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Byron Energy Ltd (BYE)

Low cost oil production builds

Recommendation
Buy (unchanged)
Price
\$0.23
Target (12 months)
\$0.48 (previously \$0.55)

GICS Sector
Energy

Expected Return

Capital growth	109%
Dividend yield	0%
Total expected return	109%

Company Data & Ratios

Enterprise value	\$179m
Market cap	\$187m
Issued capital	810.9m
Free float	78%
Avg. daily val. (52wk)	\$376,000
12 month price range	\$0.21 - \$0.39

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.30	0.28	0.34
Absolute (%)	-22.0	-17.9	-33.1
Rel market (%)	-3.2	-3.4	-24.6

Absolute Price



SOURCE: IRESS

Low oil costs put company at breakeven as output builds

BYE's low oil production costs from the shallow waters of the South Marsh Island area in the Gulf of Mexico, USA enabled the company to achieve a breakeven financial result of US\$0.5m in 1H FY20 (BPe loss of US\$1.8m) despite a 25% fall in revenue on the pcp from a 13% lower average realised oil price of US\$56.55/bbl and flat sales volumes of 270k bbl of oil (reduced by a 5-day outage for a compressor upgrade). BYE is about to hook up its most recent discovery (the SM71 F4 well) to the pipeline system while continuing modifications to its new multi-slot Platform G, which will enable significantly expanded low cost oil output from multiple zones in the discovery well SM58 011 BP01 in its 100% owned SM58 block starting in about October 2020. BYE is funded to complete the Platform G work and plans to drill up to 8 wells over next 2 years with funding flexibility through its access to the Crimson Midstream debt facility.

Readying to start SM71 F4 well production; F5 drilling now

BYE is about to start oil production from its most recent successful well, the 100% owned SM71 F4. The F4 well discovered gas-rich oil in the D5 Upper Sand, which is stratigraphically separate from the main D5 Sand production from where over 2 million barrels of oil has been produced by the SM71 F1 and F3 wells since production began in March 2018. The adjacent SM71 F5 well (BYE 50%) is currently drilling.

Investment thesis – Buy, target price \$0.48/sh (prev. \$0.55/sh)

BYE continues to unlock increasing value from the successful use of Reverse Time Migration (RTM) and Vector Imaging Partition (VIP) proprietary seismic inversion to define significant hydrocarbon accumulations missed by previous producers in the shallow offshore waters of the Gulf of Mexico. The SM71 F4 well is about to be hooked into the pipeline system and installation of the SM58 G Platform in about August will further expand oil production and facilitate drilling of multiple exploration wells in the next two years. We have updated our forecasts and valuation, incorporating lower near term oil and gas prices reflecting the fall-out from OPEC and Russia failing to reach agreement on lower oil production quotas. We are now forecasting a larger loss for FY20 and earnings reductions of 60% and 17% for FY21 and FY22 respectively. We have reduced our target price by 13% to \$0.48/share. Buy recommendation retained.

Earnings Forecast

Year end June	2019a	2020e	2021e	2022e
Sales (US\$m)	39	25	81	204
EBITDA (US\$m)	11	(2)	26	91
NPAT (reported) (US\$m)	6	(9)	6	37
NPAT (adjusted) (A\$m)	8	(13)	8	52
EPS (adjusted) (A¢ps)	1	(2)	1	6
EPS growth (%)	281%	na	na	535%
PER (x)	19.5	na	22.8	3.6
FCF Yield (%)	4	na	na	24
EV/EBITDA (x)	16.4	na	6.8	2.0
Dividend (A¢ps)	-	-	-	-
Yield (%)	-	-	-	-
Franking (%)	-	-	-	-
ROE (%)	18%	na	11%	51%

SOURCE: BELL POTTER SECURITIES ESTIMATES

BYE at breakeven from low oil costs

Work continues on readying the SM58 G Platform for 2H 2020

BYE's low oil production cash costs declined 19% the on previous corresponding period (pcp), averaging US\$20.97/bbl from its wells in the shallow waters of the South Marsh Island area in the Gulf of Mexico, USA. This enabled the company to achieve a breakeven financial result of US\$0.5m in 1H FY20 (BPe loss of US\$1.8m). The latest result compares to the previous half's loss of US\$1.9m, indicating further improvement in operating costs in the latest half and it was achieved despite a 25% fall in revenue on the pcp from a 13% lower average realised oil price of US\$56.55/bbl, lower gas prices, flat sales volumes of 270kbbbl of oil (reduced by a 5-day outage for a compressor upgrade) and substantially lower gas sales. Summary details of the 1H FY20 financial result are in Table 1.

Table 1 – Summary financial data for 1H FY20

Year to June		Dec-18 Actual	Jun-19 Actual	FY19 Actual	Dec-19 Actual	Dec-19 BP Est.	Variance % pcp	Variance % BP Est.
Production and prices								
Oil production (equity share)	kbbbl	267.6	260.4	528.0	270.1	prev. given	1%	na
Gas production (equity share)	Mbtu ¹	484.8	591.5	1,076.3	307.0	prev. given	-37%	na
Average realised prices - Oil	US\$/bbl	56.98	61.89	59.40	56.55	56.86	-13%	-1%
- Gas	US\$/Mbtu	2.97	2.23	2.60	2.03	2.03	-32%	0%
Average direct cash cost for oil	US\$/bbl	3.82	4.60	4.21	5.69	5.69	49%	0%
Average total cash cost for oil	US\$/bbl	25.99	22.25	24.14	20.97	25.74	-19%	-19%
Financials								
Revenue	US\$m	21.2	17.4	38.6	16.0	16.0	-25%	0%
Production expenses	US\$m	(7.0)	(5.8)	(12.7)	(5.7)	(7.0)	-19%	-19%
Exploration and evaluation	US\$m	(3.5)	(9.5)	(12.9)	(5.1)	(6.8)	48%	-25%
Other expenses	US\$m	(1.2)	(0.8)	(2.0)	(2.0)	(1.0)	59%	97%
Total Expenses	US\$m	(11.7)	(16.0)	(27.7)	(12.8)	(14.8)	10%	-13%
EBITDA	US\$m	9.5	1.4	10.9	3.2	1.2	-66%	162%
Depreciation and amortisation	US\$m	(1.6)	(3.1)	(4.7)	(2.2)	(2.6)	35%	-14%
EBIT	US\$m	7.9	(1.7)	6.2	1.0	(1.4)	-87%	na
Tax provision	US\$m	0.0	0.0	0.0	0.0	0.0	na	na
Normalised NPAT	US\$m	7.6	(1.9)	5.7	0.5	(1.8)	-93%	na
Normalised NPAT	A\$/m	10.8	(2.7)	8.1	0.7	(2.6)	-93%	na
EPS	A¢/shr	1.6	(0.4)	1.2	0.1	(0.3)	-94%	na
DPS	A¢/shr	0.0	0.0	0.0	0.0	0.0	na	na
Operating cash flow	US\$m	13.3	10.0	23.2	9.7	9.9	-27%	-2%
Capex	US\$m	(6.8)	(12.5)	(19.2)	(23.6)	(21.3)	249%	11%
Cash	US\$m	6.1	6.8	6.8	20.7	20.7	240%	0%
Debt	US\$m	(0.0)	(0.1)	(0.1)	(15.7)	(14.0)	na	13%
Net cash/(debt)	US\$m	6.1	6.7	6.7	5.0	6.7	-18%	-26%

SOURCE: BYRON ENERGY LTD

NOTES: 1. MBTU = MILLIONS OF BRITISH THERMAL UNITS

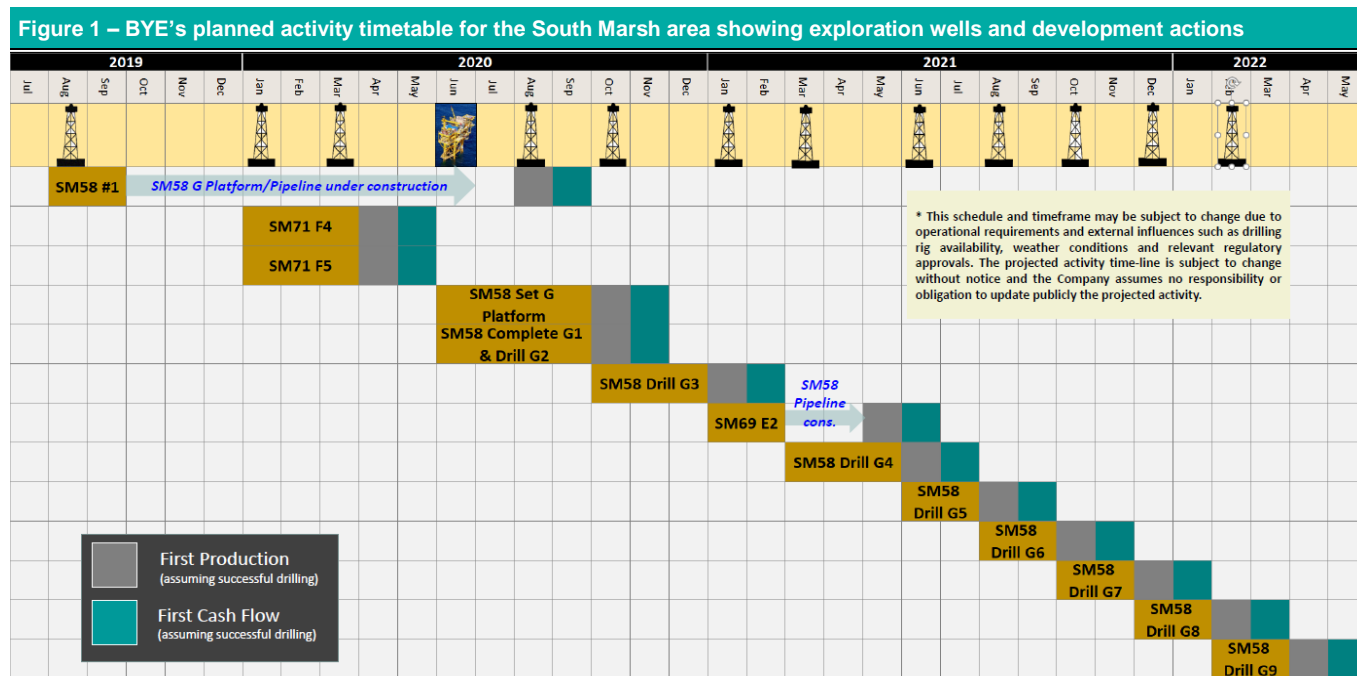
Key features of the 1H FY20 financial result are as follows:

- **Reported NPAT** of US\$0.5m was down 93% on the pcp and came from 25% lower revenue than in the pcp of US\$16.0m, 48% higher exploration impairment than the pcp of US\$5.1m (BPe US\$6.8m) and 64% higher share-based payments of US\$1.0m (BPe US\$0.2m);
- **Lower realised oil and gas prices:** While the 13% fall on pcp in the average realised oil price to US\$56.55/bbl had a big impact on the latest result, the company's average total direct operating cost fell 19% on the pcp to US\$20.97/bbl on virtually flat oil sales of 270kbbbl as production from SM71 was affected by a brief suspension for a compressor upgrade. The average realised gas price fell 32% to US\$2.03/Mbtu on 37% lower production and sales;

- **Operating cash flow** was down 27% on the pcp at US\$9.7m (BPe US\$9.9m);
- **Capex** was up 249% on pcp to US\$23.6m (BPe US\$21.3m) as the company lifted expenditure on the acquisition and modifications to the G Platform for the SM58 block; and
- **Financial position:** BYE had cash of US\$20.7m and total interest bearing liabilities of US\$14.6m (US\$13.1m of which was debt and US\$1.5m was finance leases) for effective net cash of US\$6.1m at 31 December 2019. Since then, the company has drawn the balance of the new Crimson Midstream facility so it now stands at US\$15m.

Forward program for eight SM58 wells over next two years after two SM71 wells

The forward program for BYE over the next two and a quarter years is dominated by the planned drilling of eight more wells in the SM 58 block, which are scheduled to follow completion of the second of two wells in the SM71 block (the first of which, SM71 F4, discovered oil in February 2020 and the second is currently drilling) (Figure 1). The company has a 100% working interest in the SM71 F4 well (as Otto Energy elected not to participate). The SM71 F4 well discovered gas-rich oil in a thick reservoir in the Upper D5 Sand. A further well is also planned to be drilled in the SM69 block. The company plans to start drilling the second well in the SM58 block in June 2020 after having completed the modifications to the G Platform and installed it. While that second exploration well (SM58 G2) is being drilled, BYE plans to link the pipelines from Platform G it while it completes the coupling of the recent discovery well (SM58 011 BP01) to the platform with the aim of completing that by September 2020 and starting production from the SM58 011 BP01 well in October 2020.



SOURCE: BYRON ENERGY LTD

Price target reduced by 13% to \$0.48/share

We have revised our earnings and valuation of the company and incorporated the following aspects:

- Revised oil and gas price forecasts;
- Updated financial position; and
- Revised assumptions on the amount of further debt to be drawn down to fund the forecast active drilling and development program in light of reduced forecast operating cash flows.

We are forecasting a larger loss for BYE in FY20 and earnings per share reductions of 60% and 17% respectively for FY21 and FY22 (Table 2). Those changes are from relatively low bases and **we do not regard the company's near-term earnings as a significant value driver at this stage of its operations** as oil and gas production is still at a relatively modest level compared to the forecast level in several years' time when the company is expected to be in a much higher production phase.

We have reduced our target price for BYE by 13% to \$0.48 per share (Table 2) after incorporating the net impact of the recent weakness in oil and gas prices and other minor adjustments.

Table 2 - Revised earnings forecasts and target price for BYE

Year ending 30 June	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e
	Previous			Revised			Change		
Prices & currency									
WTI crude oil (US\$/bbl)	55.05	57.80	60.00	50.50	47.73	57.86	-8%	-17%	-4%
Henry Hub gas price (US\$/MBtu)	2.80	2.95	3.25	2.13	2.20	2.50	-24%	-26%	-23%
US\$/A\$	0.67	0.68	0.74	0.69	0.70	0.74	3%	3%	0%
Equity production & costs									
Wells producing at start of year	3	6	11	3	6	11	0%	0%	0%
New producing wells drilled	3	5	5	3	5	5	0%	0%	0%
Wells producing at end of year	6	11	16	6	11	16	0%	0%	0%
Oil sold (kbbbl)	564	1,292	2,797	580	1,311	2,807	3%	1%	0%
Average realised oil price (US\$/bbl)	55.26	55.92	58.60	49.48	46.29	56.13	-10%	-17%	-4%
Average realised gas price (US\$/Mbtu)	2.54	2.69	2.92	1.47	1.80	2.07	-42%	-33%	-29%
Average unit oil production cost (US\$/bbl)	6.26	6.76	7.15	6.20	6.77	7.71	-1%	0%	8%
Average total operating cost (US\$/bbl)	25.25	25.85	25.40	20.38	24.44	26.38	-19%	-5%	4%
Earnings									
Revenue (US\$m)	33	98	213	25	81	204	-26%	-17%	-4%
EBITDA (US\$m)	8	38	98	(2)	26	91	na	-31%	-7%
EBIT (US\$m)	3	24	65	(7.1)	13	60	na	-47%	-8%
NPAT (normalised) (US\$m)	0.3	14	43	(9.3)	6	37	na	-59%	-13%
NPAT (normalised) (A\$m)	0.5	20	62	(13.5)	8	52	na	-60%	-16%
EPS (adjusted) (Acps)	0.1	2.5	7.7	(1.8)	1.0	6.4	na	-60%	-17%
PER (x)	na	11.6	3.8	na	22.8	3.6	na	11.2	(0.2)
EPS Growth (%)	na	v. large	203%	na	na	535%	na	na	164%
DPS (Acps)	-	-	-	-	-	-	na	na	na
Yield	-	-	-	-	-	-	na	na	na
Net cash/(debt) (A\$m)	(31)	(45)	(1)	(23)	(46)	(15)	-26%	4%	very large
Price Target (A\$/sh)	0.55			0.48			-13%		

SOURCE: BELL POTTER SECURITIES ESTIMATES

Our target price reflects our valuation of the company, which was reduced by 13% to \$0.48/share, and is based on risk-weighted NPV-related estimates for its various South Marsh Island interests that in turn are based on the various Reserves and Prospective Resources as at 30 June 2019 as independently assessed by Collarini Associates. Our

valuation for the company's interests in other shallow water Gulf of Mexico areas is based on exploration estimates.

We believe the company is adequately funded and has favourable debt-funding arrangements with Crimson, which potentially provides for BYE to increase the size of borrowings from Crimson to enable it to fund the drilling of the eleven attractive targets currently planned for the South Marsh Island and nearby areas over the next two and a quarter years (Figure 1) as well as enabling the company to complete modifications to the multi-slot SM58 G drilling platform and its installation and pipelines.

We have used **oil price and FX forecasts in Table 2** (on previous page) and risk adjusted discount factors of 10% to 80% for determining the valuations of the company's various South Marsh Island interests and estimated exploration valuations for the company's other Gulf of Mexico assets to determine an overall valuation for the whole company (Table 3).

Table 3 – Equity diluted NPV-based and valuation of BYE

	Base Case	
	\$m	\$ per share ^{1,2}
Exploration - South Marsh Island Project	355	0.42
- Eugene Island Project	50	0.06
- Other	11	0.01
- Total	415	0.49
Corporate	(20)	(0.02)
Enterprise Value	395	0.46
Net Cash - Current ³	8	0.01
- Exercise of unlisted options that are dilutive at valuation	8	0.01
- Total	16	0.02
Total Valuation	411	0.48

SOURCE: BELL POTTER SECURITIES ESTIMATES

NOTES: 1. MAY NOT ADD BECAUSE OF ROUNDING AND DILUTION EFFECTS.
2. BASED ON DILUTED SHARE CAPITAL OF 852.0M SECURITIES
3. BASED ON POSITION AT 31 DECEMBER 2019.

WTI oil price declines to around US\$35/bbl

The West Texas intermediate (WTI) oil price has plunged to around US\$35/bbl under the impact of what looks like being an oil price war after OPEC and Russia failed to agree on production cuts of about 1.5 million barrels per day. Following the announcement by the world’s second largest oil producer (Saudi Arabia) that it would increase production to maintain its market share, the WTI price plunged to a low of US\$27.91/bbl on Monday 9 March. The price has rebounded to the current level of around US\$35/bbl.

We have reduced our oil price forecasts to reflect the likelihood of significant price weakness over 2020 from the breakdown of the previous OPEC+ arrangements, which we expect to result in lower prices over the next two years than we were previously forecasting. We see oil prices gradually returning to recent levels of US\$58 – 60/bbl in 2022 and we retain our long term forecast for WTI oil of US\$60/bbl from 2023 but we continue to expect the oil price to volatility over the next two years from the impact of coronavirus.



Byron Energy Limited (BYE)

Company Description

BYE is a petroleum exploration, development and production company with principal interests in the hydrocarbon deposits in shallow water plays in the Gulf of Mexico offshore from Louisiana in the USA. The company's Board and management is made up of the key founding and operating personnel who have extensive experience in oil and gas exploration and production in the shallow waters area of the Outer Continental Shelf of the Gulf of Mexico from previous involvement there with other companies and the forerunner to the current company. BYE is utilising some very innovative seismic technology known as Reverse Time Migration (RTM) and state of the art Vector Imaging Partition (VIP) seismic inversion, which has identified multiple significant hydrocarbon deposits overlooked by previous explorers that were successfully drilled in the latter part of 2017 and which have been producing oil and gas since March 2018. The company has been building up a significant position in contiguous blocks in the South Marsh Island area mainly by successfully winning open tenders for lease blocks. BYE has Operatorship and mostly a 100% working interest (WI) in the various leases it holds in the South Marsh Island area. The exceptions are the 53% working interest in the SM69 E Platform, in which Ankor Energy is the Operator and the SM71 and SM74 Blocks in which BYE has a 50% and will have a 70% working interest respectively after Metgasco completes its farm-in to the SM74 Block. The company's net share of total independently assessed Reserves and Prospective Resources in its South Marsh Island interests is estimated at 53.7 million barrels (Mbbbl) of oil and 332Bcf of gas net to BYE. BYE is also Operator with a 100% WI in four blocks in the Eugene Island area; is Operator with 100% WI respectively in three blocks in the Main Pass area; and is Operator with a 100% WI in one block in the Grand Isle area, where BYE's total net share of independently assessed Reserves and Prospective Resources is estimated at 13Mbbbl of oil and 332Bcf of gas net to BYE.

Investment thesis – Buy, target price \$0.48 per share (previously \$0.55/share)

BYE continues to unlock increasing value from the successful use of Reverse Time Migration (RTM) and Vector Imaging Partition (VIP) proprietary seismic inversion to define significant hydrocarbon accumulations missed by previous producers in the shallow offshore waters of the Gulf of Mexico. The SM71 F4 well is about to be hooked into the pipeline system and installation of the SM58 G Platform in about August will further expand oil production and facilitate drilling of multiple exploration wells in the next two years. We have updated our forecasts and valuation, incorporating lower near term oil and gas prices reflecting the fall-out from OPEC and Russia failing to reach agreement on lower oil production quotas. We are now forecasting a larger loss for FY20 and earnings reductions of 60% and 17% for FY21 and FY22 respectively. We have reduced our target price by 13% to \$0.48/share. Buy recommendation retained.

Target Price reduced by 13% to \$0.48/sh

We have reduced the target price for BYE by 13% to \$0.48/share after incorporating the impact of the latest financial result and reduced medium term oil and gas prices. The target price is based on our valuation of BYE, which is a combination of risk-weighted NPV-based valuation of the staged development of significant oil production from the South Marsh Island region and an assessed valuation for the exploration assets in the company's other areas. Our valuations assume the drawdown of further debt under the Crimson facility to enable the planned development of the South Marsh Island Oil Project and exploration and potential production from BYE's other Gulf of Mexico areas. We expect that expanding free cash flow should enable debt repayments in FY22.

Risks of investment

The risks of investment include, but are not limited to:

- **Exploration success:** Although BYE has successfully achieved oil and gas production from the South Marsh Island area in the shallow northern waters region of the Gulf of Mexico, the company's activities are still at a relatively early stage as they often include a new phase of exploration drilling in areas that have been historic producing regions but which have often had little if any recent activity and therefore, are relatively higher risk. As significant new discoveries such as BYE has made in the SM71 area are made, and the company demonstrates that its innovative RTM/VIP seismic technology is widely effective, the exploration and appraisal risk of the finds and of highly rated targets in the nearby areas or prospects reduces progressively as exploration, appraisal and ultimately production progresses and largely de-risks each area.
- **Oil price and exchange rate risk: International oil and gas prices and foreign exchange rates are affected by various economic and geopolitical factors that make them volatile and liable to relatively sudden change. The oil and gas prices and foreign exchange rates that apply to any of BYE's projects may be different from our forecasts.**
- **Development risk:** While the existing and proposed developments for the greater South Marsh Island, Eugene Island and nearby areas is relatively simple and straightforward and is intended to be done using standard shallow water equipment and procedures that mostly involves access to existing pipelines, there is still some potential for difficulties in such conditions that may result in cost overruns and completion delays, which may collectively adversely impact on the economics of the company's projects.
- **Production and operational risk:** Even in well-established oil and gas production regions such as the Gulf of Mexico, where BYE is operating, there may have only been a few wells drilled near BYE's current areas and there may have been little or no previous hydrocarbon production in these areas to indicate how the reservoirs there behave in a production regime. Until reliable production data is established for an area, there is a risk that various production aspects may adversely impact on commerciality.
- **Political risk:** BYE principally operates in the USA, where there is relatively very low political risk but the country has had minor political issues from time to time that, if repeated, could potentially adversely affect its operations and outcomes. BYE always ensures it engages with and strongly supports the communities in which it operates, even if it is only a minority partner in a joint venture.
- **Funding risk:** The company has successfully acquired significant interests in the Gulf of Mexico. The financial reward from that success will be growing free cash generation by BYE from expanding production as the company drills and establishes hydrocarbon production from successful wells. By its nature, the exploration activities of BYE are expensive and the company needs to ensure that it has adequate access to funding to maintain its interests and is able to fund its share of what may sometimes be more expensive exploration wells and development stages because of unexpected complications in the drilling, production testing and completion stages of its activities.
- **Inappropriate acquisitions:** The acquisition of other assets can divert management effort from the current focus and may yield inadequate returns.
- **Impact of pandemic infection such as coronavirus:** This may have an adverse impact on the macro economic factors such as oil pricing and demand.

Other significant risks include regulatory, environmental and commercial ones, which are typical for natural resource projects. These aspects are usually well understood and readily managed by the competent and well experienced personnel used by BYE either directly as the Operator or as contractors in an operating team.

Table 4 - Financial summary

PROFIT AND LOSS						
Year ending 30 June	Unit	2018a	2019a	2020e	2021e	2022e
Revenue	US\$m	12	39	25	81	204
Expenses	US\$m	(8)	(28)	(26)	(55)	(112)
EBITDA	US\$m	3	11	(2)	26	91
Depreciation and amortisation	US\$m	(1)	(5)	(6)	(14)	(31)
EBIT	US\$m	2	6	(7)	13	60
Net interest expense	US\$m	(1)	(0)	(2)	(7)	(8)
PBT	US\$m	1	6	(9)	6	52
Tax Expense	US\$m	0	0	0	0	(14)
NPAT (reported)	US\$m	1	6	(9)	6	37
Adjustments (after-tax)	US\$m	0	0	0	0	0
NPAT (normalised)	US\$m	1	6	(9)	6	37

PROFIT AND LOSS						
Half Year	Unit	Jun18a	Dec18a	Jun19a	Dec19a	Jun20e
Revenue	US\$m	12	21	14	16	9
Expenses	US\$m	(4)	(12)	(13)	(13)	(13)
EBITDA	US\$m	8	10	1	3	(5)
Depreciation and amortisation	US\$m	(1)	(2)	(3)	(2)	(3)
EBIT	US\$m	7	8	(2)	1	(8)
Net interest expense	US\$m	(1)	(0)	(0)	(0)	(2)
PBT	US\$m	6	8	(2)	1	(10)
Tax Expense	US\$m	0	0	0	0	0
NPAT (reported)	US\$m	6	8	(2)	1	(10)
Adjustments (after-tax)	US\$m	0	0	0	0	0
NPAT (normalised)	US\$m	6	8	(2)	1	(10)

CASH FLOW						
Year ending 30 June	Unit	2018a	2019a	2020e	2021e	2021e
OPERATING CASH FLOW						
Receipts	US\$m	8	39	25	76	189
Payments	US\$m	(4)	(16)	(13)	(34)	(80)
Net interest	US\$m	0	(0)	(2)	(7)	(8)
Tax	US\$m	0	0	0	0	0
Other	US\$m	(1)	0	0	0	0
Total	US\$m	3	23	9	35	100
INVESTING CASH FLOW						
Cap Ex and exploration	US\$m	(24)	(19)	(55)	(58)	(69)
Other	US\$m	0	(0)	1	0	0
Total	US\$m	(24)	(20)	(54)	(58)	(69)
Free cash flow	US\$m	(21)	4	(46)	(23)	32
FINANCING CASH FLOW						
Net equity proceeds	US\$m	21		21		
Debt proceeds	US\$m		1	25	30	
Debt repayments	US\$m	(1)				(10)
Dividends	US\$m					
Other	US\$m					
Total	US\$m	20	1	47	30	(10)
Change in cash	US\$m	(1)	5	1	7	22

Balance Sheet (\$M)						
Year ending 30 June	Unit	2018a	2019a	2020e	2021e	2022e
ASSETS						
Cash and deposits	US\$m	2	7	8	15	36
Accounts receivable	US\$m	6	5	4	6	8
Inventory	US\$m	0	0	0	1	1
Property, Plant & Equipment	US\$m	0	0	13	16	20
Oil & Gas Properties	US\$m	26	27	50	75	80
Exploration & development	US\$m	4	7	7	8	9
Other	US\$m	2	8	8	10	9
Total assets	US\$m	40	53	90	131	163
LIABILITIES						
Accounts payable	US\$m	5	9	8	13	17
Borrowings	US\$m	5	6	29	59	49
Deferred tax	US\$m	0	0	0	0	0
Provisions	US\$m	1	2	2	2	3
Other	US\$m	0	0	2	2	2
Total liabilities	US\$m	12	17	41	76	71
SHAREHOLDERS EQUITY						
Share capital	US\$m	99	101	122	122	122
Reserves	US\$m	5	5	5	5	5
Retained earnings	US\$m	(75)	(70)	(79)	(73)	(36)
Total equity	US\$m	29	37	49	54	92
Weighted average shares	m	586	691	763	811	811

FINANCIAL RATIOS						
Year ending 30 June	Unit	2018a	2019a	2020e	2021e	2022e
NPAT (adjusted)	A\$m	2	8	(13)	8	52
Adjusted EPS (normalised)	A¢/shr	0.3	1.2	(1.8)	1.0	6.4
EPS growth	%	na	281%	na	na	535%
PER	x	na	19.5	na	22.8	3.6
DPS	A¢/shr	-	-	-	-	-
Franking	%	-	-	-	-	-
Yield	%	-	-	-	-	-
Free Cash Flow (FCF)	A\$m	(30)	6	(66)	(33)	44
FCF / share	A¢/shr	(5.1)	0.8	(8.7)	(4.1)	5.4
Price / FCF	x	na	27.8	na	na	4.2
FCF yield	%	na	3.6	na	na	23.5
EV / EBITDA	x	55	16.4	na	6.8	2.0
EV / EBIT	x	76	28.9	na	14.2	3.0
EBITDA margin	%	28%	28%	na	32%	45%
EBIT margin	%	20%	16%	na	15%	29%
Return on assets	%	3%	11%	na	4%	23%
Return on equity	%	8%	18%	na	11%	51%
LIQUIDITY & LEVERAGE						
Net Debt (Cash)	A\$m	3	(1)	23	46	15
Net Debt / Equity	%	11%	na	47%	85%	16%
Net Debt / (Net Debt + Equity)	%	10%	na	32%	46%	14%
Net Debt / Total Assets	%	8%	na	26%	35%	9%
Net Debt / EBITDA	%	99%	na	na	170%	14%
EBITDA / Interest	x	3.1	23.6	na	3.8	10.9

ASSUMPTIONS - Prices						
Year ending 30 June	Unit	2018a	2019a	2020e	2021e	LT Real
Crude Oil (WTI)	US\$/bbl	58.44	61.36	49.66	47.25	60.00
Crude Oil (Louisiana Lgt Sw eet)	US\$/bbl	58.26	66.08	50.50	47.73	62.00
Natural Gas (Henry Hub)	US\$/Mbtu	2.95	3.05	2.13	2.10	2.75
Currency						
USD / AUD	US\$/A\$	0.75	0.72	0.69	0.70	0.74

ASSUMPTIONS - Product Sales (BYE share)						
Year ending 30 June	Unit	2018a	2019a	2020e	2021e	2022e
Crude Oil	kbbbl	174	528	580	1,311	2,807
Natural Gas	MBbtu	485	1,076	933	2,749	3,317

ASSUMPTIONS - Reserves and Resources (Net to BYE)						
Project Area	Reserves		Resources		Combined	
	Oil (Mbbbl)	Gas (Bcf)	Oil (Mbbbl)	Gas (Bcf)	Oil (Mbbbl)	Gas (Bcf)
South Marsh Island - Block 58	14.9	40	13.0	31	27.9	71
- Block 71	5.5	4	1.5	20	6.9	24
- Other			18.9	237	18.9	237
Eugene Island	4.5	87	8.1	229	12.6	316
Other	0.2	69	0.3	44	0.5	114
Totals	25.1	199	41.8	562	66.8	761

Major Shareholders			
	M Shares	Interest	Date of change
Metgasco Ltd/Keybridge Capital	42	5.2%	17/09/2018
Doug Battersby	52	6.4%	29/01/2020
Other Directors & Management	84	10.4%	various

CAPITAL STRUCTURE		
Issued Securities	Unit	
Ordinary shares	M	810.9
Unlisted options ¹ (exercisable at various prices, dates)	M	41.1
Total Securities	M	852.0

Note 1. Exercisable at between \$0.12 - \$0.40 by 31/12/2021

VALUATION		
	A \$m	A \$/shr ^{2,3}
Oil & Gas Assets - South Marsh Island Proj.	355	0.42
- Eugene Island Project	50	0.06
- Other	11	0.00
- Total	415	0.49
Corporate	(20)	(0.02)
Enterprise Value	395	0.46
Net Cash - Cash & Deposits	8	0.01
- Dilutive Options Exercise ⁴	8	0.01
- Total	16	0.02
Total Equity Valuation	411	0.48

Notes: 2. May not add because of rounding and dilution effects.

3. Based on full dilution of 852.0m securities.

4. Includes net cash from exercise of unlisted options that are dilutive at valuation

SOURCE: BYRON ENERGY LTD AND BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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