

19 September 2018

Letter to Shareholders from CEO The Power and Benefits of Operatorship

Dear Shareholder,

This year our Company has made the transition from a small oil and gas explorer to a significant producer in the shallow waters of the Gulf of Mexico. Based on the last two months of production, Byron ranks 12th out of a total 119 current oil producers on the shelf of the Gulf of Mexico. Whilst this is an outstanding achievement, this result is based on only 50% of one project and I am confident that this is just the beginning of a long and successful program which will incrementally add significant shareholder value as each of Byron's future successful projects are brought into production.

Over the last ten years our highly experienced team have methodically collected and interpreted millions of dollars of geological and geophysical data using state of the art data processing technologies to identify thus far a suite of 31 high quality, low to moderate risk, high impact prospects. These prospects are all contained within one onshore and 13 offshore leases which we now control as the designated operator. These 31 prospects are fully worked up and are drill ready. For the most part, Byron still retains a 100% ownership of each prospect. In order to ensure that all of these projects are drilled before the leases expire, we are about to embark on a very exciting and virtually continuous drilling program over the next two years. These opportunities and the strategic positioning we have achieved have come about due to the hard work and commitment of our extremely talented and versatile small team of professionals.

Perhaps the most underrated part of our strategy is maintaining the ability to operate. Last year I mentioned that the decision to become an operator was not taken lightly. Having been responsible for operations in the GOM before, we knew we were taking on a very serious responsibility which takes a great deal of time, effort and work to manage competently and professionally. The payoff for all of that effort is now about to bear fruit for all involved. Growing our business through the total control of both the generation, drilling and development of our prospects has always been in our DNA.

Being a well-regarded operator in the Gulf has many benefits, whether it be at the upstream or downstream stage of our business. As an explorer in the early phase of our evolution, being the originator of prospects gave us the technical freedom to use the most appropriate technology on a project by project basis to achieve the best interpretation possible and to take full advantage of our team's combined 140 years of Gulf of Mexico experience.

Now that we have moved to the drilling and production phase, operatorship gives us the ability to design our well plans and carefully pick prospect targets and bottom hole locations. This not only optimizes our chances of drilling successful wells but also allows us to acquire important information that will help us make better decisions in the future. Additionally, we have the ability to access the leading and most competent contractors active in the Gulf today and leverage our good reputation to secure the best outcomes when negotiating contracts and pricing. Importantly we are also able to maintain control over all our expenditure including the day to day management of facilities and the production of the wells.

Having said all this, perhaps the most underrated benefit of operating is being able to choose the order in which a company ultimately drills its prospects. We have started out cautiously with a high impact oil project at SM71 which is expected to provide us with good cash flow for years to come. The strong cash flow

from the SM 71 project has allowed us to keep more equity in SM 74 and accelerate the drilling schedule for both SM74 and Bivouac Peak. Over the next two years, in addition to the drilling of Weiss-Adler, et al., #1 (the first Bivouac Peak well) and SM 74 D-14 (the first SM 74 well), we also plan to drill at least two wells (and possibly up to four wells) at EI 62, 63, 76 & 77, at least two more development wells at SM 71 (F4 & F5), when production begins to decline, and a sidetrack of the SM 71 F2 well and lastly, the initial exploratory wells at SM 59/SM 57. All these wells fit the risk profile we typically pursue in the Gulf of Mexico and have considerable potential and upside. The combination of these factors, combined with operatorship, will set the Company up for substantial future growth.

In order to maximize the risk dollars across multiple projects we have thus far used the promotion of a number of partner companies who pay a disproportionate share of the initial drilling dollars in order to earn an interest in our high quality projects. We carefully tailor the amount of equity we farm out on any given project to match the risk we assess on that particular project. The farm out market in the Gulf of Mexico has been strong and we expect this to be a continued part of our strategy as we move forward. We have also elected not to farm out to a single party but rather prefer to farm out to a number of companies so as to develop strong relationships both in Australia and the US. As our cash flow builds there will be some projects which we will undoubtedly choose not to farm out as risks are considered low relative to the possible rewards.

The exact timing of the drilling of all these projects will depend largely on the cash flow and success of each project as we go along.

Importantly, one of our goals at Byron is to not go back to shareholders and the capital markets to fund our program. Instead, we prefer to rely on cash flow and the benefit of operatorship to manage and control the pace of our program.

This promises to be an exciting time for the Company and, as always, we appreciate our loyal fellow shareholders and their continued support as we make our way through this very substantial program.



Maynard Smith
CEO

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