Risk Management Policy

1. Introduction

This policy is the basis for Byron Energy Limited ("Byron or Company") establishing a sound system of risk oversight and management, management of material business risks and internal controls.

2. Purpose

Effective risk management is central to the continued growth and success of Byron.

This Risk Management Policy ensures that:

- appropriate systems are in place to identify, to the extent reasonably practicable, each material risk that the Company faces in conducting its business;
- the potential consequences and likelihood of each identified risk are understood and appropriate limits are set to assist in managing exposure to risks;
- responsibility is delegated to manage each identified risk and eliminate that risk where possible;
- assurance is provided as to the effectiveness of the risk management system and risk controls;
- the risk management system is regularly reviewed to determine whether adequate control measures are in place; and
- any material changes to the Company's risk profile are monitored and disclosed in accordance with the Company's Continuous Disclosure Policy.

3. Risk

Risk manifests itself in many ways in the oil and gas industry. In addition to industry systemic risks, there are other material business risks specific to the characteristics of Byron's asset portfolio and business structure. In general, Byron's systemic and specific risks are typical of those associated with a small international oil and gas

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exploration company with limited human and financial resources and listed on the ASX.

The business, financial and operational risks that the Company faces include, but are not limited to:

- industry risks associated with exploration and production of oil and gas generally and offshore operations specifically, including inability to find or replace reserves; drilling failures due to unexpected geological conditions; cost increases or overruns; unavailability or high cost of drilling rigs, equipment failures and/or shortages; the impact of weather or other natural phenomena on operations; accidents including fire, explosions, blowouts, surface cratering or the hazards of marine operations such as collisions, capsizing, or adverse sea conditions; loss of reserves; constraints on access to oil/gas transportation systems;

- oil and gas price and exchange rate risk;

- political risks, including legislative changes or political instability;

- economic risks, such as changes in economic conditions that may adversely impact the Company's business or operations;

- environmental risks due to oil spills, natural gas leaks, pipeline ruptures or discharges of toxic gases, or other consequences of the company's operations on the natural environment;

- title and access risks for exploration and production areas;

- management risks such as loss of key personnel, ability to attract and retain suitably qualified staff, injury;

- financial risks including access to needed capital on satisfactory terms, interruptions to production income, if any, and counterparty credit risk;

- social sustainability risks; and

- legal and compliance risks.

The risks identified above are not exhaustive and staff are encouraged to identify and bring to the Company’s attention any additional actual and potential risks.

Byron’s risk management system has a framework that is underpinned by various practices and policies including:

- maintenance of insurance, in line with industry practice, against many potential environmental risks confronting our operations,

- development and implementation of practices to ensure compliance with all state and federal environmental and other regulations governing the Company's oil and gas operations in the Gulf of Mexico, including the development of the Safety and Environmental Management System ("SEMS"), and

- the Company's Corporate Governance policies (including the Securities Trading Policy and Continuous Disclosure Policy)

and are intended to ensure:-

- a consistent approach to managing risk; and

- regular reporting to the Board and other relevant stakeholders.

The Board considers that absolute compliance with the detailed provisions of AS/NZS/ISO 13000: 2009 Risk Management - Principles and Guidelines would not be a responsible use of the Company's limited resources, but requires management to have regard to the general principles of the Standard in managing the Company's risk.

4. Accountabilities

The Board has overall responsibility for overseeing the integrity of Byron's risk management system.

The Board is responsible for:

- ensuring the level of risk is as low as reasonably practicable, within the context of calculated risk taking, viewed as an essential part of the Company's approach to creating shareholder value in the longer term;

- overseeing the effectiveness of the risk management system;

- monitoring compliance against the requirements of the risk management system and reviewing the adequacy of controls;

- reviewing the risk profile of the Company and approving the policies and systems for identification and management of risks;

- reviewing the Company's capacity to absorb risk and approving aggregate exposure limits; and

- requiring management to report on the performance of systems used to identify and manage risks and regularly reviewing these reports.

In discharging its responsibilities, the Board is assisted by the Audit and Risk Management Committee ("ARMC").

The ARMC assists the Board by ensuring Byron has established and is operating a financial risk management system which is designed to identify, assess, monitor and manage material financial risks.

All Byron personnel (i.e. Directors, officers, employees, consultants and contractors) are expected to manage and monitor risks within their area of responsibility (to the extent reasonable and practical) and to comply with policies and procedures established by the Company to manage and mitigate risk.

5. Reporting

For the purposes of Byron's annual and semi-annual financial reporting, the CEO and the CFO state to the Board in writing that in accordance with the Recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations:

in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The CEO and the CFO also provide reports to the Board indicating the effectiveness of the Company's risk management and internal control systems in relation to material business risks as well as a risk assessment status on a regular basis.

6. Review

The Board will review assessments of the effectiveness of risk management and internal compliance and control on at least an annual basis. The Board will also review this policy at least annually.

7. Effective date

This policy was adopted by the Board on 29 June 2015.