BELL POTTER

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Byron Energy Ltd (BYE)

Readying for SM58 oil production

Recommendation
Buy (unchanged)
Price
$0.14
Target (12 months)
$0.40 (previously $0.48)

GICS Sector

Energy

Expected Return	
Capital growth	**186%**
Dividend yield	**0%**
Total expected return	**186%**

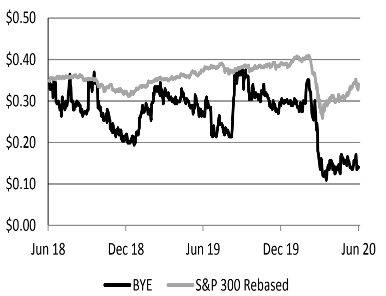
Company Data & Ratios	
Enterprise value	**$113m**
Market cap	**$133m**
Issued capital[1]	**948.0m**
Free float	**78%**
Avg. daily val. (52wk)	**$414,000**
12 month price range	**$0.105 - $0.39**

Note: 1. Assumes full SPP subscription

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.15	0.23	0.26
Absolute (%)	-6.7	-39.1	-47.0
Rel market (%)	-16.3	-43.1	-38.0

Absolute Price



SOURCE: IRESS

Installation process for SM58 platform G underway

BYE is in the process of installing a very significant new oil production and exploration platform that is expected to lead to significantly expanded low cost oil and gas output from the shallow waters of the South Marsh Island area in the Gulf of Mexico, USA. Despite the constraints from COVID-19, the company has completed the modifications to its new multi-slot Platform G for its 100% owned component of the SM58 block, which will initially enable new low cost oil output from multiple zones in the discovery well SM58 011 BP01 starting in about September 2020. Following the recent placement, extension of the Crimson Midstream debt facility, and assuming completion of its current SPP offering, BYE is well funded to execute on its plans to drill up to 8 wells over next 2 years, which we expect to be largely funded out of cash flows.

Low costs plus hedging ensures positive cash margin

BYE has adjusted its SM71 oil production to reflect its useful hedge position and fit with local refinery access, and it remains a very low cost producer with marginal cash costs of under US$10/bbl of oil, enabling it to stay operationally cash positive even at low oil prices. Minor gas production has come from the new SM71 F4 well (BYE 100%) but the new F5 well (BYE 50%) needs a sidetrack, which has been deferred.

Investment thesis – Buy, target price $0.40/sh (prev. $0.48/sh)

BYE continues to advance the growth of oil and gas output with the installation of the SM58 G Platform underway and expected to lead to new production in September 2020. The new platform will also facilitate drilling of multiple exploration wells in the next two years. We have updated our forecasts and valuation, incorporating the company's modified production regime in light of recent weakness in US oil prices and demand. Our oil price forecasts have been revised, with average forecast WTI prices being reduced by 8%, 32% and 34% for FY20 to FY22 respectively. Our long term WTI price forecast is US$45/bbl and we see the Louisiana Light Sweet (LLS) crude price (which BYE receives) gradually returning to a modest premium to that over time. While we are now forecasting small losses in FY20 and FY22 and a moderate loss for FY21 based on our lower oil price forecasts, we see BYE's low operating costs enabling it to continue to generate very useful and growing operating cash flows. We have reduced our target price by 17% to $0.40/share. Our Buy recommendation is retained.

Earnings Forecast

Year end June	2019a	2020e	2021e	2022e
Sales (US$m)	39	28	39	97
EBITDA (US$m)	11	2	2	28
NPAT (reported) (US$m)	6	(4)	(11)	(3)
NPAT (adjusted) (A$m)	8	(6)	(17)	(5)
EPS (adjusted) (A¢ps)	1.2	(0.7)	(1.8)	(0.5)
EPS growth (%)	281%	na	na	na
PER (x)	11.9	na	na	na
FCF Yield (%)	6	na	na	na
EV/EBITDA (x)	8.6	43.3	37.9	3.4
Dividend (A¢ps)	-	-	-	-
Yield (%)	-	-	-	-
Franking (%)	-	-	-	-
ROE (%)	18%	na	na	na

SOURCE: BELL POTTER SECURITIES ESTIMATES

BELL POTTER SECURITIES LIMITED
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SM58 platform G being installed

Initial oil production expected in about mid-September 2020

BYE is in the process of installing a very significant new oil production and exploration platform that is expected to lead to significantly expanded low cost oil and gas output from the shallow waters of the South Marsh Island area in the Gulf of Mexico, USA. Despite the constraints from COVID-19, the company has completed the modifications to its new multi-slot Platform G ahead of time and on budget. Platform G is a top quality nine slot production platform for BYE's 100% owned component of the SM58 block, which will initially enable new low cost oil output from multiple zones in the discovery well SM58 011 BP01 (which will become the G1 well). Key steps in the installation process include:

- Load out of the platform and jacket, which has begun;
- Installation of the platform over the next three weeks;
- Arrival of EOD 264 drilling rig in mid- to late-July to complete SM58 G1 well; and
- Initial production expected in about mid-September assuming no adverse weather events.

The G platform is capable of handling 8,000bbl of oil per day and 80 million cubic feet of gas. The G1 well encountered a true vertical thicknes net pay of 301 feet in the upper O Sands. Mud log data indicated a total hydrocarbon bearing interval thickness in the Lower O section of between 180 and 250 feet. Due to hole conditions, the Lower O Sand interval was not logged in the SM58 G1 well and will be the primary target of a future well. The SM58 G1 well was mudline suspended so that it can be completed and placed on production after the G platform is set.

Funded for major exploration and production program over next two years

Following the recent placement, extension of the Crimson Midstream debt facility, and assuming full subscription and completion of its current Securities Purchase Plan (SPP) offering (to raise up to $4m), BYE is well funded to execute on its plans to drill up to 8 wells over next 2 years. With its forecast for growing operating cash flows, we expect the company to be able to largely fund its planned drilling and production operations out of cash flows and we have conservatively assumed BYE only draws down relatively modest additional debt over that time.

Low costs plus hedging ensures positive cash margin

BYE has adjusted their SM71 oil production to reflect their hedge position and fit with local refinery access, and it remains a very low cost producer with marginal cash costs of under US$10/bbl of oil, enabling it to stay operationally cash positive even at low oil prices.

New SM71 F4 and F5 wells don't deliver to expectation

Minor gas production (amounting to about 0.5 billion cubic feet(Bcf)) at an average rate of about 9 million cubic feet per day along with a condensate rate averaging 5bbls per million cubic feet of gas has come from the new SM71 F4 well (BYE 100%). The calculated reservoir pressure has declined by 50%, indicating a very weak water drive. The well has produced gas with consistent very low levels of oil since production began with no increase observed to date and there has been no produced formation water. BYE's internal mapping and volumetrics indicates a potential gas cap of between 0.5 and 1.0 Bcf. Ultimately, the oil recovery from the D5 Upper Sand will depend on the strength of the reservoir water drive mechanism. Unfortunately the new F5 well (BYE 50%) has not been able to be brought on production yet as subsequent analysis of the well indicates that would require a sidetrack, which has been deferred for the time being. The SM71 F5 wellbore was temporarily abandoned in a manner that allows it to be efficiently sidetracked in the future when the uncertainty relating to the COVID-19 epidemic has dissipated and also at a time where oil prices are also substantially higher.

Price target reduced by 17% to $0.40/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 capital structure reflecting the recent share placement and assumption of full completion of the current SPP; 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 from the forecast lower oil and gas prices.

We are forecasting small losses for BYE in FY20 and FY22 and a moderate loss for FY21 (Table 1). **We do not regard the company's near-term earnings as a significant value driver at this stage of its operations,** however, 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 17% to $0.40 per share (Table 1) after incorporating the net impact of the forecast weakness in oil and gas prices and reductions to the company's equity share of forecast production.

Table 1 - Revised earnings forecasts and target price for BYE

Year ending 30 June	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e
Prices & currency		Previous			**Revised**			Change	
WTI crude oil (US$/bbl)	50.52	47.93	58.01	**46.45**	**32.78**	**38.48**	-8%	-32%	-34%
Henry Hub gas price (US$/MBtu)	2.13	2.20	2.50	**2.08**	**1.80**	**2.10**	-2%	-18%	-16%
US$/A$	0.69	0.70	0.71	**0.67**	**0.67**	**0.71**	-3%	-5%	1%
Equity production & costs									
Wells producing at start of year	3	6	11	**3**	**5**	**10**	0%	-17%	-9%
New producing wells drilled	3	5	5	**2**	**5**	**5**	-33%	0%	0%
Wells producing at end of year	6	11	16	**5**	**10**	**15**	-17%	-9%	-6%
Oil sold (kbbl)	580	1,311	2,807	**488**	**965**	**2,535**	-16%	-26%	-10%
Average realised oil price (US$/bbl)	51.54	49.43	57.56	**50.53**	**33.09**	**34.45**	-2%	-33%	-40%
Average realised gas price (US$/Mbtu)	1.48	1.80	2.07	**1.37**	**1.52**	**1.67**	-7%	-15%	-19%
Average unit oil production cost (US$/bbl)	6.44	6.57	6.78	**6.29**	**6.57**	**6.78**	-2%	0%	0%
Average total operating cost (US$/bbl)	21.81	21.54	22.35	**23.50**	**19.60**	**17.23**	8%	-9%	-23%
Earnings									
Revenue (US$m)	31	69	170	**28**	**39**	**97**	-12%	-43%	-43%
EBITDA (US$m)	4	23	81	**2**	**2**	**28**	-51%	-89%	-65%
EBIT (US$m)	(1)	11	53	**(2)**	**(6)**	**6**	na	na	-89%
NPAT (normalised) (US$m)	(3)	4	32	**(4)**	**(11)**	**(3)**	na	na	na
NPAT (normalised) (A$m)	(4)	6	45	**(6)**	**(17)**	**(5)**	na	na	na
EPS (adjusted) (Acps)	(0.5)	0.8	5.6	**(0.7)**	**(1.8)**	**(0.5)**	na	na	na
PER (x)	na	30.5	4.1	**na**	**na**	**na**	na	na	na
EPS Growth (%)	na	na	637%	**na**	**na**	**na**	na	na	na
DPS (Acps)	-	-	-	**-**	**-**	**-**	na	na	na
Yield	-	-	-	**-**	**-**	**-**	na	na	na
Net cash/(debt) (A$m)	(26)	(67)	(45)	**3**	**(60)**	**(81)**	na	-11%	80%
Price Target (A$/sh)	0.48			**0.40**			-17%		

SOURCE: BELL POTTER SECURITIES ESTIMATES

Our target price reflects our valuation of the company, which was reduced by 17% to $0.40/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 years as well after enabling the company to complete installation of the multi-slot SM58 G drilling platform and its connecting pipelines.

We have used **oil price and FX forecasts in Table 1** (on previous page) and risk adjusted discount factors of 10% to 85% 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 2).

Table 2 – NPV-based valuation of BYE

	Base Case	
	$m	**$ per share[1,2]**
Exploration - South Marsh Island Project	356	0.36
- Eugene Island Project	26	0.03
- Other	7	0.01
- Total	**389**	**0.39**
Corporate	(19)	(0.02)
Enterprise Value	**370**	**0.37**
Net Cash - Current[3]	19	0.02
- Exercise of unlisted options that are dilutive at valuation	8	0.01
- Total	28	0.03
Total Valuation	**398**	**0.40**

SOURCE: BELL POTTER SECURITIES ESTIMATES

NOTES: 1. MAY NOT ADD BECAUSE OF ROUNDING AND DILUTION EFFECTS.
2. BASED ON DILUTED SHARE CAPITAL OF 989.1M SECURITIES, WHICH INCLUDES OPTIONS THAT ARE DILUTIVE AT ABOVE VALUATION AND ASSUMED FULL SPP OUTCOME
3. BASED ON POSITION AT 31 MARCH 2020 ADJUSTED FOR ESTIMATED NET OPERATING CASH OUTFLOW AND NET PROCEEDS OF MAY PLACEMENT

WTI oil price back to around US$37.50/bbl

The West Texas intermediate (WTI) oil price has rebounded quite strongly over the past six weeks to around US$37.50/bbl under the impact of OPEC+ implementing production cuts and indications of economic recovery in China causing increased oil imports. The price rebound follows the very price destructive war between the world's second largest oil producer (Saudi Arabia) and Russia, which briefly plunged the WTI price to less than US$1/bbl on 20 April 2020. The price had rebounded to just over US$40/bbl on 8 June 2020 before retracing to the current level of around US$37.50/bbl. This has occurred as oil stockpiles in the USA have risen to record levels of around 540 million barrels under the influence of increased US imports of cheap Saudi crude and the price has weakened amid concerns of possible new U.S. coronavirus cases spiked, stoking fears of a second wave of the virus hitting fuel demand.

We have revised our oil price forecasts to reflect the weaker, but recently improved sentiment in the sector that sees OPEC+ members complying with production cut arrangements. Whilst the risk of a second wave of COVID-19 infections that could further slow the global economy remains, that risk is being outweighed by the effects of a compliant OPEC+ and forecasts for gradually recovering global growth. Under this scenario, we see oil prices remaining relatively steady around current levels over the next two years than we were previously expecting as global oil inventories are gradually reduced in a gradually improving economic climate. We retain our long term forecast for WTI oil of US$45/bbl from 2023.

Figure 2 - Chart of WTI oil price (in US$/bbl)

SOURCE: IRESS

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 (Mbbl) 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 13Mbbl of oil and 332Bcf of gas net to BYE.

Investment thesis – Buy, target price $0.40 per share (previously $0.48/share)

BYE continues to advance the growth of oil and gas output with the installation of the SM58 G Platform underway and expected to lead to new production in September 2020. The new platform will also facilitate drilling of multiple exploration wells in the next two years. We have updated our forecasts and valuation, incorporating the company's modified production regime in light of recent weakness in US oil prices and demand. Our oil price forecasts have been revised, with average forecast WTI prices being reduced by 8%, 32% and 34% for FY20 to FY22 respectively. Our long term WTI price forecast is US$45/bbl and we see the Louisiana Light Sweet (LLS) crude price (which BYE receives) gradually returning to a modest premium to that over time. While we are now forecasting small losses in FY20 and FY22 and a moderate loss for FY21 based on our lower oil price forecasts, we see BYE's low operating costs enabling it to continue to generate very useful and growing operating cash flows. We have reduced our target price by 17% to $0.40/share. Our Buy recommendation is retained.

Target Price reduced by 17% to $0.40/sh

We have reduced the target price for BYE by 17% to $0.40/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 accelerating debt repayments after 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 successful 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 COVID-19:** This may have adverse impacts on personnel and equipment movement and on factors such as oil prices 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.

Byron Energy Ltd
as at 16 June 2020

Recommendation	Buy
Price	$0.14
Target (12 months)	$0.40

Table 3 - Financial summary

PROFIT AND LOSS

Year ending 30 June	Unit	2018a	2019a	2020e	2021e	2022e
Revenue	US$m	12	39	28	39	97
Expenses	US$m	(8)	(28)	(25)	(37)	(69)
EBITDA	US$m	**3**	**11**	**2**	**2**	**28**
Depreciation and amortisation	US$m	(1)	(5)	(4)	(8)	(22)
EBIT	US$m	**2**	**6**	**(2)**	**(6)**	**6**
Net interest expense	US$m	(1)	(0)	(2)	(5)	(9)
PBT	US$m	**1**	**6**	**(4)**	**(11)**	**(3)**
Tax Expense	US$m	0	0	0	0	0
NPAT (reported)	US$m	**1**	**6**	**(4)**	**(11)**	**(3)**
Adjustments (after-tax)	US$m	0	0	0	0	0
NPAT (normalised)	US$m	**1**	**6**	**(4)**	**(11)**	**(3)**

PROFIT AND LOSS

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

CASH FLOW

Year ending 30 June	Unit	2018a	2019a	2020e	2021e	2021e
OPERATING CASH FLOW						
Receipts	US$m	8	39	28	37	90
Payments	US$m	(4)	(16)	(14)	(22)	(45)
Net interest	US$m	0	(0)	(2)	(5)	(9)
Tax	US$m	0	0	0	0	0
Other	US$m	(1)	0	0	0	0
Total	US$m	**3**	**23**	**11**	**10**	**36**
INVESTING CASH FLOW						
Cap Ex and exploration	US$m	(24)	(19)	(46)	(51)	(54)
Other	US$m	0	(0)	1	0	0
Total	US$m	**(24)**	**(20)**	**(46)**	**(51)**	**(54)**
Free cash flow	US$m	(21)	4	(35)	(41)	(18)
FINANCING CASH FLOW						
Net equity proceeds	US$m	21		33		
Debt proceeds	US$m		1	17	30	17
Debt repayments	US$m	(1)				
Dividends	US$m					
Other	US$m					
Total	US$m	**20**	**1**	**50**	**30**	**17**
Change in cash	US$m	(1)	5	15	(11)	(0)

Balance Sheet ($M)

Year ending 30 June	Unit	2018a	2019a	2020e	2021e	2022e
ASSETS						
Cash and deposits	US$m	2	7	22	11	10
Accounts receivable	US$m	6	5	4	5	6
Inventory	US$m	0	0	0	1	1
Property, Plant & Equipment	US$m	0	0	0	0	0
Oil & Gas Properties	US$m	26	27	43	49	49
Exploration & development	US$m	4	7	26	49	69
Other	US$m	2	8	3	5	3
Total assets	US$m	**40**	**53**	**98**	**119**	**138**
LIABILITIES						
Accounts payable	US$m	5	9	6	8	13
Borrowings	US$m	5	6	20	50	68
Lease liabilities	US$m	0	0	2	2	2
Deferred tax	US$m	0	0	0	0	0
Provisions	US$m	1	2	4	4	4
Other	US$m	0	0	0	0	0
Total liabilities	US$m	**12**	**17**	**32**	**64**	**87**
SHAREHOLDERS EQUITY						
Share capital	US$m	99	101	134	134	134
Reserves	US$m	5	5	5	5	5
Retained earnings	US$m	(75)	(70)	(73)	(85)	(88)
Total equity	US$m	**29**	**37**	**66**	**55**	**51**
Weighted average shares	m	586	691	798	948	948

FINANCIAL RATIOS

Year ending 30 June	Unit	2018a	2019a	2020e	2021e	2022e
NPAT (adjusted)	A$m	2	8	(6)	(17)	(5)
Adjusted EPS (normalised)	A¢/shr	0.3	1.2	(0.7)	(1.8)	(0.5)
EPS growth	%	na	281%	na	na	na
PER	x	na	11.9	na	na	na
DPS	A¢/shr	-	-	-	-	-
Franking	%	-	-	-	-	-
Yield	%	-	-	-	-	-
Free Cash Flow (FCF)	A$m	(30)	6	(55)	(61)	(25)
FCF / share	A¢/shr	(5.1)	0.8	(6.9)	(6.4)	(2.7)
Price / FCF	x	na	16.9	na	na	na
FCF yield	%	na	5.9	na	na	na
EV / EBITDA	x	35	10.4	52.0	45.6	4.0
EV / EBIT	x	48	18.3	na	na	20.1
EBITDA margin	%	28%	28%	8%	6%	29%
EBIT margin	%	20%	16%	na	na	6%
Return on assets	%	3%	11%	na	na	na
Return on equity	%	8%	18%	na	na	na
LIQUIDITY & LEVERAGE						
Net Debt (Cash)	US$m	3	(1)	(2)	40	58
Net Debt / Equity	%	11%	na	na	73%	112%
Net Debt / (Net Debt + Equity)	%	10%	na	na	42%	53%
Net Debt / Total Assets	%	8%	na	na	33%	42%
Net Debt / EBITDA	%	99%	na	-8559%	1599%	205%
EBITDA / Interest	x	3.1	23.6	1.2	0.5	3.1

ASSUMPTIONS - Prices

Year ending 30 June	Unit	2018a	2019a	2020e	2021e	LT Real
Crude Oil (WTI)	US$/bbl	58.44	61.36	45.68	32.50	42.00
Crude Oil (Louisiana Lgt Sweet)	US$/bbl	58.26	66.08	46.45	32.78	43.00
Natural Gas (Henry Hub)	US$/Mbtu	2.95	3.05	2.08	1.79	2.25
Currency						
USD / AUD	US$/A$	0.75	0.72	0.67	0.67	0.74

ASSUMPTIONS - Product Sales (BYE share)

Year ending 30 June	Unit	2018a	2019a	2020e	2021e	2022e
Crude Oil	kbbl	174	528	488	965	2,535
Natural Gas	MBbtu	485	1,076	1,594	4,597	5,076

ASSUMPTIONS - Reserves and Resources (Net to BYE)

	Reserves		Resources		Combined	
Project Area	Oil (Mbbl)	Gas (Bcf)	Oil (Mbbl)	Gas (Bcf)	Oil (Mbbl)	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	4.5%	17/09/2018
Doug Battersby	52	5.5%	29/01/2020
Other Directors & Management	84	8.9%	various

CAPITAL STRUCTURE

Issued Securities	Unit	
Ordinary shares	M	948.0
Unlisted options[1] (exercisable at various prices, dates)	M	41.1
Total Securities	M	**989.1**

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.	356	0.36
- Eugene Island Project	26	0.03
- Other	7	0.00
- Total	**389**	**0.39**
Corporate	(19)	(0.02)
Enterprise Value	**370**	**0.37**
Net Cash - Cash less Debt	19	0.02
- Dilutive Options Exercise [4]	8	0.01
- Total	28	0.03
Total Equity Valuation	**398**	**0.40**

Notes: 2. May not add because of rounding and dilution effects.
3. Based on full dilution of 989.1m securities (includes assumed full SPP uptake).
4. Includes net cash from May20 placement, dilutive unlisted options, and assumed SPP.

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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