

ASX Announcement

31 July 2014

June 2014 Quarterly Report

Southern African gas explorer and developer Sunbird Energy Ltd (ASX: SNY) is pleased to provide an update on its activities for the quarter ending 30 June 2014.

Highlights

- **Sunbird Completes Ibhubesi Gas Project (IGP) acquisition**
- **Advancing Eskom Term Sheet negotiations for gas supply from IGP to Ankerlig Power Station**
- **Technical work program advances development plans and approvals for IGP**

Sunbird Completes Ibhubesi Gas Project Acquisition

During the quarter Sunbird received all of the required South African Government approvals necessary to finalise its acquisition of the Ibhubesi Gas Project (IGP) from Forest Oil Corporation.

The approvals concluded the acquisition by Sunbird of a 76% interest in Production Right Block 2A, covering a 5,000km² area within the Orange Basin and containing the IGP, South Africa's largest undeveloped gas discovery with 2P reserves of 540 Bcf (SNY 76%: 410 Bcf). The block is located 380km north west of Cape Town and 70km off the coast of the Northern Cape Province.

Over US\$125m has been invested in the exploration and appraisal of Block 2A since 2000, with 7 of the 11 wells drilled to date discovering commercial volumes of gas. Beyond the existing discoveries, an independent assessment determined that the block contains a Best Estimate prospective gas resource of 7.8 Tcf (SNY 76%: 5.9 Tcf).

Having executed the IGP Sale and Purchase Agreement in December 2012, which provided Sunbird with control of the entities holding 76% of the IGP licence and operatorship, two South African Government approvals were required in order to complete the transaction.

Sunbird received approval to acquire its overall interest in Block 2A on 7 October 2013 and on 16 June 2014 the Company received verification of certain Exchange Control Approvals from the South African Government Treasury.

These approvals completed the Forest Oil transaction and have delivered to Sunbird South Africa's largest proven gas field in an energy market that is both highly constrained and high value, creating a unique opportunity for the Company.

Advancing gas sales negotiations with Eskom for the supply of gas to the Ankerlig Power Station

During the quarter Sunbird significantly advanced negotiations with Eskom for the sale of indigenous gas from the IGP to Eskom's Ankerlig Power Station, with the parties continuing to develop a Gas Sales Agreement (GSA) Term Sheet.

The development of the Term Sheet follows the signing a Memorandum of Understanding (MoU) with the South African power supplier in December 2013 and the establishment of a Working Committee to progress an integrated project development plan, resolve technical interfaces and discuss commercial terms.

Sunbird and Eskom are working together to finalise the GSA Term Sheet that is expected to be signed in Q3 2014. Once finalised, it is expected that a fully termed GSA will be completed by late 2014.

Eskom, South Africa's State owned energy company, is the largest producer of electricity in Africa, and is one of the world's largest utilities in terms of generation capacity and sales. Eskom generates approximately 95% of the electricity used in South Africa and approximately 45% of the electricity used in Africa. Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. Additional power stations and major power lines are being built to meet rising electricity demand in South Africa.

The Ankerlig Power Station is a 1,350 MW open cycle gas turbine facility located in Atlantis Industrial Area, approximately 40 km north of Cape Town. The plant was originally constructed in 2007 to cope with the increasing power demands of the Western Cape during periods of peak power demands. The facility has nine turbines and was designed to be powered by natural gas or liquid fuel, kerosene or diesel.

To date the facility has been fuelled on high cost diesel and is running significantly more hours than was intended when it was commissioned, resulting in a heavy cost burden for Eskom. Gas supplied by Sunbird's IGP would substitute the diesel currently being burned in Ankerlig's turbines, delivering to Eskom a substantially cheaper and cleaner fuel source.

\$1.4 million drawdown on A\$5 million loan facility for commercialisation of Ibhubesi Gas Project

In February 2014 Sunbird executed an agreement with White Swan Nominees Pty Ltd for a secured loan facility of up to A\$5 million to commercialise the IGP. During the quarter Sunbird drew down \$1.4 million under its loan facility in two tranches - \$900,000 million in May 2014 and \$500,000 in June 2014. The drawdown during this quarter brought Sunbird's total drawn down loan to \$2.4 million.

The funding has been directed towards advancing a range of strategic commercialisation activities including progression of the Eskom GSA negotiations and continued IGP development activities including Field Development Planning, key technical work in preparation for Front End Engineering and Design (FEED) studies and progressing the environmental approvals process.

In addition to this loan facility, Sunbird is progressing a number of other funding alternatives to develop its projects and repay the existing liabilities. These funding alternatives include project partnering, farm-out, investment by strategic partners, commercial and development bank financing and equity capital raisings.

Technical Work Program

During the quarter the Company continued a major work program of activities focused on fast-tracking the commercialisation of the IGP.

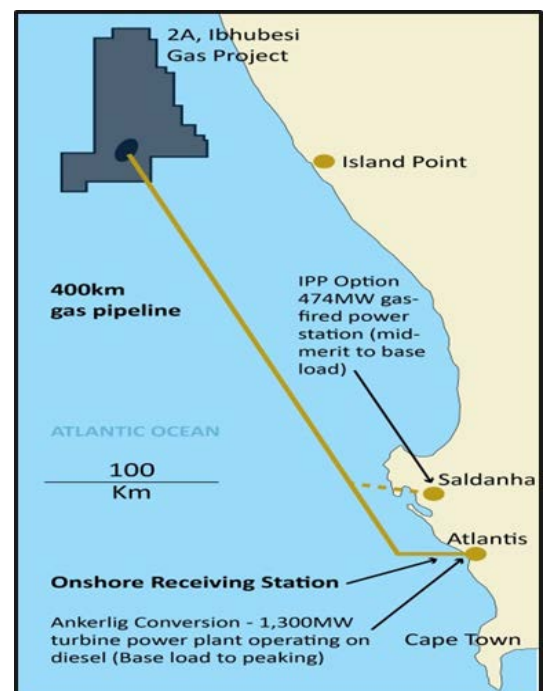
A detailed technical program is underway covering Field Development Planning, engineering studies and environmental regulatory approvals.

▪ Ibhubesi Technical Design Program

Sunbird has continued to finalise the preliminary Field Development Plan (FDP) and the Basis of Design (BoD) studies for the IGP. The FDP and BoD studies will define the final well designs, locations and scheduling, the engineering designs of the gas processing facilities and the optimal sales pipeline size and route.

The FDP, a key deliverable for the subsurface work stream, progressed well during the quarter with studies transitioning from a 3D Static Model to 3D Dynamic Reservoir Modelling. Data from these studies will be used to estimate the number and location of the development production wells and the production forecasts for delivery to the customer.

Subsurface BoD studies were also initiated during the quarter, which will capture the preferred well drilling and completion designs.



In the surface work stream, significant technical work has been completed in preparing the Facilities BoD and Scope of Work for the FEED studies. These studies will define the preferred engineering designs for the subsea infrastructure, Floating Production Storage Offloading vessel (FPSO) and export gas pipeline.

▪ **Regulatory & Environmental Approvals**

As part of the licensing process for the Block 2A Production Right in 2009, a range of environmental approvals were attained through a detailed Environmental Impact Assessment (EIA) process and included many of the approvals required for the Ibhubesi upstream field related development.

Sunbird has since undertaken a program to obtain the additional approvals necessary for the revised Ibhubesi development concept, namely the offshore pipeline and onshore gas processing facility.

In May 2014, Sunbird issued for public comment its Draft Scoping Report, which describes the project and framework for the EIA. The related responses from Interested and Affected Parties are currently being compiled and will assist in preparing the Final Scoping Report, due for completion in Q3 2014.

The quarter also saw the completion of workshops for the Specialist Scientific Studies. These specialist studies are used as input into the Environmental Impact Report, which sits alongside the Final Scoping Report as the deliverable for the ultimate approval of the EIA.

The final phase of the environmental approval process will include submission of the Final Scoping Report to the Department of Environmental Affairs (DEA).

▪ **Independent Power Plant Tender**

Alongside the Eskom Ankerlig project, Sunbird continues to develop other potential gas market opportunities including the South African Department of Energy's tender for a new build 474MW gas-fired Independent Power Plant. Request for Proposals are expected early in the second half of 2014.

Coal Bed Methane Operations Update

Sunbird holds a 74% interest in its Coal Bed Methane (CBM) projects, located in South Africa and Botswana. The Company's strategic partner in South Africa, Umbono Capital Partners, holds the remaining 26%.

▪ **Mopane Project – Limpopo Province**

Following the booking of a Contingent Resource of 644 BCF (at 2C) (SNY 74%: 476 BCF) in the eastern sector of the licence by MHA Petroleum Consultants, Sunbird has continued to plan a Pilot Production Program and seek the necessary regulatory approvals at Mopane.

The objective of the Pilot Production Program is to determine gas flow rates and provide information on the commercial potential of the project. This will enable Sunbird to book gas reserves and accelerate the opportunity for development of power generation at Mopane for supply into the national power network.

This quarter also saw Sunbird being granted a renewed Exploration Right at Mopane, which currently awaits formal execution.

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For further information please visit www.sunbirdenergy.com.au or contact:

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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 owns a 76% interest in the Ibhubesi Gas Project offshore of the west coast of South Africa. Sunbird is developing and will operate 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's joint venture partner in the project is PetroSA (24%), the national oil company of South Africa.

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

About the Ibhubesi Gas Project

The IGP is South Africa's largest undeveloped gas field, with 1P reserves of 210 BCF (SNY 76%: 159 BCF) and 2P reserves of 540 BCF (SNY 76%: 410 BCF). The Project is located 380km north of Cape Town in Block 2A, which is a Production Right that covers 5,000 km².

The IGP is situated in the offshore Orange Basin, approximately 70 km off the coast in water depths of 250 metres.

The IGP is covered by 1,770 km² of 3D seismic and many thousands of km of 2D seismic. Over US\$125 million (R1.2 billion) has been spent on exploration and appraisal of the project since 2000.

The successful development of the IGP would see the replacement of diesel as the current feed stock at the Ankerlig Power Station and/or the development of a ~500MW IPP thereby assisting in meeting the Country's growing energy needs, improving its energy security, creating a new industry and local jobs. The IGP provides numerous additional benefits:

- The IGP is a Strategic Infrastructure Project (SIP5) under the Presidential Infrastructure Coordination Commission;
- The IGP will establish the first critical pipeline infrastructure in the Orange Basin providing a route to market and encouraging further exploration and development;
- Will provide significant revenue to the government in the form of royalties, corporate and payroll taxes and state participation;
- Substantial direct and indirect job creation during construction and production phases leading to the development of local skills and enterprise;
- Significant Black Economic Empowerment (BEE) and state participation in the Project with a BEE group holding (indirectly) 27% and a state holding (PetroSA) of 24%;
- Balance of Trade benefits from the replacement of imported diesel, which is indexed to \$US and the oil price, with a domestic gas source; and
- Reduction in greenhouse gas and CO₂ emissions via the utilisation of gas.

Qualified Petroleum Evaluator

The reserves and resource estimates used in this announcement were compiled by Tim Hower (Registered Professional Engineer (Colorado #9597), and member of the Society of Petroleum Engineers) and Jeffrey B. Aldrich a Certified Petroleum Geologist, #3791, by the American Association of Petroleum Geologists (AAPG) and member of the Society of Petroleum Engineers (SPE). Both Mr Hower and Mr Aldrich are of MHA Petroleum Consultants LLC. The definitions of proved, probable, and possible hydrocarbon reserves and resources are consistent with those as they appear in the ASX Listing Rules. Mr Hower and Mr Aldrich are qualified in accordance with the requirements of ASX listing rule 5.42 and has consented to the use of the reserves and resource figures in the form and context in which they appear in this announcement.

ASX Listing Rule 5.43 Statement

Sunbird Energy Ltd declares that the reserves and resource estimates used in this announcement were announced by Sunbird Energy Ltd to the Australian Securities Exchange (ASX) on 4 June 2013 (Original Ibhubesi Reserves Announcement), 11 March 2014 (Original Prospective Resource Announcement) and on 9 October 2013 (Original CBM Resources Announcement) and is not aware of any new information or data that materially affects the information provided in the Original Announcements and confirms that all the material assumptions and technical parameters underpinning the estimates in the Original Announcements continue to apply and have not materially changed.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

SUNBIRD ENERGY LIMITED

ABN

21 150 956 773

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(951)	(4,180)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(356)	(1,163)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	3	35
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
		(1,304)	(5,308)
Net Operating Cash Flows			
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	(1,146)	(1,146)
	(c) other fixed assets	(1)	(5)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	(178)
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
		(1,147)	(1,330)
Net investing cash flows			
1.13	Total operating and investing cash flows (carried forward)	(2,450)	(6,638)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,450)	(6,638)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	75
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	1,330	2,582
1.17	Repayment of borrowings	(349)	(349)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	981	2,308
	Net increase (decrease) in cash held	(1,464)	(4,324)
1.20	Cash at beginning of quarter/year to date	1,790	4,758
1.21	Exchange rate adjustments to item 1.20	52	(55)
1.22	Cash at end of quarter	373	373

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	175
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Sunbird directors' remuneration of \$175,000.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On 30 June 2014, 200,000 incentive Performance Rights issued to Eligible Employees with shareholder approval had met the vesting milestone and were both vested and converted to fully paid ordinary shares.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	5,000	2,400
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(1,610)
4.2 Development	-
4.3 Production	-
4.4 Administration	(95)
Total	(1,705)

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	124	615
5.2 Deposits at call	249	251
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	373	925

+ See chapter 19 for defined terms.

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	Nil		
6.2	Interests in mining tenements and petroleum tenements acquired or increased	Block 2A, Offshore South Africa 12/4/03	Holder – Production Right 0%	76%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)	Nil	Nil	
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil	Nil	
7.3	+Ordinary securities	116,325,000	116,325,000	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	(a) 200,000 (b) Nil	(a) 200,000 (b) Nil	
7.5	+Convertible debt securities (description)	Nil	Nil	

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter				
	(a) Increases through issues	Nil			
	(b) Decreases through securities matured, converted	Nil			
7.7	Performance Rights	Total Number	Number Quoted	Issue Price per security (see Note 3) (cents)	
	Total on issue	9,150,000	Nil	Nil	
	SNYPR₃	100,000	Nil		
	SNYPR₄	200,000	Nil		
	SNYPR₅	8,850,000	Nil		
7.8	Changes during quarter				
	(a) Increase through issues	Nil	Nil		
	(b) Decreases through securities matured, converted.	200,000	Nil		
7.9	Options	Number	Number Quoted	Exercise Price	Expiry Date
	SNY ₀₃	4,000,000	Nil	20 cents	19-Jan-15
	SNY ₀₄	4,000,000	Nil	20 cents	19-Jan-16
	SNY ₀₅	4,000,000	Nil	20 cents	19-Jan-17
	SNYOC ₁	5,000,000	Nil	20 cents	19-Jan-15
	SNYOIP ₁	5,000,000	Nil	25 cents	Various
	SNYOIP ₂	5,000,000	Nil	30 cents	Various
	SNYONV ₁	5,000,000	Nil	25 cents	Various
	SNYONV ₂	5,000,000	Nil	30 cents	Various
	SNYOPT ₁	53,000,000	Nil	20 cents	19-Jan-15
	SNY ₀₆	1,000,000	Nil	50 cents	21-May-16
	SNYOP ₆	3,500,000	Nil	25 cents	31-Dec-15
	SNYOP ₇	1,500,000	Nil	30 cents	31-Dec-15
	SNYOR ₃	500,000	Nil	20 cents	31-Dec-15
	SNYOR ₄	1,000,000	Nil	25 cents	31-Dec-15
	SNYOR ₅	3,000,000	Nil	50 cents	01-Oct-16

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.10	Issued during quarter				
		Nil	Nil		
7.11	Exercised during quarter	Nil			
7.12	Expired during quarter				
	SNY06	2,000,000	Nil		
	SNY07	2,000,000	Nil		
7.13	Debenture (totals only)	Nil			
7.14	Unsecured Notes (totals only)	Nil			

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:


Chief Financial Officer

Date: 31 July 2014

Print name: Carla Mackay

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture

+ See chapter 19 for defined terms.

agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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