BYRON ENERGY LIMITED

ABN 88 113 436 141

Report for the half-year ended 31 December 2017

BYRON ENERGY LIMITED
ABN 88 113 436 141

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DIRECTORS' REPORT

The directors of Byron Energy Limited ("Byron" or the "Company") submit herewith the financial report of Byron Energy Limited and its subsidiaries ("the consolidated entity" or "Group") for the half-year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The following persons were directors of Byron Energy Limited during the half year ended 31 December 2017 and up to the date of this report (in office for the entire period unless otherwise stated):

Douglas G. Battersby

Maynard V. Smith

Prent H. Kallenberger

Charles J. Sands

Paul A. Young

William R. Sack

Principal activities

The principal activities of the consolidated entity during the half year were oil and gas exploration and development in the shallow waters in the Gulf of Mexico ("GOM"), offshore Louisiana, and Transition Zone (coastal marshlands Louisiana), USA.

Operating Result

The loss for the consolidated entity after income tax for the half-year ended 31 December 2017 was US$4,828,951 (31 December 2016: US$1,848,816 loss).

The current period's loss for the consolidated entity after income tax was US$2,980,135 higher than the previous financial half-year ended 31 December 2016, mainly due to higher impairment expenses reflecting relinquishment of two leases subsequent to the half year end, increased share based payments and interest payments on the Metgasco Limited ("Metgasco") Convertible Note.

Financial Position

At 31 December 2017, the consolidated entity had total assets of US$34,904,784 and total liabilities of US$12,744,532 resulting in net assets of US$22,160,252 (30 June 2017: US$4,327,413). The increase of US$17,832,839 in net assets is due mainly to the Share Placement ("Placement") and Share Purchase Plan ("SPP") in September 2017, that raised approximately A$28.5 million (US$22.3 million).

At 31 December 2017, the consolidated entity held cash and cash equivalents of US$14,510,054 (30 June 2017: US$3,395,501).

At 31 December 2017, the consolidated entity had, 7,000,000 @ A$1.00 secured convertible notes (unquoted) outstanding, issued to Metgasco (30 June 2017: 8,000,000 @ A$1.00).

Dividend

No dividends in respect of the current half year ended 31 December 2017 have been paid, declared or recommended for payment.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporation Act 2001*, is set out on page 10.

Issued capital

During the half year ended 31 December 2017, the Company issued 407,539,872 fully paid ordinary shares at an issue price of A$0.07 per share, raising a total of US$22,337,260 (A$28,527,791) before equity raising costs.

During the half year ended 31 December 2017, the Company also issued 30,350,000 share options to executive directors, staff and consultants of which 28,350,000 are exercisable at A$0.12 per security and 2,000,000 at A$0.16 per security any time before 31 December 2021.

The Company did not receive any applications or consideration for the conversion of options during the period and 1,700,000 share options with an exercise price of A$0.65 expired unexercised on 30 September 2017.

The Company's issued capital as at 31 December 2017 comprised:-

	Issued	**Quoted**	**Unquoted**
Shares (ASX:BYE)	684,987,034	684,987,034	Nil
Options	51,800,000	Nil	51,800,000
Convertible Notes*	7,000,000	Nil	7,000,000

*8,000,000 @ A$1.00 secured convertible notes (unquoted), were issued to Metgasco in January 2017. The convertible notes are convertible at the election of the note holder (i) between 20 July 2018 and 21 July 2019; or (ii) on the occurrence of a change of control, at a price which is a 10% discount to the 30 day VWAP. The convertible notes are repayable in A$ 1 million quarterly instalments over 2 years commencing in October 2017. For the terms of the Convertible Notes refer to Byron's 2017 Annual Report.

Review of Operations

Corporate

Placements and SPP

On 14 August 2017, Byron announced an A$26.5 million Placement conditional on shareholder approval. The conditional Placement was approved by shareholders at an Extraordinary General Meeting ("EGM") of Byron's shareholders, held on 18 September 2017 and allotted on 27 September 2017. The Placement consisted of 378,970,262 fully paid new ordinary shares issued at A$0.07 per share to raising approximately A$26.5 million (before issue costs).

The Company also announced a SPP on 4 August 2017, to raise approximately A$2.0 million on the same terms as the Placement. The SPP was fully subscribed and 28,569,610 fully paid shares were issued on 28 September 2017.

Issue of new share options

On 18 August 2017, Byron announced subject to shareholder approval the issue of 28.35 million unlisted options to executive directors, staff and contractors of the Company, exercisable at an exercise price of A$0.12 per security on or after issue at any time on or before 31 December 2021. Shareholders approved the issue of these share options at an EGM held on 18 September 2017 and the options were allotted on 28 September 2017.

On 20 December 2017, Byron announced the allotment of 2.0 million unlisted options to a newly appointed executive of the Group, exercisable at an A$0.16 per security on or after issue at any time on or before 31 December 2021.

Development of oil and gas properties

South Marsh Island 71

Byron owns a lease in the South Marsh Island Block 73 ("SM 73") Field: South Marsh Island block 71 ("SM71"). Byron is the designated operator of SM 71 and owns a 50% Working Interest ("WI") and a 40.625% Net Revenue Interest ("NRI") in the block, with Otto Energy Limited ("Otto") (ASX: OEL) holding an equivalent WI and NRI. Water depth in the area is approximately 137 feet. Currently, there is no production from the block, although production is expected to commence in the March 2018 quarter.

Review of Operations (continued)

South Marsh Island 71 (continued)

SM71 Platform and Pipelines

During the December 2017 half year, Byron successfully completed the installation of the jacket and decks comprising the SM71 F Platform without safety or operational issues. The Tetra Hedron derrick barge was de-mobilised off location in late November 2017 after successfully placing the jacket and decks over the SM71 F1 well drilled in 2016 and securing the structure with pilings.

Operations to lay the 500 foot 4-inch oil and 7,000 foot 6-inch gas pipelines were also completed during October 2017. Each pipeline was initially laid and buried to within tie-in distance to Byron's SM71 F platform location and their respective sales lines. Final tie-in work at the platform end and sales lines was completed in December by dive crews soon after the jacket and decks were installed at the platform location in SM71.

SM71 Byron F2 Appraisal Well

The Ensco 68 jack-up rig spudded the Byron operated OCS G-34266 #F-2 well ("F2") on SM71, in early December 2017.

On 27 December 2017 Byron announced that the SM71 F2 appraisal well encountered four discrete hydrocarbon bearing sands, including the B65 and D5, with estimated combined net oil pay of 190 feet (true vertical thickness) and that the drill pipe became stuck approximately 214 feet below the bottom of the D5 Sand. Byron attempted to free the stuck drill pipe while evaluating various alternatives including the optimisation of the F2 wellbore and future F3 well. Consequently, it was decided to case the F2 well to a depth of 7,700 feet measured depth ("MD"), 130 feet MD below the base of the B65 Sand. By doing so, the B65 Sand, logged in the well was preserved as an optimal take point in that reservoir. The F2 can also be used to produce the J1 Sand and B55 Sand after cessation of production in B65 Sand in the future.

In early January 2018, 7 5/8 inch casing was run before temporarily suspending the F2 well for a short period while the F3 well was drilled, before completing the F2 for production. The F2 well will provide an optimal take point to produce hydrocarbons from the B65 Sand.

Further petrophysical analysis of the net oil pay counts confirmed Byron's preliminary analysis, reported on 27 December 2017. The net oil pay counts based on a full suite of transmitted log while drilling ("LWD") data, will serve as final internal pay counts as the additional higher resolution LWD memory data was not retrieved. Real time LWD Triple Combo porosity data indicates all parameters including the porosity of both the B65 and D5 Sands to be consistent with other wells in the area with measured porosities ranging up to 31% with a high net to gross sand ratio in each zone.

SM71 Byron F3 Development Well

Given the high quality and thickness of the D5 Sand encountered in the F2 well and the fact that Byron had a one-time option to drill a second well under the existing Ensco drilling contract, it was decided to drill OCS G-34266 #F-3 well ("F3") well immediately using the Ensco 68 rig, rather than releasing it.

The F3 well was designed to intersect the D5 Sand very near the point that the F2 well intersected the D5 Sand. The F3 well will provide a second take point in the D5 Sand reservoir in addition to the up dip F1 well, which was drilled in 2016. The engineering design of the F3 well allowed for a lower borehole angle of 24 degrees with shorter measured depth than the F2 well which had an angle of 60 degrees. The design provided an optimal completion configuration.

The F3 well spudded on 9 January 2018 USA Central Standard time and reached a total depth of 7,717 ft/2,338 metres MD on 26 January 2018. Hydrocarbons in five discrete intervals were measured using both LWD and gamma ray and resistivity tools and wireline Triple Combo porosity tools.

Casing was run and cemented to total depth and the F3 well will be completed in the D5 Sand as part of the completion program at SM71.

Review of Operations (continued)

South Marsh Island 71 (continued)

The primary target in the F3 well was the D5 Sand which logged 211 measured depth feet of oil pay (175 feet True Vertical Thickness ("TVT") net oil pay) as determined by open hole logs. While only 70 feet away from the previously drilled SM71 F2 well, the D5 Sand was 45 TVT feet thicker in the F3 well and exhibits excellent rock properties with porosities in the 32% range. With the base of the D5 Sand in the F3 well 150 feet below the base of D5 Sand in the F2 well, the D5 Sand oil column has been further extended downdip. This means the total oil column proven by the three Byron D5 wells is 1,160 feet. The F3 well will be the second take point in the D5 Sand reservoir at SM71. The SM71 F1 well drilled in 2016, will be the other D5 producer and contains 91 feet TVT net oil pay in an updip position.

With the additional penetration of the D5 Sand in the F3 well, Byron re-evaluated pay counts in the F2 well based on bed geometry and well bore angle. This has resulted in an increase in TVT oil pay thickness in the F2 well from the previously reported 117 feet TVT net oil pay to 132 feet TVT net oil pay. These net pay counts will be used in the Company's annual reserve review and are expected to result in a reserve upgrade for the D5 Sand. The Company will release its annual third-party assessed reserves and resources in its normal course of business in the September 2018 quarter.

Because of the northerly well bore trajectory of the F3 well, only the very updip portions of the three other oil sands were penetrated. The J1, B55 and B65 Sands each logged approximately 5 feet TVT net oil pay in the F3 well, consistent with pre-drill expectations. The data points of these three sands will serve to delineate the size of each reservoir for future reserve determinations.

In addition to the J1, B55 and B65 zones, the F3 well also intersected 12 feet TVT net oil pay in the C10 sand which is productive in other parts of the dome but, to date, not productive at SM71. Byron's pre-drill mapping did indicate that the F3 would be at the very updip edge of the C10 sand in this well bore and this result sets up a further opportunity to be exploited in future well bores.

SM71 Production Plan

The F3 well marked the end of the 2017 drilling program. The next phase of the SM71 project, which started in January 2018, is completing the F1, F2 and F3 wells for production utilising modern sand control techniques common to the Gulf of Mexico to optimise production rates and longevity. Concurrently, final piping and instrumentation work on the SM71 F platform will be completed. Production start-up is targeted for mid-March 2018.

Upon completion for production, Byron expects having three wells on production with two D5 completions, in the F1 and F3 wells, and one B65 completion in the F2 well. Further drilling opportunities in these reservoirs from the platform will be assessed on the basis of performance.

The combined initial production of the three wells is anticipated to utilise the majority of the SM71 F Platform production capacity. The SM71 F Platform has capacity to produce up to 5,000 barrels of oil per day from wells located on SM71.

Exploration

Bivouac Peak Leases

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 OCS leasing areas. The Bivouac Peak Prospect is located in the highly productive transitional zone comprising the northernmost shallow waters of the Louisiana State Waters, and onshore coastal Louisiana.

Byron is the operator of the lease, through its wholly owned subsidiary Byron Energy Inc, and holds a 90% WI position while a non-operating private Louisiana based exploration entity holds a 10% WI. Byron has a NRI of 67.05%. Since the end of the 30 June 2016, both Otto and Metgasco have acquired options to earn respective 45% and 10% WI in Byron's Bivouac Peak leases, through the participation and disproportionate carry of dry hole costs in the Initial Test Well in the lease area, together with other customary terms. If Otto and Metgasco both earn working interests in the Bivouac Peak project, Byron's WI and NRI will reduced to 35% and 26.075% respectively.

Byron has utilised advanced 3D seismic to identify multiple exploration objectives on the acreage which lies within a regionally proven trend with prolific Miocene production.

Review of Operations (continued)

Bivouac Peak Leases (continued)
The Company will focus on two prospect locations, the 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).

Survey and permit work on the Bivouac Peak prospect continued during the half year with the goal of beginning drilling operations in the second half of calendar year 2018.

** The resources referred to in this report were reported on 28 September 2017 (refer to the Company's ASX announcement dated 28 September 2017).*

South Marsh Island blocks 57, 59 & 74
As previously reported, the Bureau of Ocean Energy Management ("BOEM") awarded Byron three leases comprising South Marsh Island Area Block 57 ("SM57"), South Marsh Island Area Block 59 ("SM59") and South Marsh Island Area South Addition Block 74 ("SM74") at the Central Gulf of Mexico, Outer Continental Shelf ("OCS") Lease Sale 247 held on 22 March, 2017 in New Orleans, Louisiana. Byron's bid for the fourth lease, Vermilion Area Block 232 ("VR232") was rejected by the BOEM as insufficient.

Otto currently has the right to acquire a 50% WI of SM 74, for an amount equal to a gross one hundred thirty-three percent (133%) of Otto's fifty percent (50%) WI 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 one such newly acquired asset under the Participation Agreement has been satisfied by the participation rights noted above and have otherwise expired effective 31 March 2017.

The SM 57/59/74 blocks increased Byron's footprint near Byron's existing SM71 discovery in the greater SM 73 Field. The associated prospects and resulting leases were generated by the interpretation of Byron's high quality ARTM and Inversion processed 3D seismic data set.

The results of the SM71 F2 bode well for Byron's other leases in the greater SM 71 area. Much of Byron team's strength and success over many years has come through applying the experience and knowledge gained in drilling wells in a semi-regional area to other leases within that same general area. Byron expects similar results in the greater SM71 area where the Company controls additional leases. Using the same high quality, proven RTM and Inversion processed data used at SM71, Byron has mapped over a dozen oil and gas prospects on in its 100% Byron owned leases at SM57 and SM59.

Eugene Island 63/76 Salt Dome Project
No exploration activity was undertaken on EI 63/76 during the half year.

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

South Marsh Island Block 6 Salt Dome Project

As announced on 26 August 2016, in light of Byron's significant success at SM71 and prevailing low oil and gas prices, Byron decided to focus its resources on development of SM71 and relinquished the SM 6 lease.

Having earlier obtained permits to plug the two wellbores and remove the caisson on SM 6, removal commenced in late August 2017. Otto was 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. Work to remove the wellbores and caisson was successfully completed in mid-September 2017.

Review of Operations (continued)

Exploration Leases (continued)

Grand Isle 95

In an ASX release dated 17 August 2017, Byron reported that it was the apparent high bidder on the Grand Isle Bock 95 ("GI 95") lease at Central Gulf of Mexico OCS Lease Sale 249 ("Lease Sale 249") held on 16 August 2017 in New Orleans, Louisiana.

In early September 2017, Byron was advised by the BOEM that its bid for GI 95 has been deemed acceptable by the BOEM and the lease was awarded to Byron.

With revised Federal Government royalty rates in place for new leases in the Gulf of Mexico shelf blocks, Byron will hold a 100% working interest and an 87.5 % net revenue interest in GI 95. This lower royalty rate does not apply to Byron's leases acquired prior to Lease Sale 249.

GI 95, previously held by Byron before being relinquished in August of 2016, is located in US Federal waters, approximately 100 miles (161 kilometres) southeast of New Orleans, Louisiana, at a water depth of approximately 201 feet (61 metres).

GI 95 is a gas prone prospect with economics that will only improve as gas prices firm up and rise over the 5 year term of the lease. With a potentially large gas resources, the block will be very attractive as gas prices improve from their current levels. Prospective Resources will be evaluated for potential inclusion in future reserve reports as the lease had not yet been acquired at the time of Byron's most recent third-party reserve report dated 1 July, 2017.

No exploration activity was undertaken on the Company's GI 95 gas project during the period.

Properties

As at 31 December 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 71	Byron	50.00/40.625	SOP**	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
Grand Isle				
Block 95	Byron	100.00/87.50%	September 2022	18.37
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 28 June, 2017 Byron requested a Suspension of Production ('SOP") for lease SM 71. The request was granted in August 2017 by the Bureau of Safety and Environmental Enforcement ("BSEE") with the SOP effective from 1 August, 2017 through 30 November, 2017 based on an activity schedule submitted by Byron. Successful drilling of SM 71 F2 well has effectively extended the SOP by 12 months.*

 # As at 31 December 2017 Otto Energy Limited ("Otto") has a right to acquire a 50% working interest/40.625% net revenue interest in SM 74, under promoted terms (as noted above) 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.

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

On behalf of the Directors

D. G. Battersby
Chairman

8 March 2018

Deloitte.

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8 March 2018

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

Dear Board Members

Byron Energy Limited

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

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

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

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Consolidated	
	31 December 2017 US$	**31 December 2016 US$**
Other income	240,795	-
Lease operating expenses	(154,213)	-
Corporate and administration costs	(932,963)	(724,690)
Share based payments	(1,448,728)	(350,474)
Impairment expense	(1,574,076)	(53,498)
Depreciation / amortisation of property, plant & equipment	(9,222)	(8,091)
Other expenses	(369,968)	(703,432)
Earnings before interest and tax (EBIT)	**(4,248,375)**	**(1,840,185)**
Financial income	6,054	10,923
Financial expense	(586,630)	(19,554)
Loss before tax	**(4,828,951)**	**(1,848,816)**
Income tax expense	-	-
Loss for the half-year attributable to owners of parent	**(4,828,951)**	**(1,848,816)**
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	(90,083)	(5,266)
Total comprehensive loss for the half-year attributable to owners of parent	**(4,919,034)**	**(1,854,082)**
Earnings per share		
Basic earnings / (loss) cents per share	(0.99)	(0.71)
Diluted earnings / (loss) cents per share	(0.99)	(0.71)

The accompanying notes form part of these condensed financial statements.

BYRON ENERGY LIMITED
ABN 88 113 436 141

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	Consolidated 31 December 2017 US$	Consolidated 30 June 2017 US$
Assets			
Current assets			
Cash and cash equivalents		14,510,054	3,395,501
Trade and other receivables		1,941,155	1,026,142
Other		490,028	665,930
Total current assets		**16,941,237**	**5,087,573**
Non-current assets			
Other		825,000	475,289
Exploration and evaluation assets	2(a)	1,115,614	2,421,473
Oil and gas properties	2(b)	15,939,673	5,896,622
Property, plant and equipment		44,402	36,921
Other intangible assets		38,858	1,778
Total non-current assets		**17,963,547**	**8,832,083**
Total assets		**34,904,784**	**13,919,656**
Liabilities			
Current liabilities			
Trade and other payables		5,849,870	2,329,884
Provisions		132,961	828,601
Borrowings	3	3,549,310	2,307,600
Total current liabilities		**9,532,141**	**5,466,085**
Non-current liabilities			
Provisions		995,831	127,758
Borrowings	3	2,216,560	3,998,400
Total non-current liabilities		**3,212,391**	**4,126,158**
Total liabilities		**12,744,532**	**9,592,243**
Net assets		**22,160,252**	**4,327,413**
Equity			
Issued capital	4	99,296,931	77,993,786
Foreign currency translation reserve		(378,171)	(288,088)
Share option reserve		4,701,323	3,252,595
Accumulated losses		(81,459,831)	(76,630,880)
Total equity		**22,160,252**	**4,327,413**

The accompanying notes form part of these condensed financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Consolidated entity	**Ordinary share capital US$**	**Share option reserve US$**	**Foreign currency translation reserve US$**	**Accumulated losses US$**	**Total US$**
Balance at 1 July 2016	**74,040,848**	**2,498,102**	**(143,767)**	**(71,273,297)**	**5,121,886**
Loss for the half year	-	-	-	(1,848,816)	(1,848,816)
Exchange differences arising on translation of the parent entity	-	-	(5,266)	-	(5,266)
Total comprehensive loss for the half year	-	-	(5,266)	(1,848,816)	(1,854,082)
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	-	737,991	-	-	737,991
Equity raising costs	(202,891)	-	-	-	(202,891)
Balance at 31 December 2016	**77,993,786**	**3,236,093**	**(149,033)**	**(73,122,113)**	**7,958,733**
Balance at 1 July 2017	**77,993,786**	**3,252,595**	**(288,088)**	**(76,630,880)**	**4,327,413**
Loss for the half year	-	-	-	(4,828,951)	(4,828,951)
Exchange differences arising on translation of the parent entity	-	-	(90,083)	-	(90,083)
Total comprehensive loss for the half year	-	-	(90,083)	(4,828,951)	(4,919,034)
The issue of 378,970,262 shares under a placement at A$0.07 per share	20,771,360	-	-	-	20,771,360
The issue of 28,569,610 shares under a SPP at A$0.07 per share	1,565,900	-	-	-	1,565,900
Recognition of share-based payments	-	1,448,728	-	-	1,448,728
Equity raising costs	(1,034,115)	-	-	-	(1,034,115)
Balance at 31 December 2017	**99,296,931**	**4,701,323**	**(378,171)**	**(81,459,831)**	**22,160,252**

The accompanying notes form part of these condensed financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Consolidated	
	31 December 2017 US$	**31 December 2016 US$**
Cash flows from operating activities		
Payments to suppliers and employees	(1,338,952)	(1,372,529)
Interest paid	(429,864)	(19,527)
Interest received	6,054	738
Net cash flows used in operating activities	**(1,762,762)**	**(1,391,318)**
Cash flows from investing activities		
Payments for development of oil and gas properties	(6,763,981)	-
Payments for exploration and evaluation	(834,322)	(1,613,772)
Payments for property, plant and equipment	(53,599)	-
Net cash flows generated used in investing activities	**(7,651,902)**	**(1,613,772)**
Cash flows from financing activities		
Proceeds from issues of ordinary shares	22,337,260	4,155,828
Redemption of convertible notes	(778,800)	-
Payment of equity raising costs	(1,034,115)	(202,891)
Net cash flows from financing activities	**20,524,345**	**3,952,937**
Net increase in cash and cash equivalents held	**11,109,681**	**947,847**
Cash and cash equivalents at the beginning of the period	**3,395,501**	**883,398**
Effect of exchange rate changes on the balance of cash held in foreign currencies	4,872	(1,156)
Cash and cash equivalents at the end of the period	**14,510,054**	**1,830,089**

The accompanying notes form part of these condensed financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Note	**Contents**
1.	Significant accounting policies
2.	Exploration and evaluation assets / Oil and gas properties
3.	Borrowings
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1. Significant accounting policies

Statement of compliance

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

Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2017 annual financial report for the financial year ended 30 June 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised Accounting Standards

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

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

Standard/Interpretation

1. AASB 1048 'Interpretation of Standards'
2. AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

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

Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods effected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 2. Exploration and evaluation assets / Oil and gas properties.

1. Significant accounting policies (continued)

Working capital

As at 31 December 2017, the Group has cash and cash equivalents of $14,510,054 and the Group's current assets exceed current liabilities by $7,409,096. In the opinion of the Directors, the Group will continue to meet its liabilities and obligations for a period of at least twelve months from the date of this report because the Company believes it has adequate financing plans in place to be able to secure funding (if required) for its planned activities over the same period.

The opinion of the Directors has been determined after consideration of the Company's existing cash position, the expected revenues generated from oil and gas production to commence in March 2018 and the level of planned capital and operational expenditures. The Directors have also considered the following factors:

1. The ability to issue share capital under the Corporations Act 2001, if required, by a share placement, an entitlement issue and/or a share purchase plan; and/or
2. The group's ability to arrange a short tem unsecured bridging loan.

	Consolidated	
	31 December 2017 US$	**30 June 2017 US$**

2 (a). Exploration and evaluation assets

Costs carried forward in respect of areas in the exploration and/or evaluation phase at cost:	1,115,614	2,421,473
Reconciliation of movements:-		
Carry amount at the beginning of the financial year	2,421,473	4,834,429
Additions at cost	268,217	1,129,019
Amounts transferred to oil and gas properties	-	(2,300,258)
Impairment expense	(1,574,076)	(1,241,717)
Carrying amount at the end of the financial period / year	1,115,614	2,421,473

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 leases relinquished early in the 2018 year and immaterial residual rehabilitation costs.

2 (b). Oil and gas properties

Costs carried forward in respect of areas in the oil and gas properties at cost:	15,939,673	5,896,622
Reconciliation of movements:-		
Carry amount at the beginning of the financial year	5,896,622	-
Additions at cost	10,043,051	3,596,364
Amounts transferred from exploration and evaluation assets	-	2,300,258
Carrying amount at the end of the financial period / year	15,939,673	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 changes in the estimated recoverable reserves, oil and gas prices, discount rates and cost estimates or a combination of these inputs.

	Consolidated	
	31 December 2017 US$	**30 June 2017 US$**
3. Borrowings		
Current secured		
Convertible note – debt liability	3,120,000	2,307,600
Convertible note – derivative liability	429,310	-
Total current borrowings	3,549,310	2,307,600
Non-Current secured		
Convertible note – debt liability	2,216,560	3,578,944
Convertible note – derivative liability	-	419,456
Total non-current borrowings	2,216,560	3,998,400

On 22 July 2016, Byron and Metgasco Limited ("Metgasco")) entered into a 3-year agreement to issue up to A$ 8 million in Convertible Notes ("Convertible Note"). On 20 January 2017, Metgasco subscribed for the full 8.0 million @ A$1.00 convertible notes (unquoted). The convertible notes are repayable in A$ 1 million quarterly instalments over 2 years commencing in October 2017. For further information on the key financing terms of the agreement, please refer to the company's Annual Report and/or various ASX releases regarding the Convertible Notes.

4. Issued capital

	31 December 2017		30 June 2017	
(a) Movement for period	**Number**	**US$**	**Number**	**US$**
Fully paid ordinary shares	684,987,034	99,296,931	277,447,162	77,993,786

Movements in ordinary share capital for the period:-

Balance as at 1 July 2017	277,447,162	77,993,786
The issue of 378,970,262 shares under a placement at A$0.07 per share	378,970,262	20,771,360
The issue of 28,569,610 shares under a SPP at A$0.07 per share	28,569,610	1,565,900
Equity raising costs		(1,034,115)
Balance as at 31 December 2017	684,987,034	99,296,931

(b) Terms and conditions of contributed equity

Ordinary shares

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

As at 31 December 2017, the issued capital of the Company comprised 684,987,034 ordinary shares and all shares are quoted on the ASX.

4. Issued capital (continued)

(c) Share options

Options over ordinary shares

As at 31 December 2017, there were 51,800,000 unissued ordinary shares in respect of which the following options were outstanding:

Expiry date	Number	Securities	Exercise price
31 December 2019	9,500,000	Unlisted options	A$0.25
21 July 2019	10,000,000	Unlisted options	A$0.25
30 September 2018	1,950,000	Unlisted options	A$0.25
31 December 2021	28,350,000	Unlisted options	A$0.12
31 December 2021	2,000,000	Unlisted options	A$0.16
Total	51,800,000		

During the half-year ended 31 December 2017, 28,350,000 share options were issued with an exercise amount of A$0.12 and a further 2,000,000 share options with an exercise price of A$0.16 cents were issued; all options issued in the half year period will expire on 31 December 2021. No share options were converted into ordinary fully paid shares during the period and 1,700,000 share options with an exercise price of A$0.65 expired on 30 September 2017.

5. Financial instruments

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

6. Expenditure commitments

(a). General expenditure commitments

The Group has no general expenditure commitments at the end of the period, except for non cancellable operating lease payments. These obligations are not materially different from those disclosed in the financial statements for the year ended 30 June 2017.

(b). SM 71 production facilities and one development well commitments

The Group has no exploration lease commitments at the end of the half-year ended 31 December 2017 as the leasing arrangements of the Gulf of Mexico blocks do not require firm work programme commitments. The Group does have a financial commitment as at 31 December 2017 for the completion and commissioning of the SM71 production facilities, the drilling of one SM71 development well, as well as, three well completions as detailed below.

	Consolidated	
	31 December 2017 US$	**31 December 2016 US$**
Expenditure commitments for production facilities, one development well and three well completions		
Not longer than 1 year	8,463,000	1,143,091

7. Foreign currency translation

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

	31 Dec 2017 (half year)	30 June 2017 (full year)	31 Dec 2016 (half year)
Spot rate	0.7800	0.7692	0.7236
Average rate for the period	0.7791	0.7545	0.7546

8. Contingent liabilities

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

9. Segment information

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

10. Events subsequent to balance date

Subsequent to the end of the half year ended 31 December 2017, the following events occurred:

(i). on 5 February 2018, Byron announced that the Ensco 68 drilling rig was repositioned over the SM71 F1 well and operations to complete the F1 as a producing well in the D5 Sand had begun. Completion operations on all three wells are expected to take about 6 weeks. During completion work, only limited flowback will be possible and production rates will be established only as each well is placed into production. Piping and instrumentation work on the SM71 F Platform is nearing completion and production is expected to commence in mid-March. The wells will begin producing sequentially as the new facility is brought on line; and

(ii). on 5 March 2018, Byron announced that perforation and sand control operations have concluded on the SM71 F2 well. A 72-foot measured depth interval of the B65 Sand was perforated on 26 February 2018 and sand control measures were pumped across the interval on 28 February 2018. After rigging down the pumping equipment, 2 7/8” production tubing was run in the well. After the production tubing was landed, a short flow back to recover completion fluids and oil occurred before the F2 well was shut in by closing a surface controlled subsurface safety valve. No production rates were determined during this phase of the project due to limited oil storage tank capacity currently on location. As each SM 71 well is hooked into the production manifold and SM 71 lease pipelines, it will be individually tested, and optimal rates will be established based on reservoir pressure drawdown. The F2 well is the second of three completions on the SM 71 F platform. Pressures on the F2 well met expectations. The Ensco 68 drilling rig has now skidded into position over the SM 71 F3 well and completion operations in the D5 Sand have begun.

11. Related party

The following related party transactions were continued or entered into during the half year ended 31 December 2017:-

(a) Following approval by shareholders at an Extraordinary General Meeting ("EGM") held on 18 September 2017, the following fully paid ordinary shares in the Company were issued for cash at an issue price of A$0.07 per share:-

- 18,000,000 fully paid ordinary shares in the Company issued to Mr Douglas Battersby and/or his associates, a director of the Company;
- 14,285,715 fully paid ordinary shares in the Company issued to Mr Maynard Smith and/or his associates, a director of the Company;
- 10,300,000 fully paid ordinary shares in the Company issued to Mr Paul Young and/or his associates, a director of the Company;
- 7,900,000 fully paid ordinary shares in the Company issued to Mr Charles Sands and/or his associates, a director of the Company; and
- 1,200,000 fully paid ordinary shares in the Company issued to Mr William (Bill) Sack and/or his associates, a director of the Company.

(b) Following approval by shareholders an EGM held on 18 September 2017. The following directors and key management personnel were issued with share options in Byron Energy Limited, exercisable at an exercise price of A$0.12 per share on or after issue at any time on or before 31 December 2021:-

- Mr Maynard Smith and/or his associates, a director of the Company, was issued with 6,300,00 share options;
- Mr Prent Kallenberger, and/or his associates, a director of the Company, and/or his associates were issued with 6,300,00 share options;
- Mr William (Bill) Sack, and/or his associates, a director of the Company, was issued with 6,300,00 share options; and
- Mr Nick Filipovic and/or his associates, the Company Secretary and CFO, was issued with 3,780,000 share options.

(c) Corporate advisory services at normal commercial rates totalling A$338,915 were provided by Baron Partners Limited, of which Paul Young is an executive director and shareholder. There was no outstanding amounts payable at 31 December 2017.

DIRECTORS' DECLARATION

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

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

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

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

On behalf of the Directors

D. G. Battersby
Chairman

8 March 2018

Deloitte.

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Byron Energy Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit and loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year as set out on pages 11 to 23.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including, giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Byron Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Deloitte.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants
Melbourne, 8 March 2018

BYRON ENERGY LIMITED
ABN 88 113 436 141

CORPORATE DIRECTORY

Directors

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

Chief Executive Officer

Maynard Smith

Chief Financial Officer and Company Secretary

Nick Filipovic

Registered and Principal Australian Office

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LAFAYETTE LA 70508

Legal Adviser

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1 Farrer Place
SYDNEY NSW 2000

Auditors

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ASX Code: BYE

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