



ABN 88 113 436 141

Notice of annual general meeting

Notice is given that the annual general meeting of the Company will be held at Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000 on 29 November 2019 at 11am (Sydney time).

Annual financial and other reports

To receive the Company's financial report, directors' report and auditor's report for the financial year ended 30 June 2019.

Resolution 1 — Adoption of remuneration report

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

"That the remuneration report for the year ended 30 June 2019 be adopted."

Note: The remuneration report is set out on pages 50 to 55 of the Company's 2019 Annual Report, which is available on the Company's website at www.byronenergy.com.au. The vote on this resolution is advisory only and does not bind the directors or the Company.

Resolution 2 — Re-election of Prent Kallenberger

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

"That Prent Kallenberger, who retires by rotation in accordance with clause 16.1 of the Company's constitution and, being eligible, stands for re-election, be re-elected as a director of the Company."

Resolution 3 — Re-election of William Sack

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

"That William Sack, who retires by rotation in accordance with clause 16.1 of the Company's constitution and, being eligible, stands for re-election, be re-elected as a director of the Company."

Resolution 4 — Additional capacity to issue ordinary shares

To consider and if thought fit pass the following resolution as a **special resolution**:

"That additional capacity to issue ordinary shares in the Company under rule 7.1A of the ASX Listing Rules for cash or non-cash consideration at any time during the next 12 months (or until a transaction under rule 11.1.2 or 11.2 is approved by the shareholders of the Company), be approved for the purpose of rule 7.1A, and for all other purposes."

Resolution 5 — Approval and ratification of the issue of 1,250,000 options

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

“That the issue of 1,250,000 options over fully paid ordinary shares in the Company on 23 January 2019 to Herbert Perrine Erwin III and Kim Carrier on the terms summarised in the explanatory statement accompanying the notice of this meeting, be approved for the purpose of rule 7.4 of the ASX Listing Rules, and for all other purposes.”

Resolution 6 — Approval of loan to Maynard Smith

To consider and if thought fit pass the following resolution as a **special resolution**:

“That, for the purposes of sections 260B and Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Company to provide financial assistance and financial benefit to Maynard Smith (or his nominee) as constituted by the making of a loan for the sole purpose of exercising 2,500,000 options over ordinary shares in the Company, in the amounts and on the terms and conditions set out in the explanatory statement.”

Resolution 7 — Approval of loan to Prent Kallenberger

To consider and if thought fit pass the following resolution as a **special resolution**:

“That, for the purposes of sections 260B and Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Company to provide financial assistance and financial benefit to Prent Kallenberger (or his nominee) as constituted by the making of a loan for the sole purpose of exercising 2,500,000 options over ordinary shares in the Company, in the amounts and on the terms and conditions set out in the explanatory statement.”

Resolution 8 — Approval of loan to William Sack

To consider and if thought fit pass the following resolution as a **special resolution**:

“That, for the purposes of sections 260B and Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Company to provide financial assistance and financial benefit to William Sack (or his nominee) as constituted by the making of a loan for the sole purpose of exercising 2,500,000 options over ordinary shares in the Company, in the amounts and on the terms and conditions set out in the explanatory statement.”

Resolution 9 — Approval of loan to senior managers and consultants

To consider and if thought fit pass the following resolution as a **special resolution**:

“That, for the purposes of section 260B of the Corporations Act and for all other purposes, approval is given for the Company to provide financial assistance and financial benefit to senior managers and consultants of the Company as identified in the explanatory statement (or their nominees) as constituted by the making of a loan for the sole purpose of exercising 2,000,000 options over ordinary shares in the Company, in the amounts and on the terms and conditions set out in the explanatory statement.”

28 October 2019

By order of the board



Nick Filipovic
Company Secretary

Proxy voting and entitlement to vote:

1. A member entitled to attend and vote at this meeting is entitled to appoint one proxy or, if the member is entitled to cast two or more votes at the meeting, two proxies to attend and vote on behalf and instead of the member.
2. Where two proxies are appointed and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes.
3. A proxy need not be a member.
4. A proxy form accompanies this notice. To be valid it must be received together with the power of attorney or other authority (if any) under which the form is signed, or a certified copy of that power or authority, not less than 48 hours before the time for holding the meeting, namely by 11am (Sydney time) on 27 November 2019.

Proxy forms may be lodged using the enclosed reply paid envelope or:

- (a) by hand delivery to Byron Energy Limited, C/- Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000;
 - (b) by post to Byron Energy Limited, C/- Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001;
 - (c) by facsimile to +61 2 9290 9655; or
 - (d) online at <https://www.votingonline.com.au/byronenergyagm2019>.
5. A determination has been made by the board of directors of the Company under regulation 7.11.37 of the *Corporations Regulations 2001 (Cth)* that those persons who are registered as the holders of shares in the Company as at 7pm (Sydney time) on 27 November 2019 will be taken to be the holders of shares for the purposes of determining voting entitlements at the meeting.

Voting exclusion statement:

For the purposes of Listing Rule 14.11, the following voting exclusion statements apply to the resolutions. The Company will disregard any votes cast in favour of the following resolutions by or on behalf of the following persons:

Resolution	Excluded Party(s)
Resolution 1	None
Resolution 2	None
Resolution 3	None
Resolution 4	A person who is expected to participate in, or who will obtain a material benefit (except a benefit solely by reason of being a holder of ordinary shares in the Company) as a result of, the proposed issue, or an associate of such a person
Resolution 5	Herbert Perrine Erwin III, Kim Carrier, or any of their associates
Resolution 6	None
Resolution 7	None
Resolution 8	None
Resolution 9	None

However, the Company need not disregard a vote in relation to a resolution if it is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides (and the appointment expressly authorises the chair to vote in accordance with a direction on the proxy form to vote as the proxy decides, even if the resolution is connected directly or indirectly with the remuneration of a KMP Member).

For the purposes of sections 250BD and 250R of the Corporations Act, the Company will disregard any votes cast on resolution 1 by or on behalf of a member of the key management personnel of the Company, details of whose remuneration are included in the Remuneration Report or a closely related party of such a member (**Excluded Person**).

However, an Excluded Person may cast a vote as a proxy if the vote is not cast on behalf of an Excluded Person and either:

- the Excluded Person is appointed as a proxy by writing that specifies how the Excluded Person is to vote on resolution 1; or
- the Excluded Person is the chair of the meeting and the appointment of the chair as proxy does not specify the way the chair is to vote on resolution 1 and expressly authorises the chair to exercise the proxy even if resolution 1 is connected directly or indirectly with the remuneration of a member of the key management personnel of the Company.

For personal use only

For the purposes of sections 250BD and 260B of the Corporations Act, the Company will disregard any votes cast on:

- (a) resolution 6 by an Excluded Person and any of Maynard Smith's associates;
- (b) resolution 7 by an Excluded Person and any of Prent Kallenberger's associates;
- (c) resolution 8 by an Excluded Person and any of William Sack's associates; and
- (d) resolution 9 by an Excluded Person and any of the associates of senior managers or consultants who will acquire shares as a result of the proposed loan.

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the chair of the meeting as proxy for a person who is entitled to vote, and the appointment of the chair as proxy does not specify the way the chair is to vote on the resolutions and expressly authorises the chair of the meeting to exercise the proxy even if resolutions 6, 7, 8 and 9 are connected directly or indirectly with the remuneration of a member of the key management personnel of the Company.

For personal use only

Explanatory statement

1. General information

This explanatory statement is an important document and should be read carefully. It comprises part of, and should be read in conjunction with, the notice of annual general meeting of Byron Energy Limited (**Company**) to be held on 29 November 2019.

If you do not understand its contents or are not sure what to do, you should consult your stockbroker or other professional adviser.

If you have any questions regarding the matters set out in this explanatory statement (or elsewhere in the notice of annual general meeting), you may contact the Company's share registrar, Boardroom Pty Limited, as follows:

Telephone: 1300 737 760 (within Australia)

+61 2 9290 9600 (outside Australia)

between 8:30 am and 5:00 pm (Sydney time) Monday to Friday (except public holidays).

2. Resolution 1 — Adoption of remuneration report

There will be an opportunity for shareholders at the annual general meeting (**Meeting**) to comment on and ask questions about the remuneration report, which appears on pages 50 to 55 of the Company's 2019 Annual Report.

The vote on the proposed resolution adopting the remuneration report is advisory only and will not bind the Company or its directors. However, the board will take the outcome of the vote into consideration when reviewing the Company's remuneration policy and practices.

The *Corporations Act 2001* (Cth) (**Corporations Act**) contains a 'two strikes' rule in relation to remuneration reports. Briefly, if at two consecutive AGMs of the Company 25% or more votes are cast against the resolution that the Company's remuneration report be adopted, a 'spill resolution' must be put to the vote at the second meeting. The spill resolution is that another meeting of the Company's members be held within 90 days to consider the appointment of new directors in place of those directors (other than the managing director) who were directors at the time the resolution was passed to make the directors' report (including the remuneration report).

At the Company's 2018 AGM, less than 25% of votes were cast against the resolution that the remuneration report be adopted. Accordingly, there is no requirement to allow for a possible spill resolution at this year's AGM.

Directors' recommendation

The directors recommend that shareholders entitled to vote, vote in favour of resolution 1.

3. Resolution 2 — Re-election of Prent Kallenberger

Clause 16.1 of the Company's constitution states that at each AGM of the Company one third of the directors or, if their number is not a multiple of 3, then the number nearest to but not less than one third must retire from office. A retiring director is eligible to stand for re-election.

In accordance with these requirements, Prent Kallenberger retires by rotation at this year's AGM and, being eligible, stands for re-election.

Prent Kallenberger has been a director of the Company since 18 March 2013.

Prent Kallenberger is a geoscientist with over thirty years of experience in the oil and gas industry with extensive exploration and development experience in the Gulf of Mexico and California. He was Vice President of Exploration with Byron Energy (Australia) Pty Ltd until Byron Energy (Australia) Pty Ltd merged with Trojan Energy Limited to create Byron Energy Limited. He is currently the Company's Chief Operating Officer.

Mr Kallenberger holds a Bachelor of Science degree in Geology from Boise State University and a Master of Science degree in Geophysics from Colorado School of Mines.

Directors' recommendation

The directors (other than Prent Kallenberger) recommend that shareholders vote in favour of resolution 2.

4. Resolution 3 — Re-election of William Sack

Clause 16.1 of the Company's constitution states that at each AGM of the Company one third of the directors or, if their number is not a multiple of 3, then the number nearest to but not less than one third must retire from office. A retiring director is eligible to stand for re-election.

In accordance with these requirements, William Sack retires by rotation at this year's AGM and, being eligible, stands for re-election.

William Sack has been a director of the Company since 3 October 2014.

William Sack has over twenty five years of experience in the oil and gas industry in the Gulf of Mexico region in both technical and commercial roles. He has drilled more than 55 wells with a success rate in excess of 80% resulting in the discovery of more than 185 bcf of gas and 4 million barrels of oil.

Mr Sack holds a Bachelor of Earth Science and Physics degree from Saint Cloud State University, a Master of Science degree from Michigan State University, and a MBA from Tulane University.

Directors' recommendation

The directors (other than William Sack) recommend that shareholders vote in favour of resolution 3.

5. Resolution 4 — Additional capacity to issue ordinary shares

Rule 7.1 of the ASX Listing Rules limits the number of equity securities that a company may issue without shareholder approval during any 12 month period to 15% of:

- (a) the total number of the company's fully paid ordinary shares on issue at the start of the 12 month period; plus
- (b) the number of fully paid ordinary shares issued during the period under an exception in rule 7.2; plus
- (c) the number of partly paid ordinary shares that become fully paid during the period; plus
- (d) the number of fully paid ordinary shares issued during the period with shareholder approval; less
- (e) the number of fully paid ordinary shares cancelled during the period.

The number of shares represented by (a) to (e) above is variable A in the formula in rule 7.1.

The number of equity securities that the company issues or agrees to issue without shareholder approval under rule 7.1 (and which are not issued under an exception in rule 7.2) during the period uses up the 15% capacity for that period and is subtracted from the above calculation.

In August 2012, the ASX Listing Rules were amended to introduce a new rule 7.1A which allows an 'eligible entity' to issue an additional 10% of its share capital above the 15% limit allowed under rule 7.1, provided shareholders have approved in advance the additional capacity by special resolution passed at a Meeting.

An eligible entity includes a listed company which, as at the date of the special resolution, is not included in the S&P/ASX300 Index and has a market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) no greater than the prescribed amount (currently \$300 million). At the date of the notice of meeting, the Company is an eligible entity and is expected to remain so by the time of the Meeting. However, if it does not, resolution 4 will be withdrawn.

The approval under rule 7.1A lasts for 12 months from the date of the Meeting at which it is obtained or until a transaction involving a significant change to the nature or scale of the company's activities is approved by ordinary shareholders under rule 11.1.2 or 11.2.

The additional limit is calculated under rule 7.1A.2 as 10% of variable A in the formula in rule 7.1.

If at the date of the new issue or agreement to issue, any equity securities have been issued or agreed to be issued under rule 7.1A.2 in the previous 12 months that are not issued with the approval of shareholders under rule 7.1 or 7.4, those equity securities are subtracted from the above calculation.

Under rule 7.1A.3, any equity securities issued under rule 7.1A.2 must be in an existing quoted class of equity securities and the issue price must not be less than 75% of the volume weighted average price for securities in that class calculated over the 15 trading days on which trades in that class were recorded immediately before the date on which the price at which the securities are to be issued is agreed or if the securities are not issued within 5 trading days of that agreement, the date of issue.

The only equity securities in the Company that are currently quoted on ASX are fully paid ordinary shares.

Accordingly, if resolution 4 is passed as a special resolution, in addition to issues up to the 15% limit under rule 7.1, the Company will be able to issue or agree to issue fully paid ordinary shares up to the additional 10% limit under rule 7.1A, without further shareholder approval, for up to 12 months after the date of this Meeting (i.e. on or before 29 November 2020). A special resolution requires at least 75% of the votes cast by shareholders entitled to vote on the resolution to be in favour of it.

The additional capacity approval under resolution 4 will cease to be valid before the end of this 12 month period, and no shares will be able to be issued or agreed to be issued under it, in the event that a transaction involving a significant change to the nature or scale of the Company's activities is approved by ordinary shareholders under rule 11.1.2 or 11.2.

There is a risk of economic and voting dilution to the existing ordinary shareholders of the Company were additional ordinary shares to be issued under rule 7.1A.2, including the risk that:

- (a) the market price for the Company's ordinary shares may be significantly lower on the issue date than on the date of the approval under rule 7.1A; and
- (b) the ordinary shares may be issued at a price that is at a discount to the market price for those ordinary shares on the issue date.

Set out below is a table showing the potential dilution of existing ordinary shareholders if the Company issues fully paid ordinary shares up to the maximum additional capacity under rule 7.1A in the 12 months following the Meeting.

Variable A		Issue price for each share		
		\$0.158 (50% decrease in current market price)	\$0.315 (current market price)	\$0.473 (100% increase in current market price)
705,373,417 shares (current)	Shares issued	70,537,341 shares	70,537,341 shares	70,537,341 shares
	Funds raised	\$11,109,631	\$22,219,263	\$33,328,894
1,058,060,125 shares (50% increase)	Shares issued	105,806,012 shares	105,806,012 shares	105,806,012 shares
	Funds raised	\$16,664,447	\$33,328,894	\$49,993,341
1,410,746,834 shares (100% increase)	Shares issued	141,074,683 shares	141,074,683 shares	141,074,683 shares
	Funds raised	\$22,219,263	\$44,438,525	\$66,657,788

Note: The above table is based on the current issued share capital of the Company of 705,373,417 fully paid ordinary shares (at **23 October** 2019), variable A currently being 705,373,417 and the price for the Company's shares being **\$0.315** each (based on the closing sale price of the Company's shares on ASX on **22 October** 2019), and assumes there is no change to the total issued share capital of, or shareholdings, in the Company from the date of the notice of meeting until 29 November 2020 (being the date which is 12 months after the date of the Meeting), other than as noted in the above table.

The Company may issue ordinary shares under rule 7.1A for the purpose of:

- (a) providing the Company with funds to assist it develop its business and/or meet its strategic goals;
- (b) providing the Company with funds for general working capital purposes; and
- (c) raising funds for an acquisition or to assist the Company make an acquisition, or as consideration for an acquisition, or partly to raise funds and partly as consideration, for an acquisition.

In the circumstances, the shares may be issued for non-cash consideration e.g. in consideration for an acquisition of assets.

The Company's allocation policy for issues under the approval (if resolution 4 is passed) is as follows where the purpose of the issue is to raise funds:

- (a) Allocations will depend on the prevailing market conditions at the time of any proposed issue.
- (b) The identity of the persons to be offered shares will be determined on a case by case basis having regard to a number of factors including the methods of raising funds that are

available to the Company at the time, the potential effect of the issue on the control of the Company, the financial position of the Company and advice from stockbrokers and other corporate or financial advisers. However, it is likely that the Company would only offer shares to sophisticated investors, experienced investors and/or professional investors for the purposes of sections 708(8) to 708(11) of the Corporations Act.

- (c) Directors and other related parties of the Company will not be issued shares without shareholder approval unless an exception under rule 10.12 applies.

If the Company makes an acquisition in exchange for shares to be issued under the approval, it is likely that the persons to be issued the shares will be those who are interested in the acquisition e.g. sellers of assets, officers and employees of acquired businesses, and providers of resources.

At the date of the notice of meeting, the Company does not have any specific intention to offer or issue any shares under the approval, nor has it any specific intention in relation to the parties that it may approach to participate in an offer of shares under the approval. Further, the Company has not formed an intention to offer shares to any particular class or group of existing shareholders or to offer shares just to new investors who have not previously been shareholders of the Company.

The Company previously obtained approval under Listing Rule 7.1A at the annual general meeting held on Thursday, 22 November 2018. Since that meeting, the Company has issued the following securities:

- (a) On 29 November 2018 the Company issued 9,500,000 options to executive directors, senior managers and consultants exercisable at \$0.40 per option. These options were issued for nil consideration and expire at 5pm (Sydney time) on 31 December 2021.
- (b) On 23 January 2019 the Company issued 1,250,000 options to Herbert Perrine Erwin III and Kim Carrier exercisable for \$0.40 per option. These options were issued for nil consideration and expire at 5pm (Sydney time) on 31 December 2021.
- (c) On 5 February 2019 the Company issued 4,669,904 fully paid ordinary shares upon conversion of \$1,000,000 of convertible notes held by Metgasco Limited at a 10% discount to the 30 day volume weighted average price of the Company's ordinary shares. These shares rank equally with all other fully paid ordinary shares on issue.
- (d) On 25 July 2019 the Company issued 10,000,000 fully paid ordinary shares for \$2,500,000 (\$0.25 per share) upon conversion of 10,000,000 unlisted options held by Metgasco Limited. These shares rank equally with all other fully paid ordinary shares on issue. The Company spent the \$2,500,000 to fund exploration drilling.

In the 12 months preceding the date of the Meeting, the Company issued a total of 25,419,904 equity securities, representing 3.42% of the number of equity securities on issue at the commencement of that period.

Directors' recommendation

The directors recommend that shareholders entitled to vote, vote in favour of resolution 4.

6. Resolution 5 — Approval and ratification of the issue of 1,250,000 options

On 23 January 2019 the Company issued 1,250,000 options over fully paid ordinary shares in the Company for nil consideration, utilising its capacity under rule 7.1 1,000,000 of these options were issued to Herbert Perrine Erwin and the remaining 250,000 options were issued to Kim Carrier. All options vest and are exercisable upon issue. The options have an exercise price of

\$0.40 and an expiry date of 5pm (Sydney time) on 31 December 2021. Shares issued upon exercise of these options will rank equally with all other fully paid ordinary shares on issue.

Rule 7.4 of the ASX Listing Rules states that an issue of securities made without shareholder approval under rule 7.1, such as the issue of options, is treated as having been made with approval for the purpose of rule 7.1 if the issue of options did not breach rule 7.1 and shareholders subsequently approve it.

The options issued did not breach rule 7.1 — they did not represent more than 15% of the issued shares, and any other equity securities issued by the Company in the last 12 months had been approved by shareholders under rule 7.1 or 7.4.

If resolution 5 is passed, the approval of shareholders to the issue of options will be obtained for the purpose of rule 7.4. The Company will then have the flexibility to issue additional equity securities in the next 12 months up to 15% of the ordinary shares in the Company currently on issue, plus any other shares issued with shareholder approval under rule 7.1 (once they are issued).

Information required by rule 7.5

- | | |
|----------------------------------|---|
| (a) Number of securities: | 1,250,000 options over fully paid ordinary shares |
| (b) Issue price: | Nil |
| (c) Terms of securities: | Exercise price of \$0.40, expires 5pm (Sydney time) on 31 December 2021 |
| (d) Identity of securityholders: | Herbert Perrine Erwin III and Kim Carrier |
| (e) Use of funds: | N/A |
| (f) Voting exclusion statement: | Herbert Perrine Erwin III, Kim Carrier, or any of their associates |

Directors' recommendation

The directors recommend that shareholders entitled to vote, vote in favour of resolution 5.

7. Resolutions 6 – 9 — approval of loans to directors, senior managers and consultants

Background

On 24 November 2016, shareholders approved the grant of 9,500,000 unlisted options (**Options**) to Maynard Smith, Prent Kallenberger, William Sack and certain senior managers and consultants of the Company or their respective nominees (**Borrowers**).

The exercise price of the Options is \$0.25 and the expiry date is 31 December 2019.

A breakdown of the current holding of the Options is set out below:

Optionholder	Number of Options
Maynard Smith	2,500,000
William Sack	2,500,000
Prent Kallenberger	2,300,000

Nick Filipovic	1,000,000
Francisco Munoz	350,000
Anita Munoz	350,000
David London	300,000
Maxwell Kallenberger	100,000
Montgomery and Caitlin Gossen	100,000

Proposed terms of loans

The directors (other than Messrs Smith, Kallenberger and Sack) propose, subject to shareholder approval, to make available to each of the Borrowers or their respective nominees a loan for the sole purpose of funding the exercise of the Options.

It is proposed that the loan will have the following terms:-

- (a) Principal Sum: Total exercise price of the Options each Borrower holds.
- (b) Interest Rate: Nil.
- (c) Term 3 years.

Sums advanced under the loans may only be used for the purpose of exercising the Options and acquiring the shares issued as a consequence of the exercise of Options (**Loan Funded Shares**).

Section 259B(1) of the Corporations Act prohibits the Company from taking security over its own shares except as permitted by section 259B(2) or section 259(3). As neither of these exceptions apply, the loans cannot be secured by the Company taking security over the Loan Funded Shares.

At the end of the term, each Borrower is required to repay the amounts outstanding under the loans. If a Borrower does not repay a loan, the Company may demand that a Borrower dispose of sufficient Loan Funded Shares to satisfy up to the total amount owing under the loan. The Company's recourse against each Borrower for repayment of the Loans is limited to the proceeds of the Loan Funded Shares. The Company may further request that each Borrower enter into voluntary escrow arrangements with respect to its Loan Funded Shares.

The loans will also be repayable in the following circumstances:

- where the Loan Funded Shares are disposed by a Borrower, the proceeds of that disposal (net of tax and brokerage) must be applied to the repayment of the loan;
- where any dividends, or other distributions, are payable to a Borrower, the Company may set off any such amounts against the loan;
- where a Borrower suffers and insolvency event, or is otherwise in default of the loan agreement, the Company can demand that the Borrower dispose of such number of Loan Funded Shares necessary to repay the loan, together with any accrued interest; and

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- where a Borrower is in default of the loan agreement, any remuneration or bonuses payable to the Borrower may be set off by the Company against the outstanding loan.

However, in each instance, where the Borrower has disposed of the Loan Funded Shares, the recourse of the Company against the Borrower will be limited to the proceeds of the sale of those Loan Funded Shares (net of any tax or brokerage payable on the disposal of those Loan Funded Shares).

Rationale and advantages for the loans

The directors (other than Messrs Smith, Kallenberger and Sack) propose to make the loans for the following reasons:-

- (a) The loans may only be applied to exercising the Options.
- (b) As the loan funds are used for payment of the exercise price payable on exercise of the Options, the funds will be immediately returned to the Company in the form of subscription money. The granting of the loans will therefore involve no cash outflow (other than in respect of any costs associated with the granting of the loans which are not expected to be material).
- (c) The exercise of the Options will further promote the alignment of interests of the Borrowers and the Company via increased shareholdings.
- (d) The directors believe the commercial terms of the loans are reasonable in the circumstances.
- (e) Whilst the loans are not secured, the Company will have limited recourse to the proceeds of the sale of the Loan Funded Shares, and may request that the Borrowers enter into voluntary escrow arrangements.
- (f) It is common for companies to grant loans to directors, senior managers and consultants for the acquisition of securities at the same time as the grant of the securities, on terms broadly similar than the proposed terms of the loans.
- (g) If the loans are not provided, the Borrowers may seek to fund the exercise of the Options via the sale of some or all of the Options, or the underlying shares. The directors (other than Messrs Smith, Kallenberger and Sack) believe that having the Options exercised, and the underlying shares held, by supportive and aligned directors, senior managers and consultants is in the interests of all shareholders.

Disadvantages of the loans

The directors (other than Messrs Smith, Kallenberger and Sack) believe that the key disadvantages of the loans is that:

- (a) providing the loans effectively deprives the Company of the \$A2.375 million of cash proceeds that it would have received had the Options been exercised for cash without the loans, until such time as the loans are repaid; and
- (b) given the Company has limited recourse to the proceeds of the sale of the Loan Funded Shares, where the proceeds of such sale are less than the loan, the Company would need to write of a portion of the loans.

Financial effect of making the loans

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Upon issue of the Loan Funded Shares, the Company's books of account will reflect an increase in contributed equity and, until such time as the loans and any interest is repaid, an asset in the form of the loans.

Sections 260A and 260B of the Corporations Act

The provision of the loans to fund the exercise of the Options and consequent acquisition of the Loan Funded Shares will constitute 'financial assistance' for the purposes of Part 2J.3 of the Corporations Act.

Section 260A of the Corporations Act states that a company may financially assist a person to acquire shares in the company only if:

- (a) giving the assistance does not materially prejudice the interest of the company or its shareholders or the company's ability to pay its creditors;
- (b) the assistance is approved by the shareholders under section 260B; or
- (c) the assistance is exempt under section 260C.

Section 260B of the Corporations Act states that, for a company to financially assist a person to acquire shares in itself, the financial assistance must be approved by special resolution of the company's shareholders, with no votes being cast in favour of the resolution by the person acquiring the shares or their associates.

Accordingly, the Company seeks approval under section 260B of the Corporations Act for the financial assistance constituted by the loans.

Chapter 2E of the Corporations Act (Resolutions 6, 7 and 8 only)

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, Chapter 2E (in particular section 208) of the Corporations Act requires that the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The provision of the loans to enable the exercise of the Options constitutes giving a financial benefit and Messrs Smith, Kallenberger and Sack are related parties of the Company by virtue of being directors.

As Messrs Smith, Kallenberger and Sack or their nominees would be related parties who receive a financial benefit, Shareholder approval is sought pursuant to Chapter 2E of the Corporations Act.

Specific information required under section 219 of the Corporations Act

For the purpose of section 219 of the Corporations Act, information regarding the grant of the loans is provided as follows:

Notice of annual general meeting

- (a) *The related party to whom the proposed resolution will permit a financial benefit to be given to:*

The proposed financial benefits given under Resolutions 6, 7 and 8 will be given to Messrs Smith, Kallenberger and Sack or their respective nominees.

- (b) *The nature of the financial benefit:*

The nature of the financial benefit to be given is the grant of the loans on the terms set out in this Explanatory Statement, being the loans by the Company to each of Messrs Smith, Kallenberger and Sack or their respective nominees, in an amount equal to the total exercise price of the Options each of them holds.

- (c) *The directors' interests in the outcome of the resolution:*

Messrs Smith, Kallenberger and Sack have a material personal interest in the outcome of Resolutions 6, 7 and 8 respectively on the basis that they, or their respective nominees, would be granted the loans in order to exercise the Options and acquire the Loan Funded Shares.

The remaining directors (i.e. other than Messrs Smith, Kallenberger and Sack) have no personal interest in the outcome of Resolutions 6, 7 and 8.

- (d) *Director recommendations*

The directors, other than Messrs Smith, Kallenberger and Sack, recommend that Shareholders vote in favour of Resolutions 6, 7, 8 and 9.

Messrs Smith, Kallenberger and Sack do not make a recommendation with regards to resolutions 6, 7, 8 and 9 as they have a material personal interest in the outcome of those resolutions.

- (e) *Other information:*

Save for the fact that making the loans will effectively deprive the Company of receipt of \$A2.375 million of cash proceeds on exercise of the Options until such time as the loans are repaid, the directors do not consider that there are any significant opportunity costs to the Company foregone by the Company granting the loans.

Neither the directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by Resolutions 6, 7, 8 and 9.

The associated advantages, disadvantages and financial effect of making the loans are set out above in this Explanatory Statement.

Directors' recommendation

Refer to paragraph (d) above.

All Correspondence to:

-  **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia
-  **By Fax:** +61 2 9290 9655
-  **Online:** www.boardroomlimited.com.au
-  **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 11:00am (Sydney time) on Wednesday, 27 November 2019.**

TO VOTE ONLINE

- STEP 1: VISIT** <https://www.votingonline.com.au/byronenergyagm2019>
- STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)**
- STEP 3: Enter your Voting Access Code (VAC):**

BY SMARTPHONE



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **11:00am (Sydney time) on Wednesday, 27 November 2019.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

-  **Online** <https://www.votingonline.com.au/byronenergyagm2019>
-  **By Fax** + 61 2 9290 9655
-  **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia
-  **In Person** Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

Please note, you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Byron Energy Limited** (Company) and entitled to attend and vote hereby appoint:

the **Chair of the Meeting** (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at **Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000, on Friday, 29 November 2019 at 11:00am (Sydney time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chairman is authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chairman of the Meeting as my/our proxy or the Chairman of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 1 and 6-9, I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy in respect of these Resolutions even though Resolutions 1 and 6-9 are connected with the remuneration of a member of key management personnel for Byron Energy Limited.

The Chairman of the Meeting will vote all undirected proxies in favour of all items of business (including Resolutions 1 and 6-9). In exceptional circumstances, the Chairman of the Meeting's intentions with respect to voting undirected proxies may change. If you wish to appoint the Chairman of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Prent Kallenberger as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of William Sack as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Additional capacity to issue ordinary shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval and ratification of the issue of 1,250,000 options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of loan to Maynard Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of loan to Prent Kallenberger	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Approval of loan to William Sack	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Approval of loan to senior managers and consultants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2019