BELL POTTER

21 August 2020

Analyst
Peter Arden 613 9235 1833

Authorisation
Damien Williamson 61 3 9235 1858

Byron Energy (BYE)

Getting ready to start Platform G oil output

Recommendation
Buy (unchanged)
Price
$0.235
Target (12 months)
$0.42 (previously $0.40)

GICS Sector
Energy

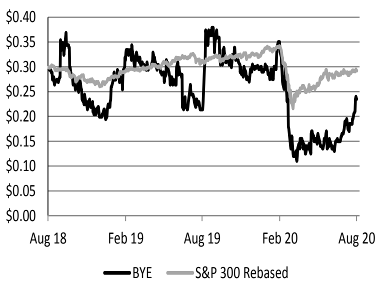
Expected Return	
Capital growth	79%
Dividend yield	0%
Total expected return	79%

Company Data & Ratios	
Enterprise value	$246m
Market cap	$244m
Issued capital	1,040.5m
Free float	80%
Avg. daily val. (52wk)	$459,000
12 month price range	$0.105 - $0.39

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.17	0.16	0.21
Absolute (%)	42.4	51.6	9.7
Rel market (%)	40.5	39.7	15.0

Absolute Price



SOURCE: IRESS

SM58 Platform G installed, oil to start flowing in September

BYE has installed its new SM58 Platform G in the shallow waters of the South Marsh Island area in the Gulf of Mexico, USA and is completing the final steps of pipeline tie-ins ahead of the planned start to oil production on 1 September 2020. Platform G is a major component in the company's growth plans to significantly expanded low cost oil and gas output from multiple wells to be drilled in its 100% owned component of the SM58 block. The complex tie-back and completion of the SM58 G1 well (drilled last year, discovering the Upper O Sand) has been completed ahead of schedule and under budget. Drilling of the SM58 G2 well is underway, targeting the Lower O Sand. BYE is well placed to execute on its plans to drill up to 8 wells over the next 2 years, most of which will be in SM58, which we expect to be largely funded out of cash flows.

BYE maintains positive cash margins as US oil sector dives

Unlike most of the US shale oil sector, which has severely curtailed production following the recent fall in oil prices, BYE remains a very low cost conventional producer with marginal cash costs of under US$10/bbl of oil, enabling it to stay operationally cash positive even at low oil prices. The company has continued its expansion plans and is executing its strategy to unlock value in the South Marsh area.

Investment thesis – Buy, target price $0.42/sh (prev. $0.40/sh)

Installation of the SM58 G Platform has been completed and first oil is due in September 2020. The new platform is a key asset, facilitating rising production and multiple exploration wells over the next two years, which we have assumed is largely funded by cash flow augmented by additional debt from expansion of the Crimson Midstream facility. We have lifted our forecast average realised oil prices by 32% and 30% for FY21 and FY22 respectively and our long term WTI price forecast is raised by 25% to US$50/bbl. We expect the Louisiana Light Sweet (LLS) crude price (which BYE receives) gradually returns to a meaningful premium to WTI over time. We are forecasting a loss in FY20, breakeven in FY21 and a moderate profit in FY22 based on our forecasts of higher oil and gas prices. Low operating costs and rising oil and gas production are expected to generate growing operating cash flows. We have lifted our target price by 5% to $0.42/share. Our Buy recommendation is retained.

Earnings Forecast

Year end June	2019a	2020e	2021e	2022e
Sales (A$m)	39	26	54	129
EBITDA (A$m)	11	1	14	53
NPAT (reported) (A$m)	6	(5)	0	18
NPAT (adjusted) (A$m)	8	(8)	0	26
EPS (adjusted) (¢ps)	1.2	(1.0)	0.0	2.5
EPS growth (%)	281%	na	na	v. large
PER (x)	19.9	na	na	9.4
FCF Yield (%)	4	na	na	7
EV/EBITDA (x)	22.5	na	18.2	4.7
Dividend (¢ps)	-	-	-	-
Yield (%)	-	-	-	-
Franking (%)	-	-	-	-
ROE (%)	18%	na	na	22%

SOURCE: BELL POTTER SECURITIES ESTIMATES

SM58 Platform G being readied for production

Initial oil production expected on 1 September 2020

BYE has installed its new SM58 Platform G in the shallow waters of the South Marsh Island area in the Gulf of Mexico, USA. The company is completing the final steps of pipeline tie-ins ahead of the planned start to oil production on 1 September 2020. Platform G is a top quality nine slot production platform and is a major component in BYE's growth plans to significantly expanded low cost oil and gas output from multiple wells to be drilled in its 100% owned component of the SM58 block. The SM58 G platform is capable of handling 8,000bbl of oil per day and 80 million cubic feet of gas. The complex tie-back and completion of the SM58 G1 well (drilled last year, discovering the Upper O Sand) has just been completed ahead of schedule and under budget. The SM58 G1 completion involved perforating 217 feet of the Upper O Sand and placing sand control measures to maximise production rate and recovery. Drilling of the SM58 G2 well is underway, targeting the Lower O Sand. Due to hole conditions during the drilling of the SM58 G1 well, the Lower O Sand interval was not logged and is the primary target of the SM58 G2 well.

4Q20 output still made operating cash flow with low oil prices

Although like virtually every USA oil and gas producer, BYE temporarily scaled back its oil and gas production in 4Q20 when oil prices collapsed to zero in April 2020, the company has recently returned its hydrocarbon output to normal levels. Even with the low oil and gas prices in the latest quarter, when BYE realised a 24% lower average oil price of US$36.20/bbl, the company was still able to generate a positive operating cash flow of US$1.5m. This outcome was achieved from BYE having had estimated direct operating costs of US$7.37/bbl and total operating costs of US$20.34/bbl (Table 1). The company also benefited from its hedging position, which it recently extended so that at the end of June 2020 it consisted of 507kbbls at an estimated average price of about US$47.30/bbl.

Table 1 – Quarterly production and summary financial data to 4Q FY20

		Jun-19 Actual	Sep-19 Actual	Dec-19 Actual	Mar-20 Actual	Jun-20 Actual	Variance % qoq
Production Data (equity share)							
Block 74 - Oil production	kbbl	132.5	132.1	127.2	103.3	**100.0**	-3%
- Gas production	Mbtu[1]	258.2	167.2	137.5	288.9	**488.1**	69%
Block 58 E1 - Oil production	kbbl	0.0	5.2	5.6	6.1	**4.5**	-26%
- Gas production	Mbtu	0.0	1.3	1.1	1.3	**1.5**	16%
Total - Oil production	kbbl	132.5	137.3	132.9	109.4	**104.5**	-4%
- Gas production	Mbtu[1]	258.2	168.5	138.6	290.2	**489.5**	69%
Average realised prices - Oil	US$/bbl	62.41	57.18	55.90	47.40	**36.20**	-24%
- Gas	US$/Mbtu	2.28	2.03	2.03	1.50	**1.28**	-15%
Average cash production cost for oil	US$/bbl	4.97	5.78	5.60	6.70	**7.37**	10%
Average total cash operating cost for oil	US$/bbl	22.87	24.09	25.18	19.59	**20.34**	4%
Financials							
Net revenue[2]	US$m	7.3	7.1	6.6	5.2	**3.9**	-24%
Production	US$m	(0.7)	(0.8)	(0.7)	(0.9)	**(0.9)**	-7%
Exploration and evaluation	US$m	(11.7)	(11.9)	(10.8)	(0.6)	**(1.0)**	60%
Development	US$m	(0.0)	(0.5)	(1.8)	(11.9)	**(20.5)**	72%
Administration and corporate	US$m	(1.0)	(1.0)	(1.2)	(1.2)	**(1.2)**	4%
Total Expenditure	US$m	(12.7)	(13.4)	(13.8)	(13.7)	**(22.7)**	65%
Estimated operating cash flow	US$m	5.6	5.3	4.7	3.0	**1.8**	-41%
Estimated net cash flow	US$m	(5.5)	(6.3)	(7.2)	(8.6)	**(18.8)**	119%
Cash	US$m	6.8	6.8	20.7	18.2	**16.6**	-9%
Interest-bearing debt[3]	US$m	(4.2)	(7.1)	(11.0)	(20.3)	**(20.5)**	1%
Net cash/(interest-bearing debt[3])	US$m	2.6	(0.3)	9.7	(2.1)	**(3.9)**	84%

SOURCE: BYRON ENERGY LTD

NOTES: 1. MBTU = MILLIONS OF BRITISH THERMAL UNITS; 2. NET REVENUE IS AFTER DEDUCTION OF ROYALTIES; 3. INCLUDES FINANCE LEASES

Funded for major exploration and production program over next two years

Following the placement (which raised $13.8m) and what ended up being a significant oversubscription to the Securities Purchase Plan (SPP) offering which raised another $13.8m in late May 2020, plus extension of the Crimson Midstream debt facility by US$3.5m, 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. The company had cash of US$16.6m (about A$23m) and debt under the Crimson Midstream facility and from Directors totalling US$18.4m (about A$26m) plus estimated finance lease obligations of US$2m for net interest-bearing debt of about US$2.7m (about A$4m) at 30 June 2020. BYE has subsequently raised additional capital of $2.2m following the recent approval from shareholders for Directors to subscribe for shares from the May placement.

Price target lifted by 5% to $0.42/share

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

- Revised oil and gas price and US$/A$ forecasts;
- Updated financial position and capital structure; and
- Revised assumptions on the amount of further debt to be drawn down to help fund the forecast active drilling and development program in light of improved forecast operating cash flows from the forecast higher oil and gas prices.

We are forecasting small losses for BYE in FY20 and FY21 and a moderate profit for FY22 (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 lifted our target price for BYE by 5% to $0.42 per share (Table 1) and retain our Buy recommendation.

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$/bbl)	46.45	32.78	38.48	**49.89**	**42.96**	**47.31**	7%	31%	23%
Henry Hub gas price (US$/MBtu)	2.08	1.80	2.10	**2.10**	**2.60**	**2.65**	1%	44%	26%
US$/A$	0.67	0.67	0.71	**0.67**	**0.68**	**0.71**	1%	2%	0%
Equity production & costs									
Wells producing at start of year	3	5	10	**3**	**4**	**10**	0%	-20%	0%
New producing wells drilled	2	5	5	**1**	**6**	**5**	-50%	20%	0%
Wells producing at end of year	5	10	15	**4**	**10**	**15**	-20%	0%	0%
Oil sold (kbbl)	488	965	2,535	**484**	**1,017**	**2,564**	-1%	5%	1%
Average realised oil price (US$/bbl)	50.53	33.09	34.45	**50.10**	**43.82**	**44.85**	-1%	32%	30%
Average realised gas price (US$/Mbtu)	1.37	1.52	1.67	**1.16**	**2.04**	**2.17**	-15%	34%	30%
Average unit oil production cost (US$/bbl)	6.29	6.57	6.78	**6.28**	**6.57**	**6.78**	0%	0%	0%
Average total operating cost (US$/bbl)	23.50	19.60	17.23	**23.34**	**22.31**	**20.08**	-1%	14%	17%
Earnings									
Revenue (US$m)	28	39	97	**26**	**54**	**129**	-5%	37%	34%
EBITDA (US$m)	2	2	28	**1**	**14**	**53**	-72%	445%	88%
EBIT (US$m)	(2)	(6)	6	**(3)**	**5**	**30**	75%	na	436%
NPAT (normalised) (US$m)	(4)	(11)	(3)	**(5)**	**0**	**18**	36%	na	na
NPAT (normalised) (A$m)	(6)	(17)	(5)	**(8)**	**0**	**26**	32%	na	na
EPS (adjusted) (Acps)	(0.7)	(1.8)	(0.5)	**(1.0)**	**0.0**	**2.5**	29%	na	na
PER (x)	na	na	na	**na**	**na**	**9.4**	na	na	na
EPS Growth (%)	na	na	na	**na**	**na**	**v. large**	na	na	na
DPS (Acps)	-	-	-	**-**	**-**	**-**	na	na	na
Yield	-	-	-	**-**	**-**	**-**	na	na	na
Net cash/(debt) (A$m)	3	(60)	(81)	**(3)**	**(35)**	**(18)**	na	-42%	-78%
Price Target (A$/sh)	0.40			**0.42**			5%		

SOURCE: BELL POTTER SECURITIES ESTIMATES

Our target price reflects our valuation of the company, which has been lifted by 5% to $0.42/share, and is based on risk-weighted NPV-related estimates **(still using 12% discount rate reflecting energy sector and general COVID-19-related uncertainty)** 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 through the Crimson Midstream facility, which potentially provides for BYE to expand its debt in line with expanded low cost production to assist with funding of the drilling of up to eleven attractive targets currently planned for the South Marsh Island and nearby areas over the next few years.

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	423	0.39
- Eugene Island Project	34	0.03
- Other	8	0.01
- Total	**465**	**0.43**
Corporate	(18)	(0.02)
Enterprise Value	**446**	**0.41**
Net Cash - Current[3]	(2)	(0.00)
- Exercise of unlisted options that are dilutive at valuation	8	0.01
- Total	6	0.01
Total Valuation	**453**	**0.42**

SOURCE: BELL POTTER SECURITIES ESTIMATES

NOTES: 1. MAY NOT ADD BECAUSE OF ROUNDING AND DILUTION EFFECTS.
2. BASED ON DILUTED SHARE CAPITAL OF 1,081.4M SECURITIES, WHICH INCLUDES OPTIONS THAT ARE DILUTIVE AT ABOVE VALUATION
3. BASED ON CASH AND DEBT POSITION AT 30 JUNE 2020 AND INCLUDES ESTIMATED INTEREST-BEARING LEASES

WTI oil price steadying around US$42/bbl

The West Texas Intermediate (WTI) oil price has been very volatile in 2020. After collapsing initially to around US$25/bbl as the early effects of the COVID-19 pandemic began to impact on the global economy in late March 2020, the price briefly plummeted to zero in late April 2019 before retracing to around US$40/bbl in late June 2020 under the influence of the OPEC+ production cuts and severe curtailment of US shale oil production. The price of WTI has traded between about US$38 - 44/bbl since then and is currently around US$42/bbl (Figure 1).

Having lifted its oil production to be the world's No 1 producer at the expense of the traditional global giants in OPEC+ in the early part of 2020, USA oil production has contracted sharply from the dual impact of the effects of the price war between Saudi Arabia and Russia and the massive oil demand destruction from COVID-19. Oil price recovery has been better than expected but depends on further cuts to oil production. The sharp reduction in the rig count and fracking crews in the onshore unconventional production sector in the USA point to the production curtailments that are likely to follow (and which we see as necessary to reduce overhanging oil inventories).

We have raised our long term forecast for WTI oil by 25% to US$50/bbl but we see the oil price remaining volatile and susceptible to potential price weakness given the increased level of global economic uncertainty related to the ongoing impacts of the COVID-19 pandemic.

Figure 1 - 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 $0.42 per share (previously $0.40/share)

Installation of the SM58 G Platform has been completed and first oil is due in September 2020. The new platform is a key asset, facilitating rising production and multiple exploration wells over the next two years, which we have assumed is largely funded by cash flow augmented by additional debt from expansion of the Crimson Midstream facility. We have lifted our forecast average realised oil prices by 32% and 30% for FY21 and FY22 respectively and our long term WTI price forecast is raised by 25% to US$50/bbl. We expect the Louisiana Light Sweet (LLS) crude price (which BYE receives) gradually returns to a meaningful premium to WTI over time. We are forecasting a loss in FY20, breakeven in FY21 and a moderate profit in FY22 based on our forecasts of higher oil and gas prices. Low operating costs and rising oil and gas production are expected to generate growing operating cash flows. We have lifted our target price by 5% to $0.42/share. Our Buy recommendation is retained.

Target Price raised by 5% to $0.42/sh

We have raised the target price for BYE by 5% to $0.42/share after incorporating the impact of revised oil and gas price forecasts. 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
as at 21 August 2020

Recommendation	Buy
Price	$0.235
Target (12 months)	$0.42

Table 2 - Financial summary

PROFIT AND LOSS

Year ending 30 June	Unit	2018a	2019a	2020e	2021e	2022e
Revenue	US$m	12	39	26	54	129
Expenses	US$m	(8)	(28)	(26)	(40)	(76)
EBITDA	US$m	**3**	**11**	**1**	**14**	**53**
Depreciation and amortisation	US$m	(1)	(5)	(4)	(9)	(23)
EBIT	US$m	**2**	**6**	**(3)**	**5**	**30**
Net interest expense	US$m	(1)	(0)	(2)	(4)	(6)
PBT	US$m	**1**	**6**	**(5)**	**0**	**24**
Tax Expense	US$m	0	0	0	0	(6)
NPAT (reported)	US$m	**1**	**6**	**(5)**	**0**	**18**
Adjustments (after-tax)	US$m	0	0	0	0	0
NPAT (normalised)	US$m	**1**	**6**	**(5)**	**0**	**18**

PROFIT AND LOSS

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

CASH FLOW

Year ending 30 June	Unit	2018a	2019a	2020e	2021e	2022e
OPERATING CASH FLOW						
Receipts	US$m	8	39	26	49	120
Payments	US$m	(4)	(16)	(13)	(24)	(51)
Net interest	US$m	0	(0)	(2)	(4)	(6)
Tax	US$m	0	0	0	0	0
Other	US$m	(1)	0	0	0	0
Total	US$m	**3**	**23**	**12**	**21**	**63**
INVESTING CASH FLOW						
Cap Ex and exploration	US$m	(24)	(19)	(60)	(42)	(52)
Other	US$m	0	(0)	3	0	0
Total	US$m	**(24)**	**(20)**	**(58)**	**(42)**	**(52)**
Free cash flow	US$m	(21)	4	(49)	(22)	11
FINANCING CASH FLOW						
Net equity proceeds	US$m	21		40		
Debt proceeds	US$m		1	16	22	
Debt repayments	US$m	(1)				
Dividends	US$m					
Other	US$m					
Total	US$m	**20**	**1**	**56**	**22**	**0**
Change in cash	US$m	(1)	5	10	0	11

Balance Sheet ($M)

Year ending 30 June	Unit	2018a	2019a	2020e	2021e	2022e
ASSETS						
Cash and deposits	US$m	2	7	17	17	28
Accounts receivable	US$m	6	5	4	7	9
Inventory	US$m	0	0	0	1	1
Property, Plant & Equipment	US$m	0	0	0	0	0
Oil & Gas Properties	US$m	26	27	48	50	50
Exploration & development	US$m	4	7	31	48	61
Other	US$m	2	8	3	5	3
Total assets	US$m	**40**	**53**	**101**	**127**	**151**
LIABILITIES						
Accounts payable	US$m	5	9	6	9	14
Borrowings	US$m	5	6	18	40	40
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$m	**12**	**17**	**30**	**55**	**61**
SHAREHOLDERS EQUITY						
Share capital	US$m	99	101	141	141	141
Reserves	US$m	5	5	5	5	5
Retained earnings	US$m	(75)	(70)	(75)	(74)	(56)
Total equity	US$m	**29**	**37**	**71**	**72**	**90**
Weighted average shares	m	586	691	816	1,032	1,040

FINANCIAL RATIOS

Year ending 30 June	Unit	2018a	2019a	2020e	2021e	2022e
NPAT (adjusted)	A$m	2	8	(8)	0	26
Adjusted EPS (normalised)	A¢/shr	0.3	1.2	(1.0)	0.0	2.5
EPS growth	%	na	281%	na	na	v. large
PER	x	na	19.9	na	na	9.4
DPS	A¢/shr	-	-	-	-	-
Franking	%	-	-	-	-	-
Yield	%	-	-	-	-	-
Free Cash Flow (FCF)	A$m	(30)	6	(74)	(32)	16
FCF / share	A¢/shr	(5.1)	0.8	(9.0)	(3.1)	1.5
Price / FCF	x	na	28.4	na	na	15.3
FCF yield	%	na	3.5	na	na	6.5
EV / EBITDA	x	76	22.5	na	18.2	4.7
EV / EBIT	x	104	39.8	na	53.2	8.2
EBITDA margin	%	28%	28%	na	25%	41%
EBIT margin	%	20%	16%	na	9%	23%
Return on assets	%	3%	11%	na	0%	12%
Return on equity	%	8%	18%	na	na	22%
LIQUIDITY & LEVERAGE						
Net Debt (Cash)	US$m	3	(1)	2	24	13
Net Debt / Equity	%	11%	na	3%	33%	14%
Net Debt / (Net Debt + Equity)	%	10%	na	3%	25%	12%
Net Debt / Total Assets	%	8%	na	2%	19%	8%
Net Debt / EBITDA	%	99%	na	30108%	175%	24%
EBITDA / Interest	x	3.1	23.6	na	3.2	8.9

ASSUMPTIONS - Prices

Year ending 30 June	Unit	2018a	2019a	2020e	2021e	LT Real
Crude Oil (WTI)	US$/bbl	58.44	61.36	46.41	42.25	50.00
Crude Oil (Louisiana Lgt Sweet)	US$/bbl	58.26	66.08	49.89	42.96	52.00
Natural Gas (Henry Hub)	US$/Mbtu	2.95	3.05	2.10	2.41	2.75
Currency						
USD / AUD	US$/A$	0.75	0.72	0.67	0.68	0.74

ASSUMPTIONS - Product Sales (BYE share)

Year ending 30 June	Unit	2018a	2019a	2020e	2021e	2022e
Crude Oil	kbbl	174	528	484	1,017	2,564
Natural Gas	MBbtu	485	1,076	1,087	4,468	5,683

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	4.1%	17/09/2018
Doug Battersby	57	5.5%	22/07/2020
Other Directors & Management	105	10.1%	various

CAPITAL STRUCTURE

Issued Securities	Unit	
Ordinary shares	M	1,040.3
Unlisted options[1] (exercisable at various prices, dates)	M	41.1
Total Securities	M	**1,081.4**

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

VALUATION

	A$m	A$/shr[2]
Oil & Gas Assets - South Marsh Island Proj.	423	0.39
- Eugene Island Project	34	0.03
- Other	8	0.00
- Total	**465**	**0.43**
Corporate	(18)	(0.02)
Enterprise Value	**446**	**0.41**
Net Cash - Cash less Debt[3]	(2)	(0.00)
- Dilutive Options Exercise [4]	8	0.01
- Total	6	0.01
Total Equity Valuation	**453**	**0.42**

Notes: 2. **Based on 1,081.4m securities;** may not add from rounding and dilution effects.
3. Based on net cash at June 2020 and all interest-bearing liabilities (including leases).
4. Only includes cash from exercise of dilutive unlisted options

SOURCE: 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.

Research Team

Staff Member	Title/Sector	Phone	@bellpotter.com.au
TS Lim	Head of Research/Banks	612 8224 2810	tslim
Analysts			
Lafitani Sotiriou	Diversified Financials/Fintech	613 9235 1668	lsotiriou
John Hester	Healthcare	612 8224 2871	jhester
Tanushree Jain	Healthcare	612 8224 2849	tnjain
Elyse Shapiro	Healthcare	613 9235 1877	eshapiro
Steven Anastasiou	Industrials	613 9235 1952	sanastasiou
James Filius	Industrials	613 9235 1612	jfilius
Sam Haddad	Industrials	612 8224 2819	shaddad
Alex McLean	Industrials	612 8224 2886	amclean
Hamish Murray	Industrials	613 9235 1813	hmurray
Chris Savage	Industrials	612 8224 2835	csavage
Jonathan Snape	Industrials	613 9235 1601	jsnape
Damien Williamson	Industrials	613 9235 1958	dwilliamson
Peter Arden	Resources	613 9235 1833	parden
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9235 1856	showe
Associate			
Joseph House	Associate Analyst	+61 3 9235 1624	jhouse

Bell Potter Securities Limited
ACN 25 006 390 7721
Level 29, 101 Collins Street
Melbourne, Victoria, 3000
Telephone +61 3 9256 8700
www.bellpotter.com.au

Bell Potter Securities (HK) Limited
Room 1701, 17/F
Posperity Tower, 39 Queens Road
Central, Hong Kong, 0000
Telephone +852 3750 8400

Bell Potter Securities (US) LLC
Floor 39
444 Madison Avenue, New York
NY 10022, U.S.A
Telephone +1 917 819 1410

Bell Potter Securities (UK) Limited
16 Berkeley Street
London, England
W1J 8DZ, United Kingdom
Telephone +44 7734 2929

The following may affect your legal rights. Important Disclaimer:

This document is a private communication to clients and is not intended for public circulation or for the use of any third party, without the prior approval of Bell Potter Securities Limited. In the USA and the UK this research is only for institutional investors. It is not for release, publication or distribution in whole or in part to any persons in the two specified countries. **In Hong Kong,** this research is being distributed by Bell Potter Securities (HK) Limited which is licensed and regulated by the Securities and Futures Commission, Hong Kong. **In the United States**, this research is issued and distributed by Bell Potter Securities (US) LLC which is a registered broker-dealer and member of FINRA. Any person receiving this report from Bell Potter Securities (US) LLC and wishing to transact in any security described herein should do so with Bell Potter Securities (US) LLC.

This is general investment advice only and does not constitute personal advice to any person. Because this document has been prepared without consideration of any specific client's financial situation, particular needs and investment objectives ('relevant personal circumstances'), a Bell Potter Securities Limited investment adviser (or the financial services licensee, or the representative of such licensee, who has provided you with this report by arrangement with Bell Potter Securities Limited) should be made aware of your relevant personal circumstances and consulted before any investment decision is made on the basis of this document.

While this document is based on information from sources which are considered reliable, Bell Potter Securities Limited has not verified independently the information contained in the document and Bell Potter Securities Limited and its directors, employees and consultants do not represent, warrant or guarantee, expressly or impliedly, that the information contained in this document is complete or accurate. Nor does Bell Potter Securities Limited accept any responsibility for updating any advice, views opinions, or recommendations contained in this document or for correcting any error or omission which may become apparent after the document has been issued.

Except insofar as liability under any statute cannot be excluded. Bell Potter Securities Limited and its directors, employees and consultants do not accept any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in this document or for any resulting loss or damage (whether direct, indirect, consequential or otherwise) suffered by the recipient of this document or any other person.

Research Policies:

For Bell Potter's Research Coverage Decision Making Process and Research Independence Policy, please refer to our company website:

https://bellpotter.com.au/research-independence-policy/

Disclosure of interest:

Bell Potter Securities Limited, its employees, consultants and its associates within the meaning of Chapter 7 of the Corporations Law may receive commissions, underwriting and management fees from transactions involving securities referred to in this document (which its representatives may directly share) and may from time to time hold interests in the securities referred to in this document.

Disclosure: Bell Potter Securities acted as Lead Manager for the $14m placement and underwriter for the $11.4m rights issue in December 2019 and as Lead Manager for the $13.8m placement in May 2020 and received fees for that service.

ANALYST CERTIFICATION

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.