospects on these leases, using second generation RTM seismic technology and state of the art Full Waveform Inversion.

On 28 September 2017, Byron announced the independently assessed prospective resource potential for SM 57/59/74 of 28.3 million barrels of oil and 295.5 bcf of gas on a gross basis (23.0 million barrels of oil and 240.1 bcf of gas net to Byron). The ongoing evaluation and maturation of multiple prospects has lead to an increase in estimated Prospective Resources of 30%, compared to Byron's preliminary in-houses estimates announced to the market on 19 July 2017, across the newly leased area.

LEASE SALE 247 OUTCOME

BLOCK	WORKING INTEREST	NET REVENUE INTEREST	STATUS
South Marsh Island Area Block 57 ("SM 57")	100.00%	81.25%	Awarded to Byron.
South Marsh Island Area Block 59 ("SM 59")	100.00%	81.25%	Awarded to Byron.
South Marsh Island Area South Addition Block 74 ("SM 74")	100.00%	81.25%	Awarded to Byron.
Vermilion Area Block 232 ("VR 232")	100.00%*	81.25%*	Byron apparent high bidder; BOEM has rejected the bid as insufficient; Byron has appealed the bid decision to BOEM (decision pending at date of this report).

* If the lease is ultimately awarded to Byron, Otto will have a right to acquire a 50% working interest/40.625% net revenue interest, leaving Byron with a 50% working interest/40.625% net revenue interest. Should Byron ultimately not acquire VR 232, Otto will have a right to acquire 50% of SM 74, on same terms, for an amount equal to a gross one hundred thirty-three percent (133%) of Otto's fifty percent (50%) interest share of certain acquisition costs, including the Dry Hole Costs of an Initial Test Well (as defined in the Participation Agreement between Byron and Otto) incurred by Byron plus an amount equal to a gross fifty percent (50%) of certain other acquisition expenses (as defined in the Participation Agreement) incurred and paid by Byron., Otto's rights to acquire further new assets under the Participation Agreement expired effective 31 March 2017.

SM 57/59/74 Exploration Opportunities

SM 71 Byron #1 Discovery

Gross 3P Reserves*
6.3 mmbo + 4,500 mmcf

SM 71 B65

Gross Prospective Resource*
4.9 mmbo + 4,800 mmcf

SM 71

Total Gross Prospective Resource *
5.9 mmbo + 53,000 mmcf

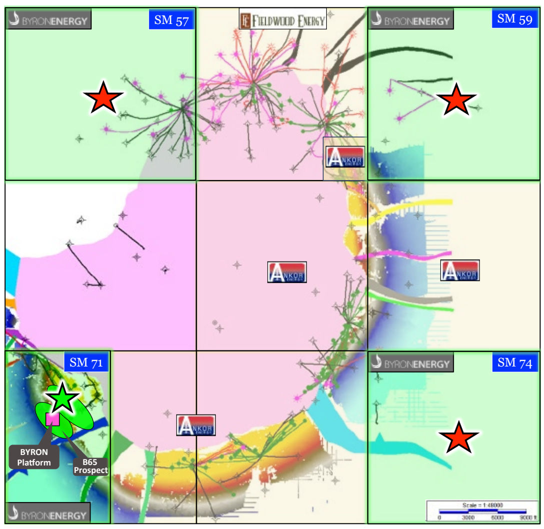
GOM Lease Sale 247 March 2017 SM 57/59/74

Byron has mapped over 15 high quality prospects on its leases, over this salt dome, using state of the art RTM and Seismic Inversion

Collarini Gross Prospective Resource*

28.3 mmbo + 295,500 mmcf

* As at 30/06/2017; Collarini and Associates report dated 25 September 2017; refer ASX release dated 28/09/2017



3. BIVOUAC PEAK PROSPECT

In October 2015 Byron acquired the Bivouac Peak Prospect, 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, is located in the highly productive transitional zone comprising the northernmost shallow waters of the Louisiana State Waters, and onshore coastal Louisiana.

Bivouac Peak Prospect Location

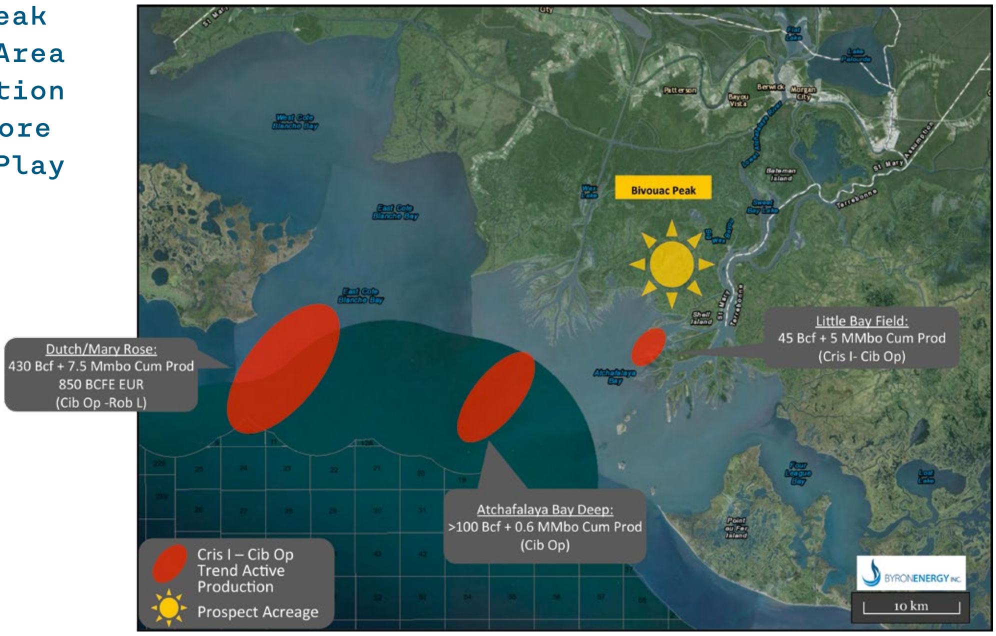
Byron is the operator of the lease, through its wholly owned subsidiary Byron Energy Inc, and holds a 90% Working Interest ('WI") position while a non-operating private Louisiana based exploration entity holds a 10% WI. Byron has a Net Revenue Interest ("NRI") of 67.05%. Since the end of the 30 June 2016 Otto has acquired an option to earn a 45% working interest and Metgasco has acquired an option to earn a 10% working interest in Byron's Bivouac Peak leases. If Otto and Metgasco both earn a working interest in the Bivouac Peak project, Byron's working interest and net revenue interest will reduced to 35% and 26.075% respectively.

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.

The Company will focus on two prospect locations, East Prospect and Deep Prospect, with stacked plays of 665 and 400 acres, respectively, with a gross prospective resource of 16.0 million barrels of oil and 177.7 billion cubic feet of natural gas. Byron's net share of prospective resources, based on its NRI of 67.05% as at 30 June 2017 is 10.7 million barrels of oil and 119.1 billion cubic feet of natural gas. Should both Otto and Metgasco exercise their options to earn a working interest in Bivouac Peak, Byron's interest in the Bivouac Peak leases would reduce to 35%WI and 26.075% NRI, resulting in prospective resources of 4.2 million barrels of oil and 46.3 bcf of natural gas (net to Byron).

With SM 71 project being prioritised in 2017, survey and planning work relating to the permitting process for the first Bivouac Peak well slowed with drilling currently not expected until the second half of calendar 2018.

Bivouac Peak Prospect Area LA Transition Zone/Onshore Regional Play Setting



Bivouac Peak:
Multi-play Lease Block

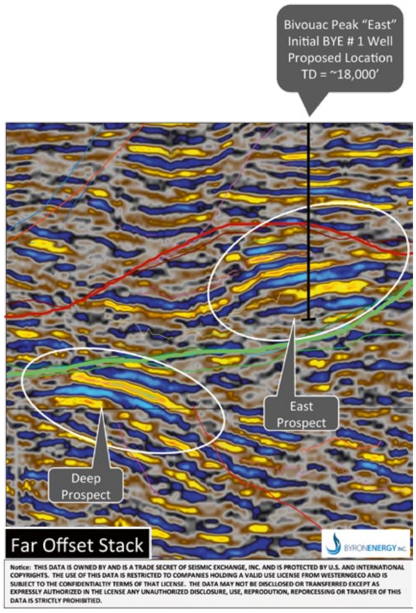
Total Project (2 prospects)
Combined Prospective Resource:
178 Bcf + 16 Mmbo (Gross)*

Bivouac Peak Prospects

East Prospect: (Proposed Byron #1)
Gross: 126 Bcf + 11.3 mmbo*
665 Acres; 3 stacked objectives
Tests Up Cib Op to Lwr Cris I ~ 18,000' PTD

Deep Prospect:
Gross: 52 Bcf + 4.7 mmbo*
400 Acres; 2 stacked objectives
Tests Operc- Up Gyro Sands ~ 20,000 PTD

* As at 30/06/2017; Collarini and Associates report dated 25 September 2017; refer ASX release dated 28/09/2017



4. EUGENE ISLAND BLOCK 63/76

The Eugene Island Block 77 Field is located offshore Louisiana, 110 miles southwest of New Orleans, LA in approximately 25 feet of water. 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.

Bryon owns a 100% WI and an 81.25% NRI in Eugene Island Block 63 and Block 76 ("EI 63/76"), and is the operator. EI 63/76 were acquired in the GOM lease sale 227 in March 2013. There is no production from EI 63/76 currently.

EI 63/76 has a salt overhang around the entire dome which makes it an ideal candidate for RTM processing.

Proprietary RTM seismic processing, similar to that utilized at SM 71, has been used by Byron at the EI 63/76 salt dome to identify a number of prospects with total contingent resources of 0.8 million barrels of oil and 1.2 bcf of natural gas as at 30 June 2017 (net to Byron) with additional prospective resource potential, as at 30 June 2017, of 7.1 million barrels of oil and 170.3 bcf of gas (net to Byron).

EI 63/76 is a high quality, large potential gas and gas condensate prospect in shallow water, updip to older, watered out producing wells or updip to wells with high quality wet sands at all intervals.

5. SOUTH MARSH ISLAND BLOCK 6

South Marsh Island Block 6 ("SM 6") is located offshore Louisiana, in the shallow waters of the GOM, 216km southwest of New Orleans in approximately 65 feet (20 metres) of water. Byron owned a 100% working interest and an 81.25% net revenue interest in the block before it was relinquished in July 2016.

During the year, permits to plug the two wellbores and remove the caisson on SM 6 were approved and removal was successfully completed in the second half of August, 2017. Otto was responsible for a portion of the plugging liability associated with the SM 6 #2 well. Byron is responsible for all other abandonment liabilities on SM 6. Work to remove the wellbores and caisson was completed in September 2017.

Reserves and Resources

RESERVES

A summary of the independent reserves and resources estimate for the Company's projects in the shallow waters of the Gulf of Mexico as at 30 June 2017 was released to the ASX on 28 September 2017 and is summarised below.

The independent reserves and resources estimates were prepared by Collarini Associates ("Collarini"), based in Houston, Texas, USA.

As at 30 June 2017 Byron reported net undeveloped proved and probable (2P) reserves of 2.0 million barrels of oil and 1.5 bcf of gas.

BYRON ENERGY LIMITED
- RESERVES AND RESOURCES (NET TO BYRON)
GULF OF MEXICO, OFFSHORE LOUISIANA, USA

JUNE 30 2017	OIL MBBL	GAS MMCF	MBOE (6:1)
Reserves (Undeveloped)			
Proved (1P)	**581**	**403**	**648**
Probable Reserves	1,445	1,058	1,621
Probable and Probable (2P)	**2,026**	**1,461**	**2,269**
Possible Reserves	536	370	598
Proved, Probable & Possible (3P)	**2,562**	**1,831**	**2,867**

Reserves - 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

Conversion to boe - 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

There was almost no change in the proved reserves between 30 June 2016 and 30 June 2017. The change in probable and possible reserves is almost entirely due to re-classification of EI 63/76 to contingent resource.

CONTINGENT AND PROSPECTIVE RESOURCES

As at 30 June 2017 Byron reported its contingent and prospective resources as follows.

BYRON ENERGY LIMITED
- RESERVES AND RESOURCES (NET TO BYRON)
GULF OF MEXICO, OFFSHORE LOUISIANA, USA

JUNE 30 2017	OIL MBBL	GAS MMCF	MBOE (6:1)
Contingent Resource			
CR1C	–	–	–
CR2C	351	567	446
CR3C	421	680	534
Total Contingent Resource	**772**	**1,247**	**980**

The reduction in contingent resource from 30 June 2016 to 30 June 2017 is due to removal of GI 95 from contingent resource following relinquishment of the GI 95 leases, as reported to the ASX on 28 September 2016, partly offset by the re-classification of EI 63/76 from reserves to contingent resource.

BYRON ENERGY LIMITED
- RESERVES AND RESOURCES (NET TO BYRON)
GULF OF MEXICO, OFFSHORE LOUISIANA, USA

JUNE 30 2017	OIL MBBL	GAS MMCF	MBOE (6:1)
Total Prospective Resource Best Estimate (unrisked)	43,159	551,000	134,993

Prospective Resource - 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

The increase in prospective resource from 30 June 2016 to 30 June 2017 is due to increase in prospective resource for SM 71 and inclusion of prospective resource for SM 57/59/74 partly offset by removal of GI 95 prospective resource after GI 95 lease was relinquished (see ASX announcement dated 28 September 2016).

The SM 57/59/74 in-house preliminary prospective resource estimate net to Byron of 22.4 mmbl and 156.8bcf was announced on 19 July 2017. The Collarini estimate of SM 57/59/74 prospective resource net to Byron, of 23.0 mmbl and 240.1 bcf is 30% above (on mmboe basis) the in-house estimate reflecting the ongoing technical evaluation and continued maturation of mapped prospects within the SM57/59/74 areas.

The table below shows the movement in prospective resources by project between 30 June 2016 and 30 June 2017.

PROSPECTIVE RESOURCES RECONCILIATION (NET TO BYRON)

	OIL MBBL	GAS MMCF	MBOE (6:1)
As at 30 June 2016	**20,180**	**333,359**	**75,740**
Additions			
SM 57/59/74	22,961	240,118	62,981
Revisions			
SM 71	360	19,506	3,611
EI 63/76	-37	-1,529	-292
Bivouac Peak	-1	2	0
Removals			
GI 95	-304	-40,456	-7,047
As at 30 June 2017	**43,159**	**551,000**	**134,993**

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. The 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, contingent resources and prospective resources information in this document is effective as at 30 June, 2017 (Listing Rule (LR) 5.25.1)

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

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

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

(v) The reserves, contingent resources 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, contingents resource 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 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)

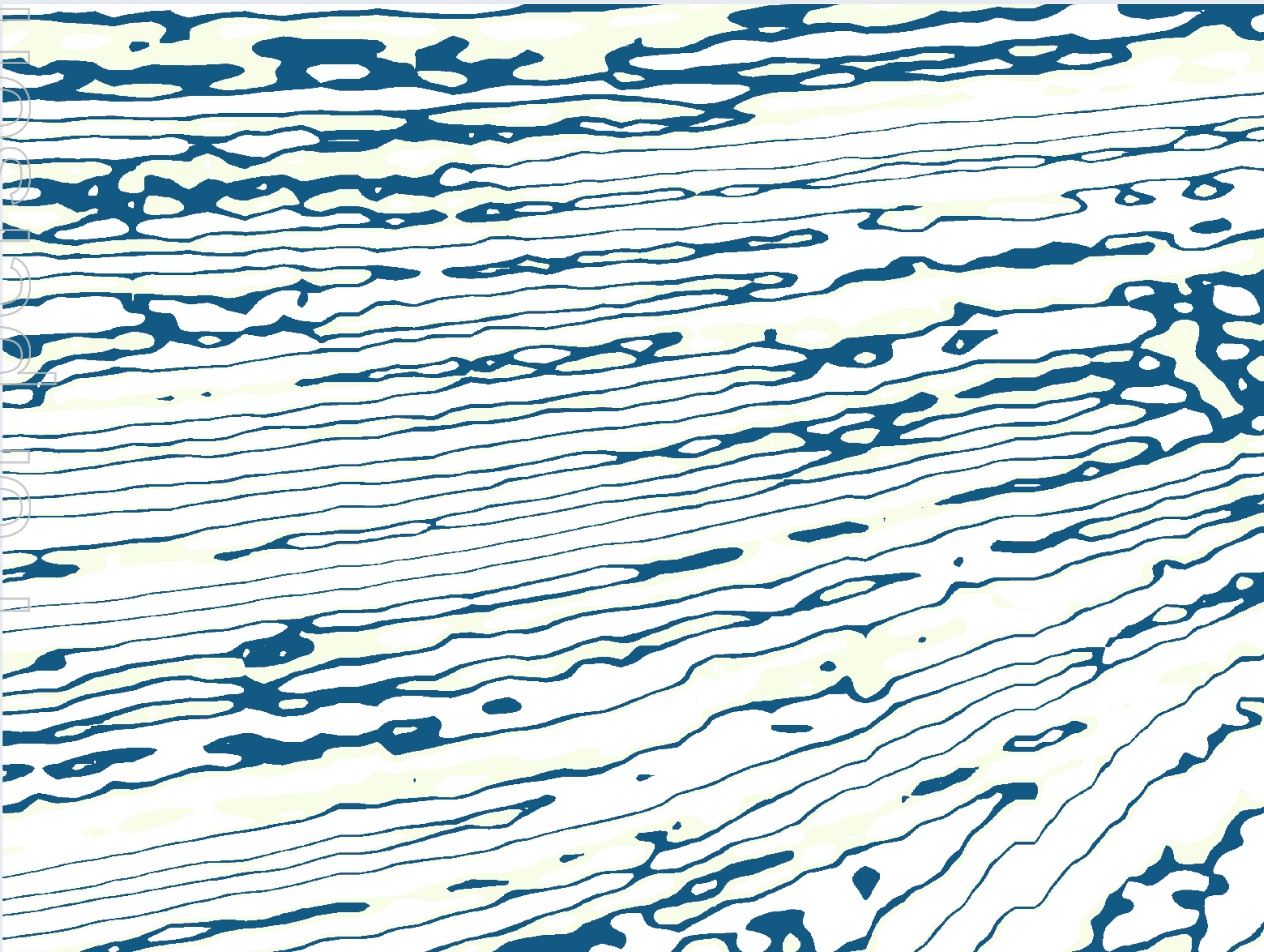
(viii) Prospective resources are reported on a best estimate basis (LR 5.28.1)

(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 reserve, contingent resources 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 2017 (LR 5.39.1)

Financial Report

For year ended
30 June 2017



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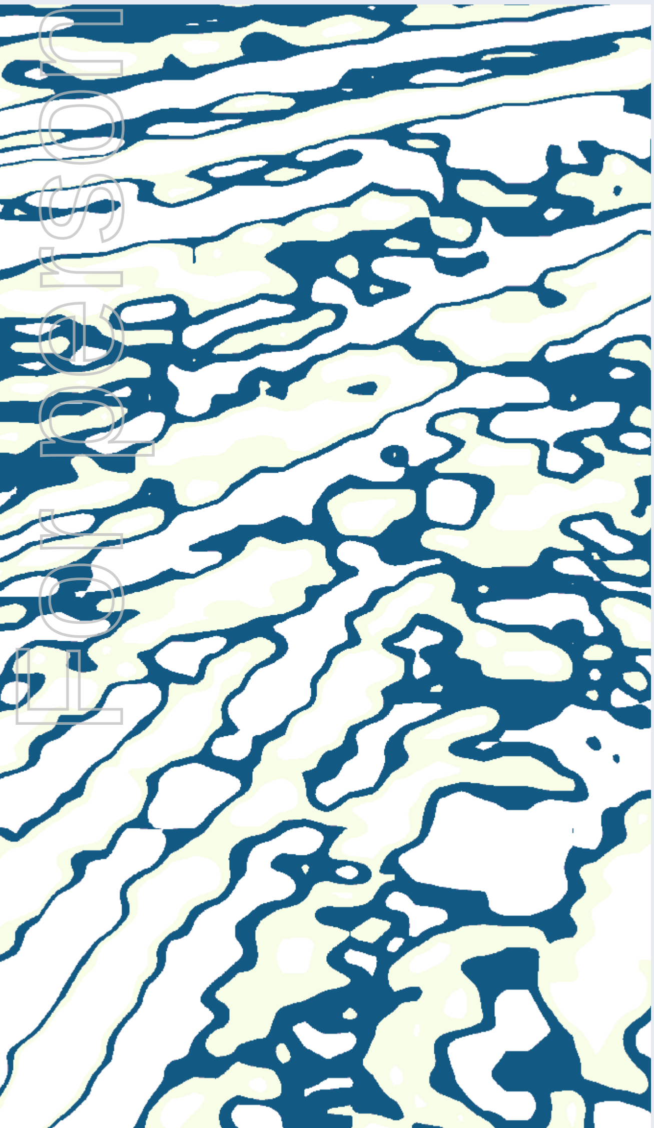

Directors' Report

→ Your directors submit herewith their report together with the Financial Report of Byron Energy Limited ("the consolidated entity" or "Group"), being Byron Energy Limited ("Byron" or the "Company") and its subsidiaries, for the financial year ended 30 June 2017.

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

All directors have held office for the whole year unless otherwise stated.

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.

Doug holds a Master of Science degree in Petroleum Geology and Geochemistry from Melbourne University.

Other current directorships of listed companies
None.

Former directorships of listed companies in last three years
None.

MAYNARD V. SMITH
Executive Director and Chief Executive Officer
Appointed 18th March 2013

Maynard is a geophysicist with over thirty years' technical and managerial experience in the oil and gas industry with a particular focus on the Gulf of Mexico.

Maynard co-founded Darcy Energy Limited, sold to I B Daiwa Corporation in 2005, and Byron Energy (Australia) Pty Ltd where he has been Chief Executive until May 2013 when Byron Energy (Australia) Pty Ltd merged with Trojan Equity Limited to create Byron Energy Limited. Prior to that, Maynard was Chief Operating Officer with Petsec Energy Limited (1989-2000). In the late 1970s and early 1980s Maynard held senior exploration positions with Tenneco Oil Company, based in Bakersfield, California.

Maynard 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.

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.

Charles 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.

Paul 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)

WILLIAM R. SACK
Executive Director
Appointed 3rd October 2014

Bill is an explorationist with 27 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.

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

Other current directorships of listed companies
None.

Former directorships of listed companies in last three years
None.

Summary of shares and options on issue

At 30 June 2017, the Company had 277,447,162 ordinary shares and 23,150,000 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	10,000,000	Ordinary	A$0.25	21 July 2019
Byron Energy Limited	9,500,000	Ordinary	A$0.25	31 December 2019
Byron Energy Limited	1,700,000	Ordinary	A$0.65	30 September 2017
Byron Energy Limited	1,950,000	Ordinary	A$0.25	30 September 2018

During the financial year, 42,390,784 ordinary fully paid shares were issued at A$0.13 per share to existing and new shareholders and to the directors, as approved by shareholders, raising a total of US$4,155,829 (A$5,510,802) before equity raising costs.

Two tranches of share options with an exercise price of $A0.25 cents per share were issued during the year (i) 10,000,000 share options with an expiry of 21 July 2019 to Metgasco Limited as announced on 22 July 2016 and (ii) 9,500,000 share options with an expiry of 31 December 2019 were issued to directors, staff and consultants.

The Company did not receive any applications or consideration for the conversion of options during the year. 36,995,984 share options with an exercise price of A$0.50 lapsed on 31 December 2016. No share options were exercised subsequent to 30 June 2017, through to the date of this report.

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	48,123,203	-	-	-
M. V. Smith	32,313,583	2,500,000	$A0.25	31 December 2019
M. V. Smith	-	6,300,000	$A0.12	31 December 2021
P. H. Kallenberger	1,732,223	2,500,000	$A0.25	31 December 2019
P. H. Kallenberger	-	6,300,000	$A0.12	31 December 2021
C. J. Sands	19,765,997	-	-	-
P. A. Young	20,226,617	-	-	-
W. R. Sack	1,900,000	1,700,000	$A0.65	30 September 2017
W. R. Sack	-	1,700,000	$A0.25	30 September 2018
W. R. Sack	-	2,500,000	$A0.25	31 December 2019
W. R. Sack	-	6,300,000	$A0.12	31 December 2021
N. Filipovic	584,788	1,000,000	$A0.25	31 December 2019
N. Filipovic	-	3,780,000	$A0.12	31 December 2021

During the financial year, 8,500,000 share options and nil shares were granted to directors or key management personnel of the Company after shareholder approval at the Annual General Meeting ("AGM"):

DIRECTOR / KEY MANAGEMENT PERSONNEL	NUMBER OF OPTIONS GRANTED	ISSUING ENTITY	NUMBER OF ORDINARY SHARES UNDER OPTION
M. V. Smith	2,500,000	Byron Energy Limited	2,500,000
P. H. Kallenberger	2,500,000	Byron Energy Limited	2,500,000
W. R. Sack	2,500,000	Byron Energy Limited	2,500,000
N. Filipovic	1,000,000	Byron Energy Limited	1,000,000

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 and transition zone (offshore Louisiana) in the Gulf of Mexico ("GOM"), USA.

Consolidated results

The loss for the consolidated entity after income tax was US$5,357,583 (2016: US$30,944,243 loss).

Review of Operations

FINANCIAL REVIEW

The Group recorded a net loss of US$5,357,583 for the year ended 30 June 2017, compared to a net loss of US$30,944,243 for the year ended 30 June 2016. The reduced net loss is mainly due to substantially lower impairment charges of US$1,241,717 in 2017 (2016: US$28,599,269) in relation to the Group's oil and gas assets. The impairment charge for the year ended 30 June 2017 comprises impairment of incremental South Marsh Island 6 ("SM 6") expenditure and South Marsh Island 70 ("SM 70") carrying cost after the lease expired at the end of July 2017.

At 30 June 2017, the consolidated entity had total assets of US$13,919,656 (2016: US$7,090,662) and total liabilities of US$9,592,243 (2016: US$1,968,776) resulting in net assets of US$4,327,413 (2016: US$5,121,886), a decrease of US$794,473, with increased development expenditure at SM 71 more than offset by the issue of convertible notes to fund development and increased accumulated losses.

At 30 June 2017, the consolidated entity held cash and cash equivalents of US$3,395,501 (2016: US$883,398) of which US$3,221,110 (2016: US$778,853) were denominated in United States dollars and US$174,391 (2016: US$104,545) were denominated in Australian dollars. The consolidated entity issued an A$8,000,000 secured convertible note to Metgasco Limited ("Metgasco"). Apart from this note, the consolidated entity has no other borrowings as at 30 June 2017.

CORPORATE REVIEW

Equity raising

On 11 August 2016, Byron announced an A$5.5 million placement ("Placement").

The Placement consisted of 42,390,784 fully paid new ordinary shares issued at A$0.13 per share to raise A$5.5 million (before issue costs). The Placement shares comprised:-

- an unconditional placement in August 2016 of 36,916,167 shares utilising the Company's existing Listing Rule 7.1 and LR 7.1A placement capacity; and
- a conditional placement in December 2016 of 5,474,617 shares comprising subscriptions by Byron directors (and their associates), as approved by shareholders at the AGM held on 24 November 2016.

Subsequent to year end, (i) the Company announced an A$26.5 million equity raising through a Placement of 379 million new shares. The Placement was approved by shareholders at an Extraordinary General Meeting, ("EGM") held on 18 September 2017, and (ii) the Company also raised A$2.0 million through a Share Purchase Plan.

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

Issue of new share options

On 22 September 2016, Byron announced the issue of 10 million share options with an exercise of A$0.25 and an expiry date of 21 July 2019 to Metgasco after approval by shareholders at EGM held on 12 September 2016.

On 1 December 2016, Byron announced the issue of 9.5 million unlisted share options to directors, staff and contractors of the Company, exercisable at an exercise price of A$0.25 per share on or after issue at any time on or before 31 December 2019, as approved by shareholders at the AGM held on 24 November 2016.

The Company's issued capital as at 30 June 2017 comprised:-

	ISSUED	QUOTED	UNQUOTED
Shares (ASX:BYE)	277,447,162	277,447,162	–
Options	23,150,000	–	23,150,000

Otto and Metgasco options to acquire an interest in Bivouac Peak

As announced on 7 July 2016, Otto exercised its right to acquire 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.

As announced on 28 July 2016, Metgasco exercised its right to acquire an option to earn a 10% 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.

Metgasco Convertible Note

On 22 July 2016, the Company announced that it had secured additional funding by establishing a A$8.0 million convertible note facility with Metgasco, mainly to support the development of SM 71 oil discovery. The entire A$8.0 million was drawn down on 20 January 2017, through the issue of 8,000,000 A$1 notes to Metgasco.

The convertible notes are secured by a General Security Deed over Byron's assets, a negative pledge from Byron and a registered interest over Byron's share of SM 71 project lease.

In addition to the convertible note issue, Byron and Metgasco announced on 9 June 2016:-

a. issue 10 million unlisted options to Metgasco with an exercise price of A$0.25 with a three year term:

b. grant to Metgasco a priority right for up to 10% participation in any issuances of ordinary or preferred equity, or options, by the Company during the term of the Metgasco convertible notes;

c. grant Metgasco the right to farm into Byron's Bivouac Peak prospect for a 10% working interest; and

d. grant Metgasco the opportunity to farm into future Byron projects, should Byron decide to farmout a project, during the term of the convertible notes, subject to Byron's existing obligations to Otto under the Participation Agreement between Byron and Otto, as announced to the ASX on 11 December 2015.

South Marsh Island 71 Salt Dome Project

Byron owns the SM 71 lease ("SM 71") in the South Marsh Island Block 73 ("SM 73") Field. Byron is the designated operator and owns a 50% Working Interest ("WI") and a 40.625% Net Revenue Interest ("NRI") in the block, with Otto Energy Limited ("Otto") holding an equivalent WI and NRI in each block. Water depth in the area is approximately 137 feet. Currently, there is no production on SM 71.

The Company operated and drilled the Byron SM 71 #1 well in May 2016 which logged 151 feet of true vertical thickness hydrocarbons in four sands. The primary target, the D5 Sand, exhibits similar high quality reservoir qualities to analogous producing D5 wells on the adjacent blocks and is the focus of the current development of SM 71. Byron plans to initially complete the SM 71 #1 well in the D5 Sand with expectations of recording initial flow rates similar to those recorded on SM 72 and SM 73 blocks. After completion of the SM 71 #1 well there is potential to drill up to four additional development wells, starting with SM 71 #2 well which will target the prospective B65 Sand and D5 Sand.

During the half year ended 31 December 2016, Byron was in negotiations with an offset operator to transport produced oil and associated gas from an unmanned platform to a facility 5 miles to the east of SM 71 for final separation and sales into existing sales pipelines.

As announced on 23 January 2017, following extensive engineering due diligence, Byron decided to proceed with the installation of a fully manned, Byron operated facility rather than a non-operated satellite platform. The due diligence on the unmanned option identified that limitations on oil production from Byron's well and future wells would have been necessary because some facets of the existing infrastructure would limit associated gas production. Additional previously unknown costs were also identified in oil and gas metering and future water handling capacities.

The manned production structure will have the capacity to produce 4,500 bopd and 20.0 mmcfpd of gas from wells on the facility. Access to adjacent oil and gas sales trunk lines is available on SM 71 and those lines will be utilised for oil and gas sales once production commences. The manned facility is considered a significantly more attractive economic option than the unmanned option because of the ability to handle higher oil and gas production rates and accelerate the development of the oil discovery as additional wells are drilled. Additionally, Byron will have total control over all aspects of production, safety and environmental aspects and will not rely on any third-party facilities or pipelines other than existing sales trunk pipelines. During the second half of the year under review, Byron continued to progress the platform jacket and deck modifications at Laredo's onshore facility in Galveston, Texas. Modifications of the jacket portion of the production platform have been completed. Currently, painting operations are underway with a new coating system being applied to the top of the jacket and all deck areas. As each deck is completed, the yard will install instrument and electrical systems, hang interconnect piping and install skid mounted production equipment. Unless weather issues arise, the decks will be re-stacked and commissioning is expected to begin around mid-September 2017. Load out of the jacket and decks is anticipated by mid to late October 2017.

As far as permitting is concerned, the Development Operations Co-ordination Document ("DOCD") application for SM 71, was approved on 30 June 2017, by the Bureau of Ocean Energy Management ("BOEM").

In addition, the structural permit for the manned tripod and pipeline permits were also submitted to Bureau of Safety and Environmental Enforcement ("BSEE") and approval is awaited. On 28 June 2017, Byron submitted a request to BSEE for a Suspension of Production ("SOP") to allow time to complete the design, fabrication and installation and commissioning of the tripod and pipeline installation later in 2017. The SOP was granted by BSEE subsequent to year end, on 23 August 2017.

South Marsh Island Block 6 Salt Dome Project

As announced on 26 August 2016, in light of Byron's significant success at SM 71 and prevailing low oil and gas prices, Byron decided to focus its resources on development of SM 71 and relinquished the SM 6 lease.

As at 30 June 2017, Byron through its wholly owned subsidiary Byron Energy Inc, held a 100% working interest and an 81.25% net revenue interest in SM 6 and is the operator of the block. In December 2015, Byron had farmed out a 50% working interest to Otto. Otto did not earn an interest in the SM 6 lease because earning depth was not achieved in the SM 6 #2 wellbore. Consequently, Otto was only responsible for a portion of the plugging liability associated with the SM 6 #2 well. Byron was responsible for all other abandonment liabilities on SM 6.

In line with BOEM regulations, Byron plugged and abandoned the two wellbores and removed the temporary caisson that held the wells in mid September 2017.

Eugene Island 63/76 Salt Dome Project

No exploration activity was undertaken on Eugene Island 63/76 during the year.

Eugene Island 18

No exploration activity was undertaken on Eugene Island 18 during the year.

Grand Isle 95

Byron elected to not renew the Grand Isle 95 ("GI 95") lease for the fifth and final year of a five year lease term, relinquishing the lease at the end of September 2016. This block was successfully re-bid by Byron in August 2017.

Bivouac Peak Leases

Bivouac Peak comprises an onshore/marshland lease, acquired from private landowners, over approximately 2,500 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 leasing areas.

Byron's 90% working interest in Bivouac Peak is subject to a promoted farm-in by both Otto and Metgasco.

Otto acquired an option in July 2016 to earn a 45% working interest in Bivouac Peak and Metgasco acquired its option in September 2016, to earn a 10% working interest.

Subsequently, both companies have reimbursed Byron for past costs and currently have an option to earn a working interest in the Bivouac Peak lease by electing to participate in the initial well and paying their disproportionate share of drilling costs and drilling to a specified earning depth. If both companies elect to participate, and upon earning their respective working interests, Byron's working and net revenue interests would be reduced proportionately.

During the year ended 30 June 2017, Byron commenced survey and planning work related to the permitting process for the first Bivouac Peak well. With the SM 71 project being prioritised, survey and planning work relating to the permitting process for the first Bivouac Peak well has slowed with drilling not expected until after production has commenced at SM 71.

Lease Sale 247

Byron Energy Inc, a wholly owned subsidiary of the Company, was the high bidder on each of the four blocks bid at the Central Gulf of Mexico, Outer Continental Shelf ("OCS") Lease Sale 247 held on 22 March, 2017 in New Orleans, Louisiana ("Lease Sale 247 Leases").

The BOEM subsequently awarded Byron three leases and rejected one of the bids, as follows:

BLOCK	WORKING INTEREST	NET REVENUE	STATUS
South Marsh Island Area Block 57 ("SM 57")	100.00%	81.25%	Awarded to Byron.
South Marsh Island Area Block 59 ("SM 59")	100.00%	81.25%	Awarded to Byron.
South Marsh Island Area South Addition Block 74 ("SM 74")	100.00%	81.25%	Awarded to Byron.
Vermilion Area Block 232 ("VR 232")	100.00%*	81.25%*	Byron apparent high bidder; BOEM rejected the bid as insufficient; Byron has appealed the bid decision to BOEM and is awaiting the outcome.

* If the lease is ultimately awarded to Byron, Otto will have a right to acquire a 50% working interest/40.625% net revenue interest, leaving Byron with a 50% working interest/40.625% net revenue interest. Should Byron ultimately not acquire VR 232, Otto will have a right to acquire 50% of SM 74, on same terms, for an amount equal to a gross one hundred thirty-three percent (133%) of Otto's fifty percent (50%) interest share of certain acquisition costs, including the Dry Hole Costs of an Initial Test Well (as defined in the Participation Agreement between Byron and Otto) incurred by Byron plus an amount equal to a gross fifty percent (50%) of certain other acquisition expenses (as defined in the Participation Agreement) incurred and paid by Byron., Otto's rights to acquire further new assets under the Participation Agreement expired effective 31 March 2017.

The SM 57/59/74 blocks were awarded in June 2017 and increased Byron's footprint near Byron's South Marsh Island block 71 ("SM 71") discovery in the SM 73 Field. The bids were generated by interpretation of the Byron's high quality ARTM and Inversion processed 3D seismic data.

On 19 July 2017, Byron announced the Company's current own internal total prospective resources estimate for SM 57/59/74 blocks of 27.5 million barrels of oil and 193.0 bcf of gas on a gross basis (22.4 million barrels of oil and 156.8 bcf of gas net to Byron). SM 57/59/74 will be included in the Company's 2017 annual reserves and resources report to be prepared by Collarini Associates.

Properties

As at 30 June 2017, Byron's portfolio of properties, all in the shallow waters of the Gulf of Mexico, and coastal marshlands of 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	50.00/40.625	July 2017***	22.13
Block 71#	Byron	50.00/40.625	July 2017****	12.16
Block 57	Byron	100.00/81.25	June 2022	21.98
Block 59	Byron	100.00/81.25	June 2022	20.23
Block 74##	Byron	100.00/81.25	June 2022	20.23
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
Transition Zone (Coastal marshlands, Louisiana)				
Bivouac Peak Leases###	Byron	90.00/67.05	September 2018	9.70

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

** On 26 August 2016, Byron announced that it had decided to relinquish the lease and the Bureau of Ocean Energy Management ("BOEM") accepted Byron's voluntary relinquishment of the SM 6 lease. Subsequent to 30 June 2017, Byron has plugged and abandoned the two wellbores and removed the temporary caisson that held the wells. Otto Energy Limited ("Otto") was only responsible for a portion of the plugging liability associated with the SM 6 #2 well. Byron was responsible for all other abandonment liabilities on SM 6.

*** SM 70 expired at the end of July 2017 and capitalised costs were written off as at 30 June 2017.

**** On June 28, 2017 Byron requested a Suspension of Production ('SOP") for lease SM 71. The request is under review by the Bureau of Safety and Environmental Enforcement ("BSEE"), which has sole discretion over the process. Subsequent to 30 June 2017, Byron was granted the SOP in August 2017.

Otto has a 50% working interest in Byron's SM 70/71 leases.

If VR 232 is not awarded to Byron, Otto will have a right to acquire a 50% working interest/40.625% net revenue interest in SM 74, under promoted terms leaving Byron with a 50% working interest/40.625% net revenue interest.

Both Otto and Metgasco Limited ("Metgasco") have acquired an option to earn a 45% and 10% working interest respectively in Byron's Bivouac Peak leases. If both Otto and Metgasco earn into the Bivouac Peak project, Byron's working interest and net revenue interest will reduced to 35% and 26.075% respectively.

Review of Strategy, Principal Risks and Uncertainties Facing the Company

STRATEGY

Since inception Byron has focused on the shallow waters and transition zone (offshore Louisiana) of the OCS in the GOM. Byron intends to remain primarily focused on these GOM areas as the directors believe that the shallow waters and transition zone (offshore Louisiana) 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 low cost 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 for the shallow waters, BOEM; and
- the GOM shallow waters have 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 and transition zone of the GOM.

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

- to identify highly prospective oil and gas plays, aided by leading edge seismic technology such as ARTM, which is particularly effective in the shallow waters of the GOM;
- 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
- 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 a non-operator or another operator with a proven track record of drilling and producing wells in the GOM, retaining a 40-50% working interest in the block.

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;

- 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 GOM, are subject to damage or loss from hurricanes or other adverse weather conditions. These conditions can cause substantial damage to facilities and interrupt operations, including 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.

Specifically:-

a. The Company's estimated proved and probable reserves are based on many assumptions that may turn out to be inaccurate. Any significant inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of its reserves; the process of estimating oil and natural gas reserves-and resources is complex, it requires interpretations of available technical data and many assumptions, including assumptions relating to current and future economic conditions and commodity prices. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and present value of reserves;

b. the development of the Company's proved undeveloped reserves may take longer and may require higher levels of capital expenditures than currently anticipated. All of the Company's proved reserves were classified as proved undeveloped as of 30 June 2017. Delays in the development of the Company's reserves or increases in costs to drill and develop such reserves will reduce future net revenues for such reserves and may ultimately result in some projects becoming uneconomic; and

c. the Company utilises third-party services to maximize the efficiency of its operations. The cost of oil field services may increase or decrease depending on the demand for services by other oil and gas companies. While the Company currently has excellent relationships with oil field service companies, there is no assurance that it will be able to contract for such services on a timely basis or that the cost of such services will remain at a satisfactory or affordable level. Shortages or the high cost of drilling rigs, equipment, supplies or personnel could delay or adversely affect its exploitation and exploration operations, which could have a material adverse effect on its business, financial condition or results of operations.

Oil and Gas Price Risks

Byron has no ability to control the market price for oil and natural gas. Oil and natural gas 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 last three years to 30 June 2017 has seen the WTI benchmark oil prices drop dramatically from a high of US$105.68 on 28 July 2014 to a low of US$26.68 on 20 January 2016. The natural gas benchmark price, Henry Hub, fell from a high of US$4.49 on 20 November 2014 to a low of US$1.64 on 3 March 2016. As at 30 June 2017, the WTI oil price was US$46.02 and the Henry Hub gas was US$3.04. This near term volatility may affect future prices in 2017/2018 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.

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 and 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.

Regulatory Risks

The laws, regulations, policies or current administrative practices of any government body, organization or regulatory agency impacting the conduct of the Company's business activities, including the BOEM and EPA, may be changed, applied or interpreted in a manner which may fundamentally alter the ability of the Company to conduct business. The actions, policies or regulations, or changes thereto, of any government body or regulatory agency or other special interest groups, may have a detrimental effect on the Company. Any or all of these situations may have a negative impact on the Company's ability to operate profitably. Additionally, certain bonding and/or insurance may be required in respect to the Company's operations, increasing its costs to operate.

Competition Risks

The Company operates in a highly competitive environment for generating, evaluating and drilling prospects, for acquiring properties and securing trained personnel. Many of our competitors are major or independent oil and gas companies that possess and employ financial resources well in excess of the Company's. The Company actively competes with other companies when acquiring new leases for oil and natural gas properties. For example, new leases acquired from the BOEM are acquired through a "sealed bid" process and are generally awarded to the highest bidder. These additional resources can be particularly important in reviewing prospects and purchasing properties. The competitors may also have a greater ability to continue drilling activities during periods of low oil and natural gas prices, such as the current commodity price environment, and to absorb the burden of current and future governmental regulations and taxation. Competitors may be able to evaluate, bid for and purchase a greater number of properties and prospects than the Company's financial or personnel resources permit. Competitors may also be able to pay more for productive oil and natural gas properties and exploratory prospects than the Company is able or willing to pay. Further, competitors may be able to expend greater resources on the existing and changing technologies that the Company believes will impact achieving success in the industry. If the Company is unable to compete successfully in these areas in the future, its operations would be adversely affected.

Other risks

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

→ the Company's current level of indebtedness, through the $A8.0 million convertible notes on issue at 30 June 2017, may reduce the Company's financial flexibility; the Company's ability to meets its debt obligations depends on its future performance which is affected by general economic conditions, oil and gas prices and financial business and other factors;

→ adverse exchange rate movements between the US dollar and the Australian dollar may impact upon cash balances held in Australian dollars; although most of the Company's operations are conducted in US dollars the Company raises equity funds in Australian dollars; the Company does not hedge currencies however the current policy is to convert the majority of its cash balances to US dollars;

→ 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;

→ 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; and

→ the oil and gas industry has become increasingly dependent on digital technologies to conduct certain exploration, development, production, processing and distribution activities. For example, the Company depends on digital technologies to interpret seismic data, conduct reservoir modelling and record financial and other data; the industry faces various security threats, including cyber-security threats. Although to date, the Company has not experienced any material losses related to cyber-security attacks, it may suffer such losses in the future. If any of these events were to materialise, they could have a material adverse effect on the Company's operations and financial position.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has been no matter or circumstance since 30 June 2017 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 14 August 2017 the Company announced that commitments have been received to raise A$26.5 million through a Placement of 379 million new shares. The Placement was supported by a number of the Company's larger shareholders, including interests associated with directors, as well as several new professional and sophisticated investors. The Placement, including subscriptions from Directors, was approved by shareholders at an EGM held on 18 September 2017 and subsequently completed in late September 2017;

ii. on 17 August 2017 the Company announced that it was the high bidder on Grand Isle 95 block, at the Gulf of Mexico Outer Continental Shelf Lease Sale 249 held on 16 August 2017;

iii. on 21 August 2017 the Company announced a Share Purchase Plan ("SPP"). The SPP allowed shareholders who at the record date of 7pm (Sydney time) on 11 August 2017, had a registered address in Australia or New Zealand, the opportunity to subscribe for a maximum of A$15,000 worth of ordinary shares in the Company at a subscription price of A$0.07 per share up to a maximum of A$2.0 million. The SPP closed in late September 2017 and raised A$2.0 million;

iv. on 29 August 2017 the Company announced that it had received notice that its Suspension of Production ("SOP") request for SM 71 has been granted by the Bureau of Safety and Environmental Enforcement and is effective from 1 August 2017 through 30 November 2017. The approved SOP is based on an activity schedule submitted by Byron. In accordance with this activity schedule, the Company will first complete the platform fabrication, submit an Application for Permit to Modify the initial completion of SM 71 #1 well and an Application for Permit to Drill SM 71 #2 well. Under the activity schedule, operations for drilling of SM 71 #2 well and completion of SM 71 #1 well are expected to commence before the end of November 2017;

v. at the end of July 2017, Byron's South Marsh Island 70 lease expired and Byron's capitalised cost for this lease was expensed to the profit and loss statement on 30 June 2017;

vi. on 18 August 2017 the Company announced that Chief Executive Officer, Maynard Smith, and the two Executive Directors, Prent Kallenberger and Bill Sack, agreed to enter into new 3 year service agreements, the terms of which will be finalised and announced to the ASX. As part of the consideration for entering into the service agreements they have each been granted 6.3 million incentive options ("Options"). Shareholder approval was obtained at an EGM held on 18 September 2017. The Options are exercisable at a price of A$0.12 each at any time before 31 December 2021 and will be unlisted. In addition, a total of 9.45 million share options, on the same terms and conditions as those granted to Messrs Smith, Kallenberger and Sack, have been granted to other senior managers and consultants, subject to shareholder approval. Approval for the issue of these options was obtained at the EGM; and

vii. on 28 September 2017 the Company released its annual reserves and resources report as at 30 June 2017, prepared by Collarini Associates, based in Houston, Texas, USA.

FUTURE DEVELOPMENTS

It is expected that the consolidated entity will continue its oil and gas exploration and development activities in the shallow and transition zone 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 (2016: nil).

ENVIRONMENTAL REGULATION

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

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

NON-AUDIT SERVICES

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

AUDITOR INDEPENDENCE DECLARATION

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

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year, there were no significant changes in the state of affairs of the consolidated entity, other than those set out in the Review of Operations.

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 seven Board meetings and four 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	7	7	–	–
Maynard V. Smith	7	7	–	–
Prent H. Kallenberger	7	7	–	–
Charles J. Sands	7	6	4	4
Paul A. Young	7	7	4	4
William R. Sack	7	7	–	–

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 2017. 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

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.

Remuneration Report – Audited (Continued)

ADDITIONAL INFORMATION

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

	30 JUNE 2013 US$	30 JUNE 2014 US$	30 JUNE 2015 US$	30 JUNE 2016 US$	30 JUNE 2017 US$
Revenue	231,926	–	–	–	–
Net loss before tax	(3,820,053)	(7,305,087)	(4,238,855)	(30,944,243)	(5,357,583)
Net loss after tax	(3,820,053)	(7,305,087)	(4,238,855)	(30,944,243)	(5,357,583)
Share price at start of year	N/A	A$0.405	A$0.70	A$0.23	A$0.15
Share price at end of year	A$0.405	A$0.70	A$0.23	A$0.15	A$0.095
Basic earnings per share	(US$0.035)	(US$0.057)	(US$0.029)	(US$0.147)	(US$0.02)
Diluted earnings per share	(US$0.035)	(US$0.057)	(US$0.029)	(US$0.147)	(US$0.02)

(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).

Remuneration Report – Audited (Continued)

(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 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 As announced to the ASX on 30 May 2016, Mr Smith agreed to extend his contract with the Company for a further six months until 24 November 2016. Effective 1 April 2015, Mr Smith's service agreement remuneration was reduced by one third to A$160,000 per annum plus reasonable and justifiable business expenses. Since 24 November 2016, Mr Smith has continued in his role as CEO with remuneration at a rate of A$160,000 per annum plus reasonable and justifiable business expenses. On 15 September 2017, the Company announced that Mr Smith had entered into a new service agreement, for 3 years commencing on 15 September 2017. Under the new service agreement Mr Smith's remuneration will continue at the current rate of A$160,000 per annum in fixed remuneration. His remuneration will be reviewed after production at SM 71 has commenced. In addition, Mr Smith will be eligible to participate in the Company's short and long term incentive scheme as determined by the Board from time to time.

Prent Kallenberger

The Company entered into an employment 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. As announced to the ASX on 30 May 2016, Mr Kallenberger agreed to extend his contract with the Company for a further six months until 24 November 2016. Effective 1 April 2015, Mr Kallenberger's service agreement remuneration was reduced by one third to US$234,000 per annum plus medical insurance and reasonable and justifiable business expenses. Since 24 November 2016 Mr Kallenberger has continued in his role with remuneration at a rate of US$234,000 per annum plus medical insurance and reasonable and justifiable business expenses. On 15 September 2017, the Company announced that Mr Kallenberger had entered into a new service agreement, for 3 years commencing on 15 September 2017. Under the new service agreement, Mr Kallenberger's remuneration will be reinstated to its former level of US$350,000 per annum in fixed remuneration plus medical insurance. In addition, Mr Kallenberger will be eligible to participate in the Company's short and long term incentive scheme as determined by the Board from time to time.

William Sack

The Company entered into an employment 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 3 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 to US$234,000 per annum plus medical insurance and reasonable and justifiable business expenses. On 15 September 2017, the Company announced that Mr Sack had entered into a new service agreement for 3 years commencing on 15 September 2017. Under the new service agreement, Mr Sack's remuneration will be reinstated to its former level of US$350,000 per annum in fixed remuneration plus medical insurance. In addition, Mr Sack will be eligible to participate in the Company's short and long term incentive scheme as determined by the Board from time to time.

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$300,000 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. Commencing on 1 October 2017, Mr Filipovic's remuneration under his letter of engagement will be reinstated to its former level of A$300,000 per annum plus superannuation at statutory rate.

Remuneration Report – Audited (Continued)

B. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Options

2,500,000 share options were each issued to directors, Maynard Smith, Prent Kallenberger, William Sack and 1,000,000 share options to Nick Filipovic following the approval of resolutions to issue the options at the Company's AGM. Apart from this issue, no other share options were issued to directors and other key management personnel during the year (2016: 1,700,000 options) and 2,050,000 share options lapsed on 31 December 2016. No options were 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	VESTING DATE	EXPIRY DATE	EXERCISE PRICE	FAIR VALUE AT GRANT DATE
M. Smith	2,500,000	24 Nov 2016	24 Nov 2016	31 Dec 2019	$A0.25	A$0.0489
P. Kallenberger	2,500,000	24 Nov 2016	24 Nov 2016	31 Dec 2019	$A0.25	A$0.0489
W. Sack	2,500,000	24 Nov 2016	24 Nov 2016	31 Dec 2019	$A0.25	A$0.0489
W. Sack	1,700,000	25 Nov 2014	25 Nov 2014	30 Sept 2017	$A0.65	A$0.1790
W. Sack	1,700,000	15 Feb 2016	15 Feb 2016	30 Sept 2018	$A0.25	A$0.0959
N. Filipovic	1,000,000	24 Nov 2016	24 Nov 2016	31 Dec 2019	$A0.25	A$0.0489

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

The following table summarises the value of remuneration options granted during the year. Other than the value of options granted in the table below, there were no other directors and other key management personnel options granted or exercised during the year.

GRANTEES	VALUE OF OPTIONS GRANTED IN US$*
Mr M. V. Smith	92,218
Mr P. Kallenberger	92,218
Mr W. R. Sack	92,218
Mr N. Filipovic	36,887

* The value of the options granted to a director as part of their remuneration is calculated as at the grant date in accordance with AASB 2 using a binomial pricing model.

Remuneration Report – Audited (Continued)

	SHORT TERM EMPLOYEE BENEFITS				POST EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS	
	SALARIES & FEES US$	SHORT TERM CASH INCENTIVE US$	OTHER BENEFITS US$	SERVICE AGREEMENTS US$	SUPERANNUATION US$	OPTIONS US$	TOTAL US$
2017							
Directors							
D. G. Battersby	–	–	–	60,360	–	–	**60,360**
M. S. Smith	–	–	–	120,720	–	92,218	**212,938**
P. H. Kallenberger	243,667	–	26,805	–	–	92,218	**362,690**
C. J. Sands	30,180	–	–	–	–	–	**30,180**
P. A. Young	30,180	–	–	–	2,867	–	**33,047**
W. R. Sack	243,667	–	19,000	–	–	92,218	**354,885**
Key management personnel							
N. Filipovic	150,900	–	–	–	14,336	36,887	**202,123**
	698,594	**–**	**45,805**	**181,080**	**17,203**	**313,541**	**1,256,223**
2016							
Directors							
D. G. Battersby	–	–	–	58,264	–	–	**58,264**
M. S. Smith	–	–	–	116,528	–	–	**116,528**
P. H. Kallenberger	234,000	–	25,023	–	–	–	**259,023**
C. J. Sands	29,132	–	–	–	–	–	**29,132**
P. A. Young	29,132	–	–	–	2,768	–	**31,900**
W. R. Sack	234,000	–	18,000	–	–	118,716	**370,716**
Key management personnel							
N. Filipovic	145,660	–	–	–	13,838	–	**159,498**
	671,924	**–**	**43,023**	**174,792**	**16,606**	**118,716**	**1,025,061**

BONUSES

No bonuses were granted during the financial year ended 30 June 2017 (2016: 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 2017, fully disclosed in Note 26 Related party transactions in the Notes to the Financial Statements.

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:

Remuneration Report – Audited (Continued)

Ordinary Shares

DIRECTOR / KEY MANAGEMENT PERSONNEL	BALANCE ON 1 JULY 2016	GRANTED AS COMPENSATION	RECEIVED ON EXERCISE OF OPTIONS	PLACEMENT AND LOANS CONVERTED*	BALANCE ON 30 JUNE 2017
	Number	Number	Number	Number	Number
D. G. Battersby	28,067,203	–	–	2,056,000	30,123,203
M. S. Smith	18,027,868	–	–	–	18,027,868
P. H. Kallenberger	1,732,223	–	–	–	1,732,223
C. J. Sands	11,865,997	–	–	–	11,865,997
P. A. Young	6,452,000	–	–	3,474,617	9,926,617
W. R. Sack	700,000	–	–	–	700,000
N. Filipovic	584,788	–	–	–	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 ON 1 JULY 2016	GRANTED AS COMPENSATION	EXERCISE OF OPTIONS	EXPIRED	BALANCE ON 30 JUNE 2017
	Number	Number	Number	Number	Number
D. G. Battersby	6,397,876	–	–	(6,397,876)	–
M. S. Smith	5,956,111	2,500,000	–	(5,956,111)	2,500,000
P. H. Kallenberger	3,450,000	2,500,000	–	(3,450,000)	2,500,000
C. J. Sands	1,953,574	–	–	(1,953,574)	–
P. A. Young	171,200	–	–	(171,200)	–
W. R. Sack	3,400,000	2,500,000	–	–	5,900,000
N. Filipovic	3,037,000	1,000,000	–	(3,037,000)	1,000,000

During the financial year, Byron directors Smith, Kallenberger and Sack were each granted 2,500,000 share options and the Company Secretary was granted 1,000,000 share options. All share options granted were approved at the Companies' AGM.

End of Remuneration Report.

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

Doug Battersby
Chairman

28 September 2017

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 2017, 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

Alison Brown

Alison Brown
Partner
Chartered Accountants
Melbourne, 28 September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

		CONSOLIDATED	
	NOTE	2017 US$	2016 US$
Expenses			
Corporate and administration costs		(1,503,082)	(1,455,652)
Impairment expense		(1,241,717)	(28,599,269)
Share based payments		(754,493)	(139,051)
Depreciation / amortisation of property, plant & equipment		(15,957)	(19,496)
Other expenses		(1,220,724)	(692,340)
Earnings before interest and tax (EBIT)	**2**	**(4,735,973)**	**(30,905,808)**
Financial income	3	12,398	42,062
Financial expense	3	(634,008)	(80,497)
Loss before tax		**(5,357,583)**	**(30,944,243)**
Income tax expense	4	–	–
Loss for the year from continuing operations		**(5,357,583)**	**(30,944,243)**
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		(144,321)	27,609
Total comprehensive loss for the year		**(5,501,904)**	**(30,916,634)**
Earnings per share			
Basic (cents per share)	5	(2.0)	(14.7)
Diluted (cents per share)	5	(2.0)	(14.7)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

		CONSOLIDATED	
	NOTE	2017 US$	2016 US$
Assets			
Current assets			
Cash and cash equivalents	18(b)	3,395,501	883,398
Trade and other receivables	6	1,026,142	26,997
Other	7	665,930	816,392
Total current assets		**5,087,573**	**1,726,787**
Non-current assets			
Other	7	475,289	475,325
Exploration and evaluation assets	8(a)	2,421,473	4,834,429
Oil and gas properties	8(b)	5,896,622	–
Property, plant and equipment	9	36,921	47,181
Other intangible assets	10	1,778	6,940
Total non-current assets		**8,832,083**	**5,363,875**
Total assets		**13,919,656**	**7,090,662**
Liabilities			
Current liabilities			
Trade and other payables	11	2,329,884	1,327,912
Provisions	12	828,601	524,914
Borrowings	13	2,307,600	–
Total current liabilities		**5,466,085**	**1.852,826**
Non-current liabilities			
Provisions	12	127,758	115,950
Borrowings	13	3,998,400	–
Total non-current liabilities		**4,126,158**	**115,950**
Total liabilities		**9,592,243**	**1,968,776**
Net assets		**4,327,413**	**5,121,886**
Equity			
Issued capital	14	77,993,786	74,040,848
Foreign currency translation reserve	15	(288,088)	(143,767)
Share option reserve	15	3,252,595	2,498,102
Accumulated losses		(76,630,880)	(71,273,297)
Total equity		**4,327,413**	**5,121,886**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	ORDINARY SHARE CAPITAL US$	SHARE OPTION RESERVE US$	FOREIGN CURRENCY TRANSLATION RESERVE US$	ACCUMULATED LOSSES US$	TOTAL US$
Consolidated entity					
Balance at 1 July 2015	**69,598,257**	**2,359,051**	**(171,376)**	**(40,329,054)**	**31,456,878**
Loss for the year	–	–	–	(30,944,243)	(30,944,243)
Exchange differences arising on translation of the parent entity	–	–	27,609	–	27,609
Total comprehensive loss for the year	–	–	27,609	(30,944,243)	(30,916,634)
The issue of 900,000 shares under a placement at A$0.25 per share	170,663	–	–	–	170,663
The issue of 29,928,333 shares under a placement at A$0.15 per share	3,089,201	–	–	–	3,089,201
The issue of 1,870,344 shares under a share purchase plan at A$0.15 per share	198,998	–	–	–	198,998
The issue of 10,337,966 shares upon the conversion of loans at A$0.15 per share	1,116,500	–	–	–	1,116,500
Recognition of share-based payments	–	139,051	–	–	139,051
Equity raising costs	(132,771)	–	–	–	(132,771)
Balance at 30 June 2016	**74,040,848**	**2,498,102**	**(143,767)**	**(71,273,297)**	**5,121,886**
Balance at 1 July 2016	**74,040,848**	**2,498,102**	**(143,767)**	**(71,273,297)**	**5,121,886**
Loss for the year	–	–	–	(5,357,583)	(5,357,583)
Exchange differences arising on translation of the parent entity	–	–	(144,321)	–	(144,321)
Total comprehensive loss for the year	–	–	(144,321)	(5,357,583)	(5,501,904)
The issue of 36,916,167 shares under a placement at A$0.13 per share	3,628,601	–	–	–	3,628,601
The issue of 5,474,617 shares under a placement at A$0.13 per share	527,228	–	–	–	527,228
Recognition of share-based payments	–	754,493	–	–	754,493
Equity raising costs	(202,891)	-	–	–	(202,891)
Balance at 30 June 2017	**77,993,786**	**3,252,595**	**(288,088)**	**(76,630,880)**	**4,327,413**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

		CONSOLIDATED	
	NOTE	2017 US$	2016 US$
Cash flows from operating activities			
Payments to suppliers and employees		(2,777,225)	(2,926,658)
Interest paid		(327,630)	(100,943)
Interest received		2,213	8,462
Net cash flows used in operating activities	**18(a)**	**(3,102,642)**	**(3,019,139)**
Cash flows from investing activities			
Payments for development, exploration & evaluation assets		(4,353,697)	(5,325,649)
Payments for property, plant and equipment		–	(4,270)
Net cash flows generated used in investing activities		**(4,353,697)**	**(5,329,919)**
Cash flows from financing activities			
Proceeds from issues of ordinary shares		4,155,828	3,458,863
Payment of equity raising and transaction costs		(202,891)	(160,861)
Proceeds from borrowings		6,010,400	–
Net cash flows from financing activities		**9,963,337**	**3,298,002**
Net increase (decrease) in cash and cash equivalents held		**2,506,998**	**(5,051,056)**
Cash and cash equivalents at the beginning of the year		**883,398**	**5,970,070**
Effect of exchange rate changes on the balance of cash held in foreign currencies		5,105	(35,616)
Cash and cash equivalents at the end of the year	**18(b)**	**3,395,501**	**883,398**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Note **Contents**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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 28 September 2017.

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

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

Standard/Interpretation

1. AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
2. AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
3. AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation
4. AASB 1057 Amendments to Australian Accounting Standards – Application of Australian Accounting Standards, AASB 2015-9 Scope and Application Paragraphs

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 year.

STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

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 have not yet determined whether the adoption of these standards will have any material impact on the preparation of the financial statements.

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 2016-1 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	30 June 2018
AASB 2016-2 'Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018
AASB 9 'Financial Instruments' 2014	1 January 2018	30 June 2019
AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Effective date of AASB 15, AASB 2016-3 Clarifications to AASB 15	1 January 2018	30 June 2019
AASB 2016-5 Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
AASB 2016-6 Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020

STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE – IASB AND IFRIC INTERPRETATIONS

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations (for which Australian equivalent Standards and Interpretations have not yet been issued) were in issue but not yet effective:

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
IFRS 2 Share-based Payment – amendments clarifying how to account for certain types of share-based payment transactions	1 January 2018	30 June 2019
IFRIC 23 Uncertainty over Income Tax Treatments. This interpretation aims to reduce diversity in how companies recognise and measure a tax liability or tax asset when there is uncertainty over income tax treatments.	1 January 2019	30 June 2020

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Joint venture arrangements

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

Transactions eliminated on consolidation

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

(B) EXPLORATION AND EVALUATION EXPENDITURE

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

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

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

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

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

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

Exploration and evaluation assets are assessed for impairment if:-

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

ii. (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 and development is proceeding, 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 directors, staff, consultants 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(o).

(D) GOODS AND SERVICES TAX

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

i. (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. (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 post-tax discount 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. Refer to note 8 for further details.

Reversals of impairment

Impairment losses are reversed when there has been a change in the estimates used to determine recoverable amounts.

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

(F) FOREIGN CURRENCY

Functional and presentation currency

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

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

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

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

Foreign currency transactions and balances

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

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

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

Interest bearing loans and borrowings repayable in fixed currency denominations

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

(G) REVENUE RECOGNITION

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

Interest revenue

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

(H) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

(I) INCOME TAX

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

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

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

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

(J) CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and deposits held at call with financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

(K) FINANCIAL ASSETS

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

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

Receivables

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

Impairment of financial assets

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

(L) EMPLOYEE BENEFITS

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

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

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

Defined contribution plans

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

(M) PROPERTY, PLANT AND EQUIPMENT (INCLUDING SOFTWARE)

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

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

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

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

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

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

(N) PROVISIONS

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

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

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

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.

(O) SHARE BASED PAYMENTS

Equity settled share based payments with directors, 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.

(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.

Borrowing, finance and interest costs

Borrowing, finance and interest costs comprise interest payable on borrowings calculated using the effective interest rate method, loans transactions costs, lease finance charges, amortisation of discounts or premiums related to the borrowings and the unwinding of discounts on the rehabilitation provisions.

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) 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.

(R) OIL AND GAS PROPERTIES

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

In addition, costs include:-

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2. Loss for the year

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

	CONSOLIDATED	
	2017 US$	2016 US$
Professional and consulting costs	882,010	435,585
Insurance	58,918	50,550
Operating lease rental expense	138,869	147,116
Employee benefits expense		
Other employee benefits	824,639	790,814
Share based payments (share options issued to a directors and staff)	324,607	118,716
Defined contribution superannuation expense	22,005	21,242
	1,171,251	**930,772**

3. Financial income and expenses

	2017 US$	2016 US$
Financial Income		
Interest income	2,213	8,462
Foreign exchange gain on A$ denominated loans	10,185	33,600
	12,398	**42,062**
Financial Expense		
Interest expense	608,494	31,225
Unwinding of discount on rehabilitation of oil and gas properties	5,990	–
Interest expense paid to related parties	19,524	49,272
	634,008	**80,497**

4. Income tax

	CONSOLIDATED 2017 US$	2016 US$
Income tax recognised in profit and loss	**–**	**–**
The prima facie income tax expense / (benefit) on pre tax accounting loss reconciles to the income tax expense / (benefit) in the financial statements as follows:		
Loss from continuing operations	**(5,357,583)**	**(30,944,243)**
Income tax benefit calculated at 30%	(1,607,275)	(9,283,273)
Expenditure not allowable for income tax purposes	14,690	4,800
Non tax deductible share based payments expense	226,348	41,715
Effect of different tax rates of subsidiaries operating in other jurisdictions	(304,845)	(1,630,192)
Tax losses and tax offsets not recognised as deferred tax assets	1,671,082	10,866,950
Income tax expense / (benefit) on continuing operations	**–**	**–**
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences and tax losses attributable to:		
Australian tax losses	2,409,883	1,900,735
USA tax losses	22,946,390	23,098,077
Temporary differences	(294,296)	(1,640,863)
Total deferred tax assets not recognised	**25,061,977**	**23,357,949**

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 2017

5. Earnings per share

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

	CONSOLIDATED 2017 US$	2016 US$
Net loss for the year	**(5,357,583)**	**(30,944,243)**
Basic loss per share	(0.02)	(0.147)
Diluted loss per share	**(0.02)**	**(0.147)**
Weighted average number of ordinary shares	269,675,754	209,914,584
Weighted average number of diluted options outstanding	–	–
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**269,675,754**	**209,914,584**
Anti-dilutive options on issue not used in the dilutive earnings per share calculation	**23,150,000**	**40,645,984**

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

GST receivable	12,614	8,103
Joint venture and other receivables	1,013,528	18,894
	1,026,142	**26,997**

7. Other assets

Current		
Prepayments	102,160	77,854
Security deposits	563,770	738,538
	665,930	**816,392**
Non-Current		
Prepayments	289	325
Security deposits	475,000	475,000
	475,289	**475,325**

8(a). Exploration and evaluation assets

	CONSOLIDATED	
	2017 US$	**2016 US$**
Costs carried forward in respect of areas in the exploration and/or evaluation phase at cost:	**2,421,473**	**4,834,429**
Reconciliation of movements:-		
Carry amount at the beginning of the financial year	4,834,429	27,407,054
Additions at cost	1,129,019	6,026,644
Amounts transferred to oil and gas properties	(2,300,258)	–
Impairment expense	(1,241,717)	(28,599,269)
Carrying amount at the end of the financial year	**2,421,473**	**4,834,429**

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 two leases, one was relinquished in the prior year of which immaterial residual costs are still incurred and a second lease was impaired due to its impending lease expiry.

8(b). Oil and gas properties

Costs carried forward in respect of areas in the oil and gas properties at cost:	**5,896,622**	**–**
Reconciliation of movements:-		
Carry amount at the beginning of the financial year	–	–
Additions at cost	3,596,364	–
Amounts transferred from exploration and evaluation assets	2,300,258	–
Carrying amount at the end of the financial year	**5,896,622**	**–**

Recoverable amount

The estimated recoverable amount of all cash generating units in the development or production phase is determined by discounting the estimated future cash flows to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. The consolidated entity utilises future cash flows as estimated by independent petroleum engineers for this assessment. The key assumptions used include: (i) estimated future production based on proved and probable reserves (2P reserves), (ii) hydrocarbon prices that the consolidated entity estimates to be reasonable, taking into account historical prices, current prices, and prices used in making its exploration and development decisions, and (iii) future operating and development costs as estimated by the Company and reviewed for reasonableness by the independent petroleum engineers.

The estimated recoverable amount of Byron's oil and gas properties is sensitive to a change in estimated recoverable reserves, oil and gas prices, discount rates and cost estimates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

9. Property, plant and equipment

	CONSOLIDATED 2017 US$	2016 US$
Buildings at cost	11,237	10,848
Accumulated depreciation	(3,106)	(2,727)
	8,131	**8,121**
Reconciliation of movements:-		
Carry amount at the beginning of the financial year	8,121	8,682
Depreciation for year	(275)	(267)
Foreign currency translation movements	285	(294)
Carrying amount at the end of the financial year	**8,131**	**8,121**
Plant and equipment at cost	105,625	107,270
Accumulated depreciation	(76,835)	(68,210)
	28,790	**39,060**
Reconciliation of movements:-		
Carry amount at the beginning of the financial year	39,060	49,071
Additions at cost	–	4,270
Depreciation for year	(10,517)	(13,911)
Foreign currency translation movements	247	(370)
Carrying amount at the end of the financial year	**28,790**	**39,060**
Total property, plant and equipment	**36,921**	**47,181**

10. Other intangible assets

	2017 US$	2016 US$
Other intangible (software) assets at cost	62,112	61,654
Accumulated amortisation	(60,334)	(54,714)
	1,778	**6,940**
Reconciliation of movements:-		
Carry amount at the beginning of the financial year	6,940	12,258
Amortisation for year	(5,162)	(5,318)
Carrying amount at the end of the financial year	**1,778**	**6,940**

11. Trade and other payables

	CONSOLIDATED	
	2017 US$	**2016 US$**
Current		
Trade payables	2,011,622	876,225
Other payables and accrued expenses	318,262	451,687
	2,329,884	**1,327,912**

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)

12. Provisions

Current		
Accumulated employee entitlements	87,741	79,914
Site restoration	740,860	445,000
	828,601	**524,914**
Non-current		
Accumulated employee entitlements	41,897	36,079
Site restoration	85,861	79,871
	127,758	**115,950**
Site restoration provisions		
Reconciliation of movements:-		
Carrying amount at the beginning of the financial year	524,871	339,565
Unwinding of discount	5,990	-
Additions	295,860	185,306
Carrying amount at the end of the financial year	**826,721**	**524,871**

Provisions are recognised for the Group's restoration obligations at SMI 6 and SMI 71. 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 (n).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

13. Borrowings

	CONSOLIDATED	
	2017 US$	**2016 US$**
Current secured		
Convertible note – debt liability	2,307,600	–
Total current borrowings	**2,307,600**	**–**
Non-Current secured		
Convertible note – debt liability	3,578,944	–
Convertible note – derivative liability	419,456	–
Total non-current borrowings	**3,998,400**	**–**

On 22 July 2016, Byron and Metgasco Limited (ASX:MEL) entered into a 3-year agreement to issue up to A$ 8 million in Convertible Notes ("Convertible Note"), repayable over the course of the agreement. The key financing terms of the agreement are listed below:

i. Security: the Convertible Note will be secured by a General Deed of Security and Priority (over Byron's assets), a Negative Pledge from Byron and a registered interest over Byron's share of SM 70/71 leases;

ii. Use of Funds: Development of production assets at SM70/71, associated purposes and general working capital;

iii. Drawdown: Facility to be drawn down within six months of establishment (undrawn funds at six months are deducted from the available facility limit);

iv. Interest only for first twelve months from establishment on drawn funds then amortising in eight equal instalments over balance of term;

v. Facility Fee: 2.5% of Face Value (A$ $200,000), payable on first drawdown under the Facility;

vi. Line Fee: 2% , payable quarterly in advance, for the first six months of the facility on the Face Value and then, thereafter, on the drawn (outstanding) balance under the Convertible Note;

vii. Coupon: on drawn funds at 12% pa, payable quarterly in arrears;

viii. Conversion: convertible at Metgasco's election after eighteen months from initial drawdown with one week's notice at a 10% discount to the then prevailing 30 day volume weighted average price ("VWAP") of Byron;

ix. Repayment: Repayable early by Byron with one month's notice (a) at any time after 90 days from initial drawdown until expiry of 18 months from initial drawdown at 115% of principal outstanding (along with any accrued interest and line fee), and (b) at any time after 18 months from initial drawdown at 105% of principal outstanding (along with any accrued interest and line fee).

On 20 January 2017, Metgasco subscribed for the full 8.0 million @ A$1.00 convertible notes (unquoted). The convertible notes will be repayable over the remainder of the term of the agreement (that is, by 21 July 2019).

The net proceeds received from the issue of the convertible notes have been split between the financial liability element and an embedded derivative component, representing the residual attributable to the option to convert the financial liability into equity of the Company. The liability component is measured at amortised cost The net debt liability is amortised by the effective interest rate of 20.90% over the term of the notes and the derivative liability is expensed over the life of the convertible notes.

14. Issued capital

	CONSOLIDATED	
	2017 US$	2016 US$
(a) Issued and paid up capital	**77,993,786**	**74,040,848**

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.

	2017		2016	
	NUMBER	US$	NUMBER	US$
(b) Movement				
Fully paid ordinary shares				
Balance at beginning of the financial year	235,056,378	74,040,848	192,019,735	69,598,257
Shares issued				
The issue of 36,916,167 shares under a placement at A$0.13 per share	36,916,167	3,628,601		
The issue of 5,474,617 shares under a placement at A$0.13 per share	5,474,617	527,228		
The issue of 900,000 shares under a placement at A$0.25 per share			900,000	170,663
The issue of 29,928,333 shares under a placement at A$0.15 per share			29,928,333	3,089,201
The issue of 1,870,344 shares under a share purchase plan at A$0.15 per share			1,870,344	198,998
The issue of 10,337,966 shares upon the conversion of loans at A$0.15 per share			10,337,966	1,116,500
Equity raising costs	–	(202,891)	–	(132,771)
Balance at end of financial year	**277,447,162**	**77,993,786**	**235,056,378**	**74,040,848**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

14. Issued capital (continued)

(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 277,447,162 ordinary shares (2016: 235,056,378). All of the shares are quoted on the ASX.

(d) Share options

Options over ordinary shares
At the end of the financial year, there were 23,150,000 (2016: 40,645,984) unissued ordinary shares in respect of which the following options were outstanding:

EXPIRY DATE	NUMBER	SECURITIES	ESCROW PERIOD EXPIRY	EXERCISE PRICE
21 July 2019	10,000,000	Unlisted options	Nil	A$0.25
31 December 2019	9,500,000	Unlisted options	Nil	A$0.25
30 September 2017	1,700,000	Unlisted options	Nil	A$0.65
30 September 2018	1,950,000	Unlisted options	Nil	A$0.25
Total	**23,150,000**			

During the financial year, 19,500,000 new options convertible in ordinary fully paid shares at A$0.25 per share were issued for $nil consideration. All the options are unlisted and transferable. During the financial year, nil options were exercised (2016: nil) and 36,995,984 share options with an exercise price of A$0.50 expired unexercised on 31 December 2016.

15. Reserves

	CONSOLIDATED 2017 US$	2016 US$
Foreign currency translation reserve		
Balance at beginning of financial year	(143,767)	(171,376)
Currency translation movements for the year	(144,321)	27,609
Balance at end of financial year	**(288,088)**	**(143,767)**

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

	CONSOLIDATED 2017 US$	2016 US$
Share option reserve		
Balance at beginning of financial year	2,498,102	2,359,051
10,000,000 options issued to Metgasco Limited as approved by shareholders	404,066	–
9,500,000 options issued were to directors, staff and consultants as approved by shareholders	350,427	139,051
Balance at end of financial year	**3,252,595**	**2,498,102**

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

16. Franking credits

There are no franking credits available for distribution (2016: nil).

17. Expenditure commitments

The Group has expenditure commitments at the end of the financial year for non-cancellable operating lease office rental payments. These obligations are not provided for in the financial statements.

	CONSOLIDATED	
	2017 US$	**2016 US$**
(a) Commitments for office lease rental payments		
Not longer than 1 year	104,338	41,284
Between 1 and 5 years	109,647	–
	213,985	**41,284**

(b) 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.

(c) Production facilities expenditure commitments

The Group has a financial commitment as at balance date for part of the SM 71 production facilities expenditure.

Commitment for production facilities expenditure		
Not longer than 1 year	**2,785,498**	**–**

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

18. Cash flow reconciliation

	CONSOLIDATED	
	2017 US$	**2016 US$**
(a) Reconciliation of loss from ordinary activities after tax to net cash flows from operations		
Loss for the year	**(5,357,583)**	**(30,944,243)**
Non cash flows in operating result:-		
Depreciation and amortisation of property, plant and equipment	15,957	19,496
Impairment expense	1,241,717	28,599,269
Equity settled share based payments	754,493	139,051
Net foreign exchange (gain) / loss on A$ loans	(10,185)	(33,600)
Unwinding of discount on rehabilitation of oil and gas properties	5,990	-
Reversal of equity raising charges	19,571	-
Foreign exchange differences arising on translation of the parent entity group	160,594	58,184
	(3,169,446)	**(2,161,843)**
Movements in working capital		
(Increase)/decrease in assets:-		
Trade and other receivables	(4,220)	6,859
Other assets	152,436	(964,727)
Increase/(decrease) in liabilities:-		
Trade and other payables	(90,902)	94,236
Provisions	9,490	6,336
Net cash used in operating activities	**(3,102,642)**	**(3,019,139)**
(b) Reconciliation of cash		
Cash and cash equivalents comprise:		
Cash and bank balances	3,395,501	883,398

(c) Financing facility

The Group had nil available finance facilities at balance date.

(d) Non-cash financing and investing activities

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

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:-

	2017	2016
Spot rate at 30 June	0.7692	0.7426
Average rate for year	0.7545	0.7283

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.

Byron Energy Limited has guaranteed the performance of Byron Energy Inc, a wholly owned subsidiary, under the Participation Agreement dated 1st December 2015 between Byron Energy Inc and Otto Energy (Louisiana) LLC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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 2017 US$	2016 US$
Details of share-based payments		
Fair value of options granted to directors, staff and consultants	350,427	139,051
Expense arising from share-based payments paid as remuneration	**350,427**	**139,051**

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

	2017 NUMBER	2017 EXERCISE PRICE	2016 NUMBER	2017 EXERCISE PRICE
Balance at beginning of year	6,250,000		4,300,000	
Granted during the year	9,500,000	A$0.25c	1,950,000	A$0.25c
Expired during the year	(2,600,000)		–	
Exercised during the year	–		–	
Balance at end of year	**13,150,000**		**6,250,000**	
Exercisable at end of year	9,500,000	A$0.25c	2,600,000	A$0.50c
Exercisable at end of year	1,700,000	A$0.65c	1,700,000	A$0.65c
Exercisable at end of year	1,950,000	A$0.25c	1,950,000	A$0.25c

Weighted average remaining contractual life

The A$0.65 share options outstanding at the end of the financial year had a remaining contractual life of 92 days (2016: 457 days) and the 1,950,000 share options with an expiry of A$0.25 have 457 days (2016: 822 days) remaining.

The 9,500,000 share options with an expiry of A$0.25 have 914 days remaining.

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
M. Smith	2,500,000	24 Nov 2016	24 Nov 2016	31 Dec 2019	$A0.25	A$0.0489
P. Kallenberger	2,500,000	24 Nov 2016	24 Nov 2016	31 Dec 2019	$A0.25	A$0.0489
W. Sack	2,500,000	24 Nov 2016	24 Nov 2016	31 Dec 2019	$A0.25	A$0.0489
W. Sack	1,700,000	25 Nov 2014	25 Nov 2014	30 Sept 2017	$A0.65	A$0.1790
W. Sack	1,700,000	15 Feb 2016	15 Feb 2016	30 Sept 2018	$A0.25	A$0.0959
N. Filipovic	1,000,000	24 Nov 2016	24 Nov 2016	31 Dec 2019	$A0.25	A$0.0489

Calculation of the fair value of equity share options issued

The total fair value of all share options granted and issued during the financial year was US$754,493 (i). Metgasco share options US$404,066 and (ii). directors, staff and consultants US$350,427. Options were priced using the Binominal Option Pricing model and calculated by an independent external consultant entity.

INPUTS INTO THE MODEL	9,500,000 SHARE OPTIONS GRANTED TO DIRECTORS, STAFF AND CONSULTANTS ON 24TH NOVEMBER 2016	10,000,000 SHARE OPTIONS WERE ISSUED TO METGASCO ON 22ND SEPTEMBER 2016
Closing share price prior to valuation	A$0.125	A$0.130
Exercise price	A$0.25	A$0.25
Expected volatility	94.2%	97.4%
Option life	3.1 years	2.8 years
Risk-free interest rate	1.989%	1.633%

23. Employee benefits and superannuation commitments

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

24. Auditors' remuneration

Amounts received or due and receivable by Deloitte Touche Tohmatsu:

	CONSOLIDATED	
	2017 US$	**2016 US$**
Audit or review of the financial statements of the Group	39,831	47,740
	39,831	**47,740**

25. Key management personnel compensation

Total aggregate remuneration of directors and key management personnel

	SALARIES AND FEES US$	SHORT TERM CASH INCENTIVE US$	OTHER BENEFITS US$	SERVICE AGREEMENTS US$	SUPERANNUATION US$	SHARE OPTIONS US$	TOTAL US$
Year 2017	**698,594**	**–**	**45,805**	**181,080**	**17,203**	**313,541**	**1,256,223**
Year 2016	**671,924**	**–**	**43,023**	**174,792**	**16,606**	**118,716**	**1,025,061**

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 2017:-

a. During the year, the Company entered into unsecured loans, bearing interest at 10% per annum, with two of the Company's directors, for a total drawdown of A$750,000. The loans were repaid in cash on 1st December 2016. The individual directors' transactions and balances under these loans were:-

   → Veruse Pty Ltd, a company controlled by Mr Douglas Battersby, provided an unsecured loan of A$650,000 to the Company; and interest charges of A$22,616 were paid in the year to 30 June 2017; and

   → Clapsy Pty Ltd, a company controlled by Mr Paul Young, provided an unsecured loan of A$100,000 to the Company; and interest charges of A$3,260 were paid in the year to 30 June 2017.

b. Following approval by shareholders at the Company's Annual General Meeting held on 24 November 2016, the following fully paid ordinary shares in the Company were issued for cash at an issue price of A$0.13 per share:-

   → 2,000,000 fully paid ordinary shares in the Company issued to Mr Douglas Battersby and/or his associates, a director of the Company; and

   → 3,474,617 fully paid ordinary shares in the Company issued to Mr Paul Young and/or his associates, a director of the Company.

c. Following approval by shareholders at the Company's Annual General Meeting held on 24 November 2016. The following directors and key management personnel were issued with share 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 31 December 2019:-

   → Mr Maynard Smith, a director of the Company, was issued with 2,500,00 share options;

   → Mr Prent Kallenberger, a director of the Company, and his associates were issued with 2,500,00 share options;

   → Mr William (Bill) Sack, a director of the Company, was issued with 2,500,000 share options; and

   → Mr Nick Filipovic, the Company Secretary and CFO, was issued with 1,000,000 share options.

d. Corporate advisory services at normal commercial rates totalling US$132,027 (2016: US$105,512) 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 2017 (2016: $nil).

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 secured borrowings. The main risks the consolidated entity is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

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

	CONSOLIDATED	
	2017 US$	2016 US$
Categories of financial instruments		
Financial assets at fair value		
Cash and cash equivalents	3,395,501	883,398
Trade and other receivables	1,026,142	26,997
Bonds and security deposits	1,038,770	1,213,538
	5,460,413	**2,123,933**
Financial liabilities at fair value		
Trade and other payables	2,329,884	1,327,912
Convertible note liabilities	5,886,544	–
	8,216,428	**1,327,912**

(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) as required, unsecured borrowings from related parties and shareholders.

During the 2017 financial year, no dividends were paid (2016: 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.

27. Financial instruments (continued)

(c) Liquidity risk management

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

Liquidity, credit and interest risk tables
The following table details the Group's remaining contractual maturity for its non-derivate 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$
2017					
Non-interest bearing	–	1,026,142	–	556,708	482,062
Variable interest rate instruments	0.13%	3,395,501	–	–	–
2016					
Non-interest bearing	–	–	26,997	738,538	475,000
Variable interest rate instruments	0.25%	883,398	–	–	–

The table below details the Group's remaining contractual maturities for its non-derivative financial liabilities. The following are future contractual cash payments of financial liabilities, including estimated interest payments.

CONSOLIDATED FINANCIAL LIABILITIES	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$
2017					
Non-interest bearing	–	2,053,846	–	–	–
Fixed interest rate instruments	3.42%	69,009	138,020	69,009	–
Convertible note liabilities	20.90%	–	–	2,872,962	4,465,206
2016					
Non-interest bearing	–	1,088,546	–	–	–
Fixed interest rate instruments	3.29%	–	239,366	–	–

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27. Financial instruments (continued)

(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 2017, the Group had no loans outstanding with a variable interest rate, only a convertible note with a fixed interest rate.

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$10,697 or increase by US$10,697 (2016: increase by US$17,134 or decrease by US$17,134). 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	2017 US$	2016 US$	2017 US$	2016 US$
USA currency denominated	5,266,700	1,985,915	2,242,397	1,229,609
Australian currency denominated	251,836	185,855	7,766,551	132,377

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	2017 US$	2016 US$
Loss or equity	378,063	56,734

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$8,818,499 (2016: US$5,346,129) and Australia US$13,584 (2016: US$17,746).

29. Parent entity information

	2017 US$	2016 US$
Financial position		
Assets		
Current assets	184,512	155,357
Non-current assets	77,872,923	67,888,638
Total assets	**78,057,435**	**68,043,995**
Liabilities		
Current liabilities	2,358,754	44,489
Non-current liabilities	3,998,400	–
Total liabilities	**6,357,154**	**44,849**
Net assets	**71,700,281**	**67,999,146**
Equity		
Issued capital	77,330,043	73,377,105
Accumulated losses	(4,389,221)	(2,561,417)
Reserves	(1,240,541)	(2,816,542)
Total Equity	**71,700,281**	**67,999,146**
Financial performance		
Loss for the year	(1,827,804)	(539,899)
Other comprehensive income	821,508	(399,324)
Total comprehensive loss for the financial year	**(1,006,296)**	**(939,223)**

Expenditure commitments
The parent entity has no expenditure commitments at the end of the 2017 financial year (2016: 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 2017 (2016: nil).

30. Subsequent events

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

- on 14 August 2017 the Company announced that commitments have been received to raise A$26.5 million through a Placement of 379 million new shares. The Placement was supported by a number of the Company's larger shareholders, including interests associated with directors, as well as several new professional and sophisticated investors. The Placement, including subscriptions from Directors, was approved by shareholders at an EGM held on 18 September 2017 and subsequently completed in late September 2017;
- on 21 August 2017 the Company announced a Share Purchase Plan ("SPP"). The SPP allowed shareholders who at the record date of 7pm (Sydney time) on 11 August 2017, had a registered address in Australia or New Zealand, the opportunity to subscribe for a maximum of A$15,000 worth of ordinary shares in the Company at a subscription price of A$0.07 per share up to a maximum of A$2.0 million. The SPP closed in late September 2017 and raised A$2.0 million;
- on 17 August 2017 the Company announced that it was the high bidder on Grand Isle 95 block, at the Gulf of Mexico Outer Continental Shelf Lease Sale 249 held on 16 August 2017;
- on 29 August 2017 the Company announced that it had received notice that its Suspension of Production ("SOP") request for SM 71 has been granted by the Bureau of Safety and Environmental Enforcement and is effective from 1 August 2017 through 30 November 2017. The approved SOP is based on an activity schedule submitted by Byron. In accordance with this activity schedule, the Company will first complete the platform fabrication, submit an Application for Permit to Modify the initial completion of SM 71 #1 well and an Application for Permit to Drill SM 71 #2 well. Under the activity schedule, operations for drilling of SM 71 #2 well and completion of SM 71 #1 well are expected to commence before the end of November 2017;
- at the end of July 2017, Byron's South Marsh Island 70 lease expired and Byron's capitalised cost for this lease was expensed to the profit and loss statement on 30 June 2017;
- on 18 August 2017 the Company announced that Chief Executive Officer, Maynard Smith, and the two Executive Directors, Prent Kallenberger and Bill Sack, agreed to enter into new 3 year service agreements, the terms of which will be finalised and announced to the ASX. As part of the consideration for entering into the service agreements they have each been granted 6.3 million incentive options ("Options"). Shareholder approval was obtained at an EGM held on 18 September 2017. The Options are exercisable at a price of A$0.12 each at any time before 31 December 2021 and will be unlisted. In addition, a total of 9.45 million share options, on the same terms and conditions as those granted to Messrs Smith, Kallenberger and Sack, have been granted to other senior managers and consultants, subject to shareholder approval. Approval for the issue of these options was obtained at the EGM; and
- on 28 September 2017 the Company released its annual reserves and resources report as at 30 June 2017, prepared by Collarini Associates, based in Houston, Texas, USA.

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

Doug Battersby
Chairman

28 September 2017

AUDITOR'S REPORT

Deloitte.

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

Report on the Audit of the Financial Report

Opinion

We have audited the consolidated financial report of Byron Energy Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be on the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

AUDITOR'S REPORT

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Key Audit Matters	How the scope of our audit responded to the Key Audit Matters

Reclassification of exploration and evaluation assets
 	
As at 30 June 2017 the Group has exploration and evaluation assets of $2,421,473 capitalised in respect of a portfolio of leased properties as disclosed in note 8. During the year the Group has transferred $2,300,258 to Oil and Gas properties.
 	
Significant judgement is required in respect of the following criteria to determine the classification of these costs, as exploration and evaluation assets shall no longer be classified as such where they do not meet these criteria;
• the technical feasibility and commercial viability of extracting a mineral resource are demonstrable; and
• whether the assets value is recoverable or impaired.
 	
Exploration and evaluation assets shall be assessed for impairment, and any impairment loss recognised, before reclassification.
	Our procedures included, but were not limited to:
	• Obtaining an understanding of the key controls and processes that management have in place to determine which expenditure to capitalise for exploration and evaluation assets;
	• Evaluating and challenging management's determination of the technical feasibility and commercial viability of the mineral resources;
	• Assessing management's process to measure fair value less costs of disposal for each exploration and evaluation asset and testing internal controls, including the preparation, review and board approval of forecasts supporting this process; and
	• In conjunction with our valuation specialists we evaluated and tested the key assumptions used in management's recoverable amount analysis including:
	  ○ Assessing the basis for management's forecast revenue including the estimated reserves from which revenue is generated and cash flows;
	  ○ Recalculating an expected discount rate and comparing this to the rate calculated by management; and
	  ○ Performing sensitivity analysis on the impairment model using varied discount rates and reserve projections to simulate alternative market conditions and outcomes.
	• Assessing the appropriateness of the disclosures in Note 8 of the financial statements.

Accounting for the Metgasco convertible note
 	
Management entered into a binding funding agreement with Metgasco in relation to an issue of a convertible note for $A8 mill, providing Byron with funding for the SM 71 project and general corporate purposes as disclosed in note 13.
 	
The accounting for the convertible note requires significant judgement to determine the appropriate accounting treatment, measurement and classification of all the elements of the agreement including:
• Forecast sale prices for each class of shares subject to conversion;
• Estimated draw down; and
• Expected conversion dates.
	In conjunction with our valuation experts, our procedures included, but were not limited to:
	• Obtaining an understanding of the key elements of the convertible note under the agreement with Metgasco;
	• Assessing management's process to recognise and measure assets and liabilities deriving from the contract;
	• Assessing management's methodology and their documented basis for key assumptions used in their valuation model;
	• Challenging the key assumptions used in the valuation model as follows:
	  ○ forecast sale prices for each class of shares subject to conversion;
	  ○ estimated draw down funds and probabilities around the expected conversion dates; and

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AUDITOR'S REPORT

Deloitte.

   - assessing the appropriateness and accuracy of the model used to value the options.

- Assessing the appropriateness of the disclosures in Note 13 of the financial statements.

Other Information

The directors are responsible for other information disclosed. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S REPORT

Deloitte.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 21 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Byron Energy Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Alison Brown

Alison Brown
Partner
Chartered Accountants
Melbourne, 28 September 2017

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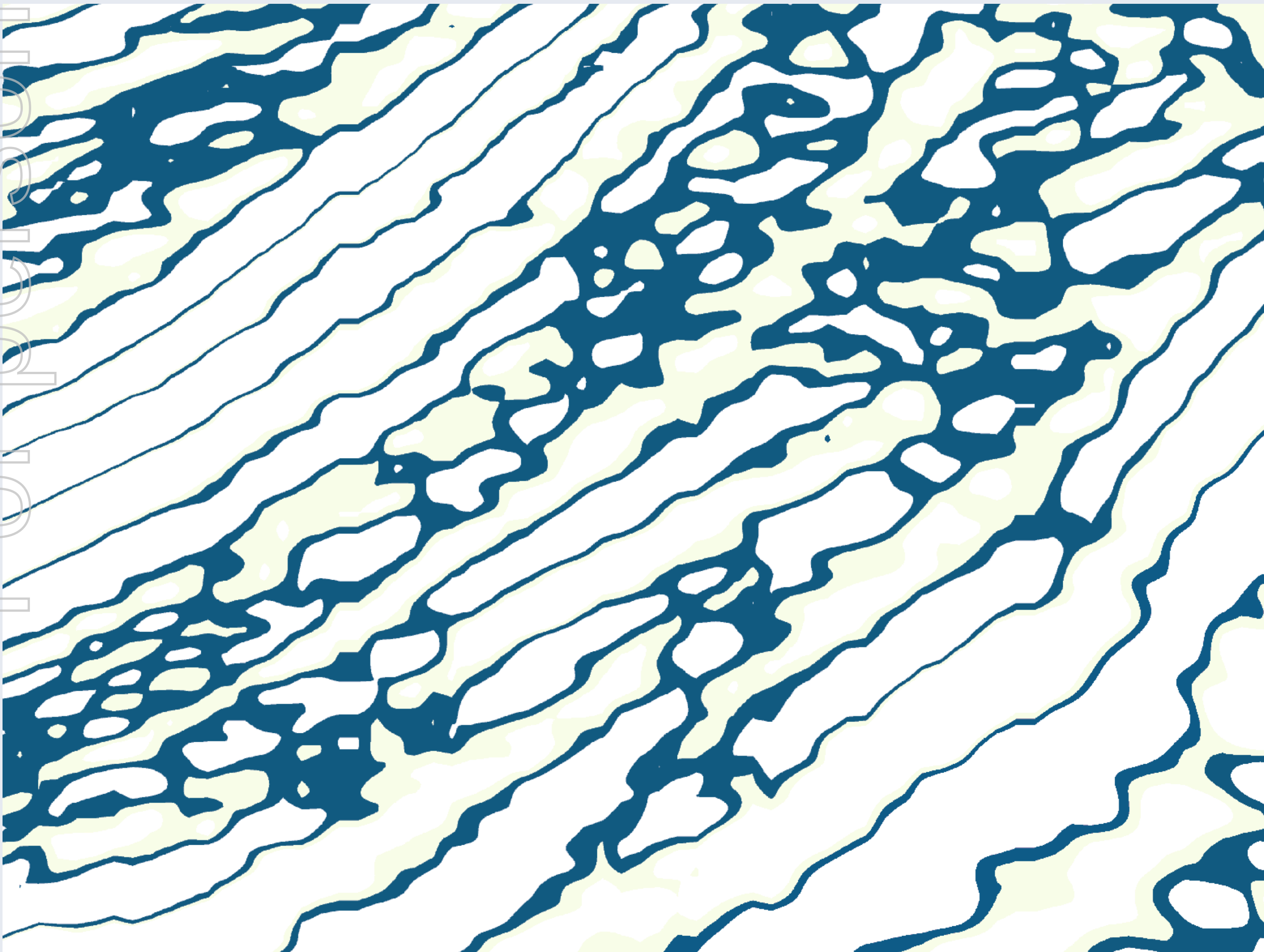
ASX Additional Information



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 3 October 2017.

Distribution of Equity Securities

As at 3 October 2017 the Company had a total of 684,987,034 Ordinary Shares on issue and 49,800,000 Options on issue comprising:

QUOTED ORDINARY SHARES

684,987,034 fully paid Ordinary Shares are held by 1,087 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

49,800,000 options are held by 13 option holders. 1,950,000 options are exercisable on or before 30 September 2018 at an exercise price of $A0.25 cents each, 10,000,000 options are exercisable on or before 21 July 2019 at an exercise price of $A0.25 cents each, 9,000,000 options are exercisable on or before 30 September 2019 at an exercise price of $A0.25 cents each and 28,350,000 options are exercisable on or before 31 December 2021 at an exercise price of $A0.12 cents each There are no voting rights attached to these options.

Escrowed Securities

As at 3 October 2017 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	93	36,630
1,001 – 5,000	129	369,200
5,001 – 10,000	105	833,572
10,001 – 100,000	299	13,146,838
100,001 and over	461	670,600,794
Total Holders	**1,087**	**684,987,034**

The number of security investors holding less than a marketable parcel of securities is 195 with a combined total of 270,976 securities.

The number of option-holders, by size of holding and the total number of unquoted options on issue:

SIZE OF HOLDING	NO. OF HOLDERS	OPTIONS EXERCISABLE AT $A0.25 EXP 30/09/2018	NO. OF HOLDERS	OPTIONS EXERCISABLE AT $A0.25 EXP 21/07/2019
1 – 1,000	0	0		
1,001 – 5,000	0	0		
5,001 – 10,000	0	0		
10,001 – 100,000	0	0		
100,001 and over	2	1,950,000	1	10,000,000
Total	**2**	**1,950,000**	**1**	**10,000,000**

SIZE OF HOLDING	NO. OF HOLDERS	OPTIONS EXERCISABLE AT $A0.25 EXP 31/12/2019	NO. OF HOLDERS	OPTIONS EXERCISABLE AT $A0.12 EXP 31/12/2021
1 – 1,000	0	0		
1,001 – 5,000	0	0		
5,001 – 10,000	0	0		
10,001 – 100,000	2	200,000		
100,001 and over	7	9,300,000	9	28,350,000
Total	**9**	**9,500,000**	**9**	**28,350,000**

Substantial Shareholders

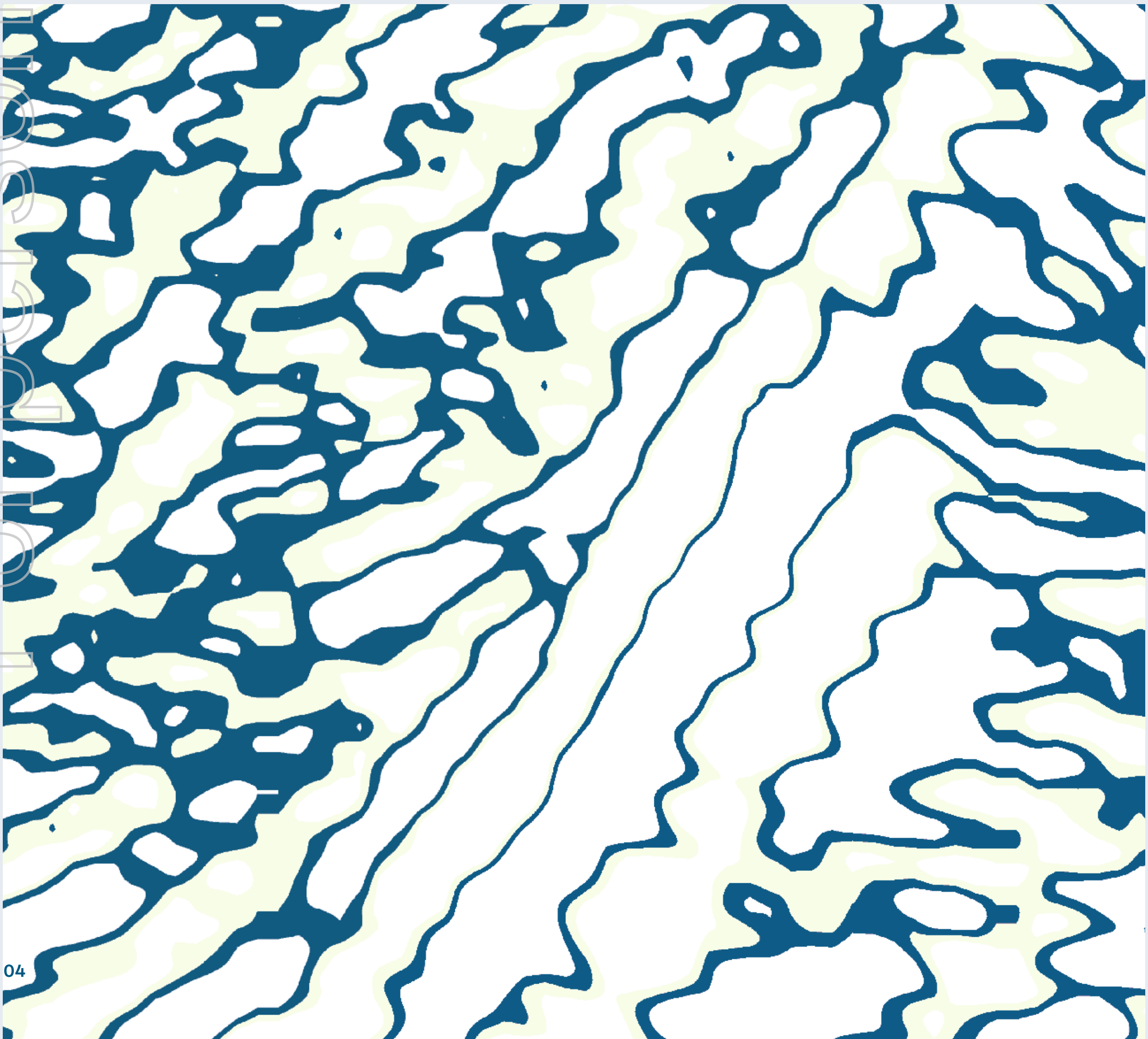
Set out below are the names of the substantial holders and the number of equity securities held by those substantial holders (including those equity securities held by their associates).

NAME OF HOLDER	NO. OF ORDINARY SHARES HELD	PERCENTAGE OF ISSUED CAPITAL
1. Douglas Battersby (and associates)	48,123,203	7.03%
2. Metgasco Limited	37,897,000	5.53%

20 Largest Shareholders

	QUOTED ORDINARY SHARES	NUMBER	PERCENTAGE
1.	METGASCO LIMITED	37,897,000	5.533%
2.	VERUSE PTY LIMITED	36,155,405	5.278%
3.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	29,305,424	4.278%
4.	MR MATTHEW DOMINELLO	18,329,038	2.676%
5.	FITZROY RIVER CORPORATION LIMITED	18,131,868	2.647%
6.	MR CHARLES SANDS	16,569,569	2.419%
7.	DISCOVERY INVESTMENTS PTY LTD	16,072,382	2.346%
8.	WALLEROO PTY LTD <CHRISTOPHER WALKER F/T A/C>	15,512,315	2.265%
9.	GEOGENY PTY LIMITED <M & V SMITH SUPER FUND A/C>	14,285,715	2.086%
10.	BARRIJAG PTY LTD <HADLEY SUPER FUND A/C	13,809,524	2.016%
11.	CAMERON RICHARD PTY LTD <LPS PL NO 5 EXEC B/PLAN A/C>	13,503,051	1.971%
12.	MR JOHN SANDS A SANTINI	13,199,153	1.927%
13.	LINWIERIK SUPER PTY LTD <LINTON SUPER FUND A/C>	10,980,000	1.603%
14.	GEOGENY PTY LIMITED	10,714,045	1.564%
15.	CLAPSY PTY LTD <BARON SUPER FUND A/C>	10,160,000	1.483%
16.	AGRICO PTY LTD <PALM SUPER FUND A/C	10,032,691	1.465%
17.	MR JONATHAN MERVIS	8,742,858	1.276%
18.	MR DOUGLAS GEOFFREY BATTERSBY & MS ALISON ROSEMARY BATTERSBY & MR EWAN BATTERSBY <VERUSE EMPLOYEES S/FUND A/C>	8,631,798	1.26%
19.	CITICORP NOMINEES PTY LIMITED	8,185,633	1.195%
20.	BARRIJAG PTY LTD <HADLEY FAMILY A/C>	7,142,858	1.043%
Total quoted shares held by top 20 Shareholders		**317,360,327**	**46.331%**
Quoted shares held by other Shareholders		367,626,707	53.669%
Total quoted shares		**684,987,034**	**100.00%**

Corporate Directory



Directors

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

Chief Executive Officer

Maynard Smith

Chief Financial Officer and Company Secretary

Nick Filipovic

Registered and Principal Australian Office

Level 4
480 Collins Street
MELBOURNE VIC 3000

Principal Office (USA)

Suite 604
201 Rue Iberville
LAFAYETTE LA 70508

Legal Adviser

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

Auditors

Deloitte Touche Tohmatsu
550 Bourke Street
MELBOURNE VIC 3000

Website

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Home Stock Exchange

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

Share Registry

Boardroom Pty Limited
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SYDNEY NSW 2000
Tel: 1300 737 760
Fax: 1300 653 459


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BYRON ENERGY INC
S.M. BLK. 71 "F"

BYRONENERGY LIMITED