BYRONENERGY LIMITED

13 October 2020

ASX Market Announcements Office
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

Attached please find a copy of the Letter to Shareholders from the CEO, to be sent to Byron's shareholders.

Authorised by:
The Board of Directors

Yours sincerely

N. Filipovic

Nick Filipovic
Company Secretary

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Letter to Shareholders from the CEO

Risk management in 2020, building a strong foundation for significant growth in 2021

By any measure, 2020 has presented Byron with one of the most difficult and challenging operating environments for a small oil and gas company that I have ever experienced. Due to the COVID-19 pandemic and the resultant impact on world oil consumption, the current economic circumstances are undoubtedly a black swan event. Early in 2020, daily world oil consumption was close to 100 million barrels of oil per day and set to climb further on the back of sustained world economic growth. Currently, the best estimate for average daily demand for 2020 is now closer to 90 million barrels per day, with the expectation that consumption will need a couple of years to return to pre COVID-19 levels. While demand is expected to recover, US shale production is likely to continue to decline through 2021 and potentially beyond, primarily due to its high cost and low margin nature. Byron, on the other hand, as a low cost high margin producer, has a significant advantage in the current economic environment.

Before the pandemic, it would have been hard to imagine any event outside of a world conflict, leading to such a dramatic collapse in oil demand and price. This event reinforces and highlights how critically important it is for a small oil company, such as Byron, to have a comprehensive risk management strategy to survive and prosper in these times of great uncertainty. Despite the unimaginable challenges that Byron has faced in 2020, the Byron team has remained focused and determined to adapt to the current circumstances. In doing so, the Company has not only further improved its risk minimization strategies but has also succeeded in building a foundation on which to grow the Company for many years to come.

In 2020, our business's primary risk factors are oil price volatility, cost overruns associated with drilling, non-commercial wells due to geological risk, the regulatory risk associated with changing political environment, and funding risk.

Byron has produced net to the Company this financial year, 394,000 barrels of oil, 0.8 billion cubic feet of gas, and received US$21.4 million in net revenue (after royalties and transportation charges). I expect this to increase steadily and substantially over the next 12 months. To get the best possible return for our product and, at the same time, minimize future price risk, Byron has employed the services of an expert advisor in this field to help guide our decision making. As a result of this, Byron instituted a timely defensive hedging strategy last year and again in June this year to smooth out the oil price volatility created by the COVID-19 pandemic. Byron's approach to locking in a portion of production revenue, to better predict future cash flows, provides the Company with the flexibility to plan the level and timing of future drilling and development. Byron's hedging strategy is a crucial plank in risk management and remains under continuous review as our production volumes increase.

Drilling risk and the associated cost overruns, when facing challenging conditions, is another serious concern that can adversely impact the Company. Drilling risk is a troublesome issue for all oil companies and must be continually assessed and mitigated. Following a careful review of this issue, in 2019 Byron decided to seek out and hire the best possible available talent to plan and manage all future drilling and completions and has succeeded in attracting and hiring one of the most senior and experienced teams of drilling and completion engineers available to the industry. This team has experience across many geographical locations and basins and has worked on some of the most challenging wells ever drilled. The results speak for themselves as the Company has not had any cost overruns associated with drilling or completion operations since this team began managing our wells.

To help minimize geological risk, while developing the SM58 area, future wells will incorporate a fully engineered, sidetrack option as a low risk fall back to the original prospect hole. This strategy has been part of our approach for many years and was recently employed on the G2 exploration well. While we were very enthusiastic about the Lower O section at the Cutthroat prospect, we were aware that this section had an element of trap risk. Before the drilling of the G2, we engineered a detailed sidetrack plan to test the Brown Trout prospect should the original G2 well fail. The G2ST1 tested Brown Trout at the cost of less than US$2.0 million, far cheaper than a stand-alone well from the surface, and provided Byron a low-risk option that delivered a good result for the Company. The Company's SM58 project is in a very complex area, with 123 wells drilled within the 9 square mile area of SM58 by previous operators. Thus far, the Byron proprietary seismic has been very accurate in identifying hydrocarbon, but one of the geophysical limits of all seismic data, due to a quirk of physics, is that the enhanced reflectivity associated with hydrocarbon on seismic data is the same for 5% gas saturation as it is for 90% gas saturation. This is true for any seismic data set used by the industry. Therefore, the only way to positively identify a commercial accumulation is through the drill bit. By employing pre-planned sidetracks for our wells, we will ensure that SM58 is developed both cost-effectively and efficiently.

To minimize the risk associated with the potential change in the regulatory environment post the 2020 election in the US, we have accelerated the permitting for the remaining seven wells at SM58/57, two wells at SM60, and four wells at SM70. Preliminary well planning has also started at our Eugene Island 77 project. These permits are generally valid for the life of the lease, and given the mentioned uncertainties, we think it is prudent to have the core of our program permitted. This permitting effort is a significant undertaking requiring many hundreds of working hours.

As I have mentioned in the past, Byron, as the operator, is in complete control of its expenditure. As our production and subsequent cashflow increases to a self-sustaining level, we will pace all our exploration, drilling, and construction efforts so that it can be funded entirely by internally generated cash flows and subsequent modest increases in our borrowing base. While making this statement, no one can accurately predict the future, and all I can say is our clear intention is to avoid further share market capital raisings if at all possible.

Since last year's CEO letter, Byron has drilled four wells and completed three. All four wells and the three completions were done on, or under, budget. Furthermore, we have installed a 100% owned nine-slot platform and 15 kilometers of oil and gas pipelines, which is, without a doubt, a significant milestone event for the Company. The complex SM58 platform design and construction project was completed almost two months ahead of schedule and nearly US$1.0 million under budget. This is a remarkable achievement, particularly given the adverse weather conditions we faced in one of the Gulf of Mexico's most active hurricane seasons on record. The SM58 platform and pipeline gathering systems and the SM71 F4, SM58 G2, and SM58 G2 ST1 wells are all 100% designed, owned, and managed by Byron. This is a significant achievement, given the small number of professional staff currently employed and a testament to our ongoing commitment to minimize operating overheads in these challenging times.

Before finishing, it would be remiss of me not discuss the goal that I set out for our company last year. At that time, I expected a substantial appreciation in our share price by April of 2021. As discussed above, I believe we are now well into building a solid foundation for Byron through its increasing production and revenue and while I'm confident this will ultimately lead to significant share price appreciation, I suspect that it may take a little longer to achieve than last year's forecast.

Lastly, I want to thank all our fellow shareholders for your continued support. I know it's been a difficult year for many of you, but I have been humbled by the positive response and support that we received during our last capital raising, which was done during the depths of the COVID-19 pandemic. You can rest assured that the Byron management team, who, as you know, maintain a significant shareholding, will continue to work in the best interest of all shareholders to grow our company's value.

Maynard Smith
CEO

About Byron:
Byron Energy Limited ("Byron or the Company") (**ASX: BYE**) is an independent oil and natural gas exploration and production company, headquartered in Australia, with operations in the shallow water offshore Louisiana in the Gulf of Mexico. The Company has grown through exploration and development and currently has working interests in a portfolio of leases in federal waters. Byron's experienced management team has a proven record of accomplishment of advancing high quality oil and gas projects from exploration to production in the shallow water in the Gulf of Mexico. For more information on Byron please visit the Company's website at www.byronenergy.com.au.