

ASX Announcement

12 June 2014

Sunbird Secures Variation to White Swan Funding Facility

Southern African gas explorer and developer, Sunbird Energy Ltd (ASX:**SNY**) is pleased to announce that it has successfully negotiated a variation to the Loan Facility made with White Swan Nominees Pty Ltd (“White Swan”) secured in February 2014 and previously announced to the market (“Facility”), that allows for a variation to the loan repayment terms with a right for the Company to a capitalisation of interest and a right to the Lenders, to convert part or all of the debt to equity during the term of the Facility.

The White Swan Loan Facility is varied by:

- Interest upon the Moneys Secured being capitalised at monthly intervals unless the Company, at its election on or before each monthly interest payment date, decides to pay the accrued monthly interest at such times;
- The Lenders, be granted concurrent options to elect to convert part or all of the amount of the loan drawn down from time to time, to ordinary fully paid shares in the capital of the Company at a conversion price:
 - of \$0.25 per share during the term of the Facility; or
 - if such election is made within 20 Business Days of the Company raising capital during the term of the Facility, at the lesser of \$0.25 and the price per share at which the Company raises capital within the term of the Facility;
- the security to the Lender continuing to be in the form of a pledge of shares in a Sunbird wholly owned subsidiary entity (“Security”) which holds a beneficial interest of 22.8% in the South African Block 2A Production Right which incorporates the Ibhubesi Gas Project.

These variations to the Facility were arranged by Sunbird’s corporate advisors, Cygnet Capital, and are being supported by key shareholders and management.

The variations to the Facility benefit the Company by:

1. providing an opportunity for the Company to preserve its available funds for operational and development expenditure, by capitalising interest on each monthly interest payment date before maturity of the Facility;
2. creating a potential for the amount of the draw down from the Facility to be converted from debt to equity in the Company and, thereby, potentially avoid the necessity of the Company to repay the whole of, or that part of the Facility converted to equity, by alternate capital raisings or debt funding.

This variation to the Facility provides Sunbird with capital to advance the Ibhubesi Gas Project development and commercialisation activities including:

- Progression of negotiations of the Gas Sales Heads of Agreement with Eskom;
- Negotiation of a Gas Sales Agreement with Eskom;
- Preparation of the Field Development Plan;
- Commencement of FEED studies; and
- Assessment of furthering funding and partnering opportunities.

The original Facility agreement and the Deed of Assignment and Variation to that Facility agreement continues to provide for the drawdown of the Facility by tranches that reflect the Company's projected cash flow demands and is repayable within twelve (12) months of the first drawdown of funds. If the Lenders elect not to convert part or the whole of the loan to equity, the Company expects to repay the loan drawn within the period of twelve (12) months by the application of funds procured from alternate debt or equity or debt/equity raising strategies that will be available to the Company within that period. The Facility agreement provides that upon such repayment of the Facility or partial repayment and partial conversion to equity, the Security shall be discharged and released.

As the Lenders are related parties within the definitions of the Corporations Act and the ASX Listing Rules, the Company requires the approval of its shareholders to the issue of securities to the Lenders as a result of the conversion of the debt or part of the debt to equity in the Company. Until and unless such shareholder approval has been procured, the moneys secured under the Facility Agreement remains debt payable by the Company on the maturity date. The Company shall as soon as practicable, seek such shareholder approval to the prospective issue of securities upon election by the Lenders to convert the whole or part of the debt to equity.

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About Sunbird Energy Ltd

Sunbird Energy Ltd is an ASX-listed (ASX:**SNY**) gas explorer and developer focused on southern Africa where limited domestic gas supply and growing energy needs have created significant opportunity for the development of large scale energy projects.

Sunbird has received government approval for its acquisition of a 76% stake in the Ibhubesi Gas Project offshore of the west coast of South Africa. The transaction gives Sunbird the right to operate and develop the Ibhubesi Gas Project, South Africa's largest undeveloped gas field.

The Ibhubesi Gas Project has multiple development opportunities including gas fired power projects to supply the high value South African energy market.

Sunbird also has a portfolio of five Coal Bed Methane (CBM) projects covering an extensive area (10,070 km²) of prospective coal basins across in South Africa and Botswana. Sunbird is conducting a phased exploration program that will define the resource base and demonstrate the commercial potential of its portfolio of CBM assets.