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Corporate Directory

Directors

Mr Kerwin Rana
Executive Chairman

Mr William Barker
Managing Director

Mr Andrew Leibovitch
Executive Director

Mr Marcus Gracey
Non-Executive Director

Company Secretary

Mr Mark Balfour (resigned 11 July 2014)
Mr Richard Barker (appointed 11 July 2014)

Chief Financial Officer

Ms Carla Mackay (resigned 12 September 2014)

Registered Office

Level 1, 50 Ord Street
West Perth WA 6005
Tel: +618 9463 3260
Fax: +618 9463 6630

Share Register

Link Market Services Limited
Level 4 Central Park
152 St Georges Terrace
Perth WA 6000
Tel (within Australia): 1300 554 474
Tel (outside Australia): +612 8280 7111

Stock Exchange Listings

Australian Securities Exchange (ASX: SNY)

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Solicitors

Hardy Bowen
Level 1, 28 Ord Street
West Perth WA 6005

Website

www.sunbirdenergy.com

Dear investor

On behalf of the Board, I am pleased to present Sunbird Energy's 2014 annual report.

Over the past 12 months, our Company has progressed its goal of unlocking value from its cornerstone Ibhubesi Gas Project (IGP) in South Africa.

In September 2014, Sunbird announced a transformational funding deal which, once completed in November 2014, will deliver to the Company over A\$25 million (subject to exchange rates) and secure a major strategic partner to help drive commercialisation of the IGP. Stage I of the transaction was completed on 7 October with Sunbird receiving USD\$5m and issuing 20,367,127 shares to Vandasias.

The transaction, which is subject to shareholder approval and execution of a Gas Sales Term Sheet with a potential customer, will see the Pan-African investment company Vandasias Investments Limited acquire a 43.9% interest in Sunbird via a two stage transaction.

This financing deal means Sunbird will be fully funded to take the IGP to a Final Investment Decision and demonstrates the IGP's value as the most advanced gas to power project in South Africa.

To date over USD\$125m has been invested in the exploration and appraisal of IGP Block 2A, with 7 of the 11 wells drilled discovering commercial volumes of gas. Independent Resource Assessment shows IGP Block 2A contains a Best Estimate prospective gas resource of 7.8 trillion cubic feet (Tcf) of gas (SNY: 5.9Tcf), demonstrating the significant potential for expansion of the IGP to deliver a vital, new and long term energy source for South Africa.

This year Sunbird has focused on advancing IGP gas marketing activities and maturing the engineering work program including Field Development Planning, preparation for Front End Engineering & Design (FEED) studies and regulatory approvals.

Gas marketing efforts have progressed well with Sunbird signing a Memorandum of Understanding in December 2013 with Eskom, South Africa's State-owned energy company, to investigate indigenous gas sales from the IGP to Eskom's Ankerlig Power Station on the Western Cape.

Eskom is the largest producer of electricity in Africa generating approximately 45% of the electricity used in the whole continent and is one of the world's largest utilities in terms of generation capacity and sales. The Ankerlig Power Station is a 1,350 MW open cycle gas turbine facility which to date has been fuelled on high cost diesel.

Eskom and Sunbird are now in advanced negotiations to finalise a Gas Sales Term Sheet which, once completed will deliver a range of benefits including improved energy security, job creation and a cheaper and cleaner fuel source.

Overall, this year has seen us further cement our position by focusing on engineering, gas marketing and meeting key milestones that will pave the way to Sunbird becoming a leading gas producer in South Africa. We look forward to the year ahead as we make the significant transformation from explorer to developer.



Kerwin Rana
Chairman
30 October 2014



Review of Operations

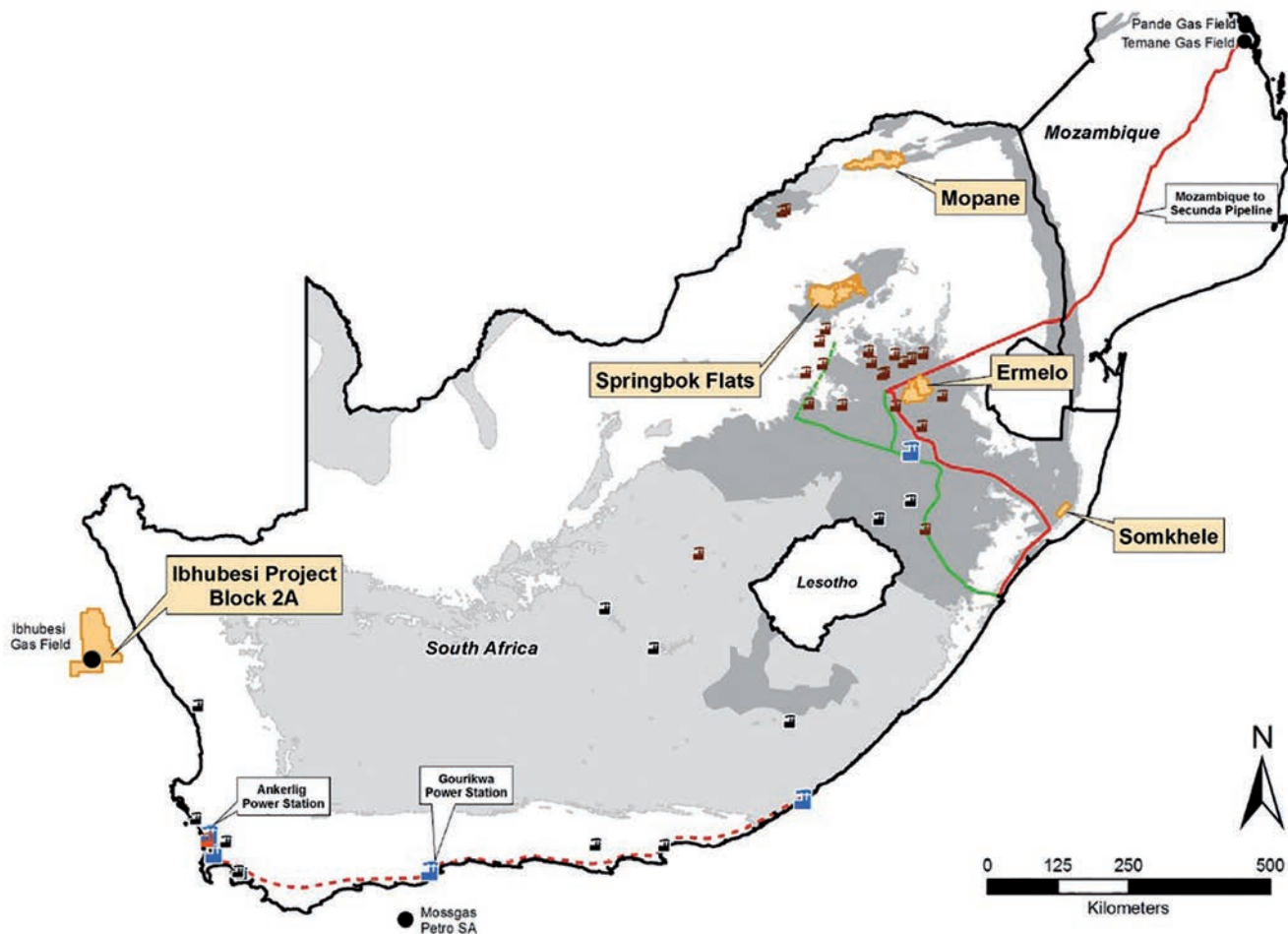
The information presented in this report is for the period commencing 1 July 2013 and ending 30 June 2014.

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% working interest and is operator of Production Right Block 2A, covering approximately 5,000km² within the Orange Basin and containing the Ibhubesi Gas Project (IGP), South Africa's largest undeveloped gas field. The block is located 380km north west of Cape Town and 70km off the coast of the Northern Cape Province. Sunbird's joint venture partner is PetroSA (24%), the national oil company of South Africa.

The IGP 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 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.



Ibhubesi Gas Project

Ibhubesi Gas Project Acquisition Completed

During the period Sunbird received all South African government approvals necessary to finalise its acquisition of a 76% interest in Block 2A, incorporating the Ibhubesi Gas Project (IGP) from Forest Oil Corporation ("Forest") and Anschutz Overseas Corporation ("Anschutz"). Having executed the Sale and Purchase Agreement in December 2012, which provided Sunbird with control of the Forest and Anschutz subsidiaries holding the licence and operatorship of the project, two regulatory approvals were required in order to complete the transaction.

In October 2013 Sunbird received approval from the Department of Mineral Resources (DMR) for the transfer of control necessary to acquire its interest, and in June 2014 received verification from the South African Reserve Bank regarding Exchange Control Approvals. These approvals completed the IGP transaction and 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.

IGP Block 2A Independent Certification

Over USD\$125m has been invested in the exploration and appraisal of Block 2A since 2000, with 7 of the 11 wells drilled to date resulting in a discovery of commercial volumes of gas. In addition to the existing discoveries there is significant prospectivity for additional gas resources.

In February 2014, MHA Petroleum Consultants, Denver, completed an independent assessment of the prospectivity of Block 2A to identify its exploration potential and thereby assess the volume of gas that could potentially be discovered in Block 2A.

These studies determined a Best Estimate 7.8 Tcf (SNY: 5.9 Tcf) of prospective gas resources within Block 2A, confirming the significant exploration potential of the area. The historically high exploration success rate within the block indicates there are reasonable opportunities to further enhance the commercial potential of the IGP.

Block 2A Prospective Resources Estimates:

Prospective Resources*	Recoverable Gas Volume (Bcf) (Gross 100%)	Recoverable Gas Volume (Bcf) (Sunbird 76%)
Low Estimate	4,509	3,427
Best Estimate	7,783	5,915
High Estimate	13,304	6,495

Source: "Prospective Resources Evaluation, Block 2A, South Africa" by MHA Petroleum Consultants, 28th February 2014

* The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.



Ibhubesi Technical Work Program

During the year Sunbird has continued to progress 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.

The core technical focus has been the preliminary Field Development Plan (FDP) and the Basis of Design (BoD) studies at Ibhubesi. The FDP and BoD studies define the final well designs, locations and scheduling, the engineering designs of the gas processing facilities and the preferred sales pipeline size and route.

The FDP progressed well during the year 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.

Additionally, well engineering studies have been completed to recommend the preferred well drilling and completion designs.

Significant technical work has been completed in preparing the Facilities BoD and Scope of Work for the Front End Engineering & Design (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 original 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, including 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 have been compiled to assist in the preparation of the Final Scoping Report.

Sunbird has also completed a series of workshops for the Specialist Scientific Studies. These 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.

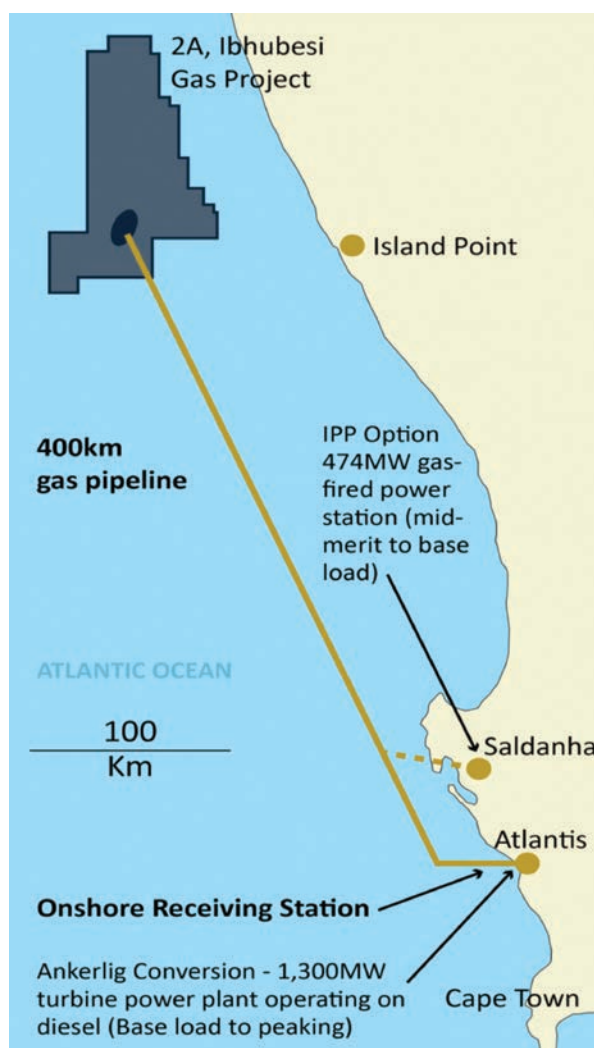
Gas Marketing Opportunities

Ankerlig Power Station

In December 2013 Sunbird signed a Memorandum of Understanding (MoU) with Eskom, South Africa's State-owned energy company, to investigate indigenous gas sales from the IGP to Eskom's Ankerlig Power Station on the Western Cape (Eskom Ankerlig Project).

Eskom is the largest producer of electricity in Africa, and is one of the world's largest utilities in terms of generation capacity and sales. It generates approximately 95% of the electricity used in South Africa and approximately 45% of electricity used in Africa. Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors.

The Ankerlig Power Station is a 1,350 MW open cycle gas turbine facility located in the Atlantis Industrial Area, approximately 40km north of Cape Town. The plant was originally constructed in 2007 to cope with the increasing power demands of the Western Cape during peak periods. 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.

Under the terms of the MoU, a Working Committee was established in early 2014 comprising Eskom and Sunbird representatives. The Working Committee and its technical and commercial sub-teams have since focused on developing an integrated project development plan, resolving various technical interfaces and negotiated commercial terms.

At present, Eskom and Sunbird are working together to finalise a Gas Sales Term Sheet, which will then be incorporated into a fully binding Gas Sales Agreement.

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 (DoE) tender for a new build 474MW gas-fired Independent Power Plant (IPP).

The Department is currently running a process for procuring several new gas-fired IPPs as part of its initiatives to increase supply.

Sunbird has been working with potential IPP developers to submit a proposal to the DoE for the development of an IGP gas to power IPP. During July 2013, Sunbird submitted a response to the Request for Registration & Information from Potential Developers of New Medium Term Risk Mitigation and Baseload Generation Capacity issued by the DoE. Request for Proposals are expected in the second half of 2014.

Project Benefits

The successful development of the IGP would provide South Africa with additional gas-fired power generation capacity at an economically competitive tariff, offsetting current high cost diesel imports.

Development of a known domestic energy resource would create a new industry in South Africa and provide local energy supply to South Africa's west coast, increasing mid-merit and peaking power capacity. This would not only assist in meeting the Country's growing energy needs, but would provide a range of additional benefits:

Improved energy security;

- Establish first critical pipeline infrastructure in the Orange Basin providing a route to market and encouraging further exploration and development;
- Provide significant government revenue through 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 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.





Coal Bed Methane

Sunbird has a portfolio of five Coal Bed Methane (CBM) projects covering an extensive area of prospective coal basins across South Africa and Botswana. The portfolio provides opportunities for early stage commercialisation with projects located adjacent to existing gas pipeline and power networks.

Sunbird holds a 74% interest in its South African CBM projects, with its strategic partner in South Africa, Umbono Capital Partners - an established Black Economic Empowerment group - holding the remaining 26%.

Mopane Project

The Mopane Project has a licence area of 1,577km² and is located in the Limpopo Province of South Africa, about 420km northeast of Johannesburg.

The project lies on the western limit of the Tshipise Coalfield, is traversed by major electricity transmission lines that form part of the Southern African Power Pool and is situated close to major local mining and mineral processing facilities.

In late 2013 MHA Petroleum Consultants LLC completed an Independent Resource Assessment at Mopane. In estimating the contingent resources, MHA reviewed all available drilling and coal data associated with the initial drilling campaign in the east of the Mopane licence. The initial assessment area covered approximately 124km² (or less than 10%) of the total area.

Mopane CBM Project Resources Estimates

Contingent Resources	Recoverable Gas Volume (Bcf) (Gross 100%)	Recoverable Gas Volume (Bcf) (SNY 74%)
1C Contingent Resources	351	260
2C Contingent Resources	644	477
3C Contingent Resources	1,018	753

Source: "Contingent Resource Assessment – Mopane CBM Project South Africa" by MHA Petroleum Consultants, 31 October 2013

Following the booking of a 2C Contingent Resource of 644 Bcf (SNY 74%: 476 Bcf) at Mopane, Sunbird has been planning the initial Pilot Production Program.

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

In May 2014 Sunbird was notified that the Exploration Right at Mopane would be renewed, with formal notice being received 16 September 2014.



Springbok Flats Project

In October 2013, Sunbird announced that it had been granted an Exploration Right over 747.51 km² of prospective acreage in the Springbok Flats West area, located 150km northeast of Pretoria in northern South Africa.

The conversion of the area from an application to exploration licence provides contiguous exploration rights over 1,198km² of the Springbok Flats Basin and allows the Company to target exploration drilling in a highly prospective section of the Basin.

The Springbok Flats area is considered favourable for the occurrence of CBM due to the presence of extensive coal deposits at depths suitable for CBM development and preservation.

Corporate

A\$5 million funding secured for IGP

In February 2014 Sunbird executed an agreement with White Swan Nominees Pty Ltd (“White Swan”) for a secured loan facility of up to A\$5 million (“Facility”) to progress commercialisation activities for the IGP.

The Facility provided the funding required to advance and fast-track a range of strategic commercialisation activities including progression of gas marketing activities and maturing the engineering work program including Field Development Planning, preparation for Front End Engineering & Design (FEED) studies and regulatory approvals.

The loan facility agreement provides for the drawdown of the loan by tranches of A\$1 million and is repayable within 12 months of the first drawdown of funds. On 5 March 2014, Sunbird successfully obtained from the ASX a waiver from Listing Rule 10.1 to provide security over Sunbird’s assets through the Facility with White Swan. This waiver was required as White Swan is a related party within the definitions of the Corporations Act and the Listing Rules.

Subject to shareholder approval, at the election of White Swan the outstanding amount of the Facility may be converted from debt to equity in the Company and, thereby, potentially avoid the necessity for the Company to repay the whole or part of the Facility converted to equity, by alternate capital raisings or debt funding.

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

The directors of Sunbird Energy Ltd ("the company") present their report for the financial year ended 30 June 2014.

I. DIRECTORS, COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

The directors and the company secretary of the company at any time during or since the end of the financial year are as follows.

Directors

*Mr Kerwin Rana - Executive Chairman
(Appointed 12 October 2011)*

Mr Rana graduated from the University of Natal in 1995 with a Bachelor of Science (Chemical Engineering) degree and is a registered professional engineer, Pr. Eng., with the Engineering Council of South Africa. He has more than 19 years of mining industry experience gained through various operational, managerial and executive roles in the industry including being the Head of New Business for the De Beers group in South Africa.

Mr Rana is also managing director and a minority shareholder of Umbono, primarily responsible for its energy and bulk commodities business.

Mr Rana was formerly a non-executive director of the South African Diamond and Precious Metals Regulator and a member of the South African Institute of Directors. Mr Rana is not a director of any other ASX-listed entities at present, or has been in the last 3 years.

*Mr William Barker - Managing Director
(Appointed 17 May 2011)*

Mr Barker is a Geologist with extensive experience in the exploration and development of gas projects in Australia and internationally. He holds a Bachelor of Science majoring in Geology from the University of Western Australia.

Mr Barker's previous roles include General Manager LNG for Arrow Energy Ltd, where he was responsible for the overall management of the company's lead LNG export project. The maturing of the Surat Gas Project to Final Investment Decision was instrumental in triggering the A\$3.5 billion takeover of Arrow Energy by Royal Dutch Shell and PetroChina in August 2010.

Mr Barker was also the Operations Manager for New Guinea Energy Limited, managing the company's conventional petroleum exploration activities in Papua New Guinea. His experience covers exploration and development activities, corporate relations, business development and general management. He has served as a member of the Coal Geology Council of New South Wales, and is a member of the Petroleum Exploration Society of Australia.

Until his resignation from office on 15 May 2012, Mr Barker was a non-executive director of Transerv Energy Limited.

*Mr Andrew Leibovitch – Executive Director
(Appointed 17 May 2011)*

Andrew Leibovitch is a Chartered Accountant with more than 20 years' experience in corporate finance and the resources industry. He has experience in strategic planning, business development, acquisitions and mergers, gas commercialisation, project development and general management.

Prior to Sunbird Energy, Mr Leibovitch was running his own energy consultancy business, where he had significant involvement in several Australian offshore and unconventional gas projects, including advising Origin Energy Limited, Arrow Energy Limited and LNG Ltd.

Previously, Mr Leibovitch was General Manager Browse Gas Project for Woodside Petroleum Limited. He was responsible for the overall management of the company's Offshore Browse Basin Gas to LNG export project offshore Western Australia. Mr Leibovitch was also General Manager Eastern Australia Gas Business Unit for Woodside, responsible for the company's oil and gas exploration and development portfolio in eastern Australia, which included the appraisal and development of the Otway Gas Project offshore Victoria.

Mr Leibovitch has also performed general management roles at Western Mining Corporation Limited and Coopers & Lybrand. Until his resignation from office on 15 May 2012, Mr Leibovitch was a non-executive director of Transerv Energy Limited.

I. DIRECTORS, COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER (continued)

Mr Marcus Gracey – Non-Executive Director (Appointed 17 May 2011)

Mr Gracey is a corporate lawyer with extensive international experience gained across various markets, including energy. His expertise and experience is backed by a strong set of academic and professional credentials which include a Bachelor of Economics, Bachelor of Laws, Master of Laws and an Executive Master of Business Administration. Having also completed the AICD International Company Directors Course and being a qualified Chartered Company Secretary, Mr Gracey has developed a strong skill set built around risk management, strategy and compliance.

Mr Gracey was previously a director of Torrens Energy Limited and is presently the Business Development Manager and General Counsel of New Standard Energy Limited, focussed on developing and producing onshore unconventional oil & gas in Texas, along with oil & gas exploration activities in the Cooper, Carnarvon and Canning Basins in Australia.

Details of Company Secretary and Chief Financial Officer

Mr Mark Balfour – General Counsel & Company Secretary (Appointed 18 April 2013 – Resigned 11 July 2014)

Mr Balfour is a Commercial and Resources Lawyer with nearly 30 years' experience in private legal practice, in-house counsel roles and executive directorships in both listed and unlisted resources companies with assets variously in Australia, South Africa, North America, Indonesia, China and Papua New Guinea. Mr Balfour fulfilled the course of legal studies at the Law Faculty of the University of Western Australia necessary to be admitted a Barrister and Solicitor of the Supreme Court of Western Australia and registered on the roll of practitioners with the High Court of Australia in 1985. He subsequently completed an intensive course for Lawyers in negotiation at Harvard Law School, Cambridge, Massachusetts in 1991.

As Company Secretary for various listed and unlisted public companies and their subsidiaries in the past 10 years, Mr Balfour has had responsibility for corporate governance in various jurisdictions including Australia, North America, Channel Islands, Papua New Guinea and the Republic of South Africa.

Mr Balfour resigned his office as Company Secretary effective 11th July 2014 and his office as General Counsel effective 31st July 2014.

Mr Richard Barker – Company Secretary (Appointed 11 July 2014)

Mr Barker is a solicitor with over 15 years' experience working for some of Australia's top law firms in Sydney and Perth. Mr Barker holds both a Bachelor of Laws Degree and a Master of Laws Degree (Intellectual Property).

For the last 3 years Mr Barker has worked in the oil and gas industry, both in Australia and internationally providing corporate consultancy and risk management services. Mr Barker has also acted as Assistant Company Secretary for Sunbird during this time.

Ms Carla Mackay – Chief Financial Officer (Resigned 12 September 2014)

Located in South Africa, Ms Mackay is a Chartered Accountant, with extensive experience in the areas of banking and mining.

Ms Mackay graduated from the University of Johannesburg with a BCom (Honours) in Accounting and completed her articles at the audit firm, KPMG, being promoted to Audit Manager in the Industrial, Automotive and Pharmaceutical division. Following this she held the position of Deputy Chief Executive Officer of One Stone Capital (OSC), Old Mutual's black economic empowerment partner. She played a key role on the Executive Committee of Old Mutual Global Index Trackers (Pty) Ltd in the period during which the company listed five exchange traded funds tracking emerging market indices on the NYSE Arca exchange in 2010.

In her most recent capacity prior to her role at Sunbird Energy as Chief Operating Officer of Sunbird's South African partner, Umbono, she has performed an executive management role in development of the Umbono group's portfolio of resource projects, primarily in its energy and bulk commodity business. She was also involved in the sale transaction with and ultimate listing of Sunbird in January 2012.

Ms Mackay resigned from Sunbird and her role as Chief Financial Officer effective 12 September 2014. The Company intends to manage the finance roles with within the existing management staff and has no immediate intention to appoint a new Chief Financial Officer.

I. DIRECTORS, COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER (continued)

I.1 Directors' Meetings

The number of directors' meetings and number of meetings attended by each of the directors of the company during the financial period were:

Director	Board of directors	
	Present	Held
Kerwin Rana	4	4
William Barker	4	4
Andrew Leibovitch	4	4
Marcus Gracey	4	4

During the reporting period, the directors also met or communicated as a collective group at least bi-weekly and on numerous of these occasions to discuss and consider governance and operational strategies and resolutions. The directors executed twelve (12) circular resolutions during the period, arising out of matters discussed and considered in these informal meetings and communications and to evidence the formal resolutions made by them in respect to such matters.

I.2 Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Sunbird Energy Ltd support and have adhered to the principles of sound corporate governance. The board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that the company is in compliance with those guidelines which are of importance to the commercial operation of a junior listed resource company. During the financial year, shareholders received the benefit of an efficient and cost-effective corporate governance policy for the company.

2. REMUNERATION REPORT – AUDITED

This Remuneration Report outlines the remuneration arrangements which were in place during the year, and remain in place as at the date of this report, for the directors and key management personnel of Sunbird Energy Ltd ("the company").

(a) Key management personnel

Directors of the company, who had authority and responsibility during the financial period for planning, directing and controlling the activities of the group, directly or indirectly, as well as other senior executives are the key management personnel disclosed in this report.

Name	Position
<i>Company Directors</i>	
Kerwin Rana	Executive Chairman
William Barker	Managing Director
Andrew Leibovitch	Executive Director
Marcus Gracey	Non-Executive Director
<i>Senior Executives</i>	
Nathan Rayner	Technical Director
Mark Balfour	General Counsel and Company Secretary
Carla Mackay	Chief Financial Officer

2. REMUNERATION REPORT – AUDITED (continued)

(b) Non-executive director remuneration policy

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board.

The base remuneration of directors is set at A\$50,000 per annum commencing from 30 April 2013.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at A\$300,000 per annum and was approved by shareholders at the general meeting on 12 October 2011.

(c) Executive remuneration policy and framework

In determining executive remuneration, the board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the company to attract and retain key talent;
- aligned to the company's strategic and business objectives and the creation of shareholder value;
- transparent; and
- acceptable to shareholders.

The executive remuneration framework has two components:

- base pay and benefits, including superannuation; and
- long-term incentives through the issue of options and performance rights.

Base pay and benefits

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the board's discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market.

There are no guaranteed base pay increases included in executives' contracts. There are no short term cash bonuses included in the figures contained in the Remuneration Report.

Superannuation

Retirement benefits are limited to superannuation contributions as required under the Australian superannuation guarantee legislation.

Long-term incentives

Long-term incentives are provided to directors and executives as incentives to deliver long-term shareholder returns. Some of the issued options and performance rights are granted only if certain performance conditions are met and the directors and executives are still employed by the company at the end of the vesting period. Please refer to the tables on pages 14 and 16 of the Remuneration Report for further details of the performance conditions to be met.

Share trading policy

The Company has a share trading policy in place and a copy is available on the Company's website. The Board of Directors ratified and approved the share trading policy previously adopted without change, on 25 October 2013.

(d) Link of remuneration to company performance and shareholders' wealth

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Currently, this is facilitated through the issue of options and performance rights to directors and executives to encourage the alignment of personal and shareholder interests. There are currently various financial and other targets set for the performance related remuneration, and therefore, remuneration is linked to company performance or shareholder wealth.

(e) Use of remuneration consultants

The company did not use the services of remuneration consultants for designing the remuneration policies for directors or key management personnel.

2. REMUNERATION REPORT – AUDITED (continued)

(f) Service agreements

On appointment to the board, all non-executive and executive directors and key management personnel enter into a service agreement with the company. The agreement details the board policies and terms, including compensation, relevant to the office of director.

The company currently has service contracts in place with the following four board members. Details of the service agreements are listed below.

Mr Kerwin Rana – *Executive Chairman*

- Commencement date: 12 October 2011
- Base management fee at 30 June 2014 was A\$ 214,000 per annum
- Base director fee at 30 June 2014 was A\$ 36,000 per annum
- The agreement is subject to a three months' notice period

Mr William Barker – *Managing Director*

- Commencement date: 17 May 2011
- Base management fee at 30 June 2014 was A\$ 325,000 per annum
- Base director fee at 30 June 2014 was A\$ 50,000 per annum
- Superannuation is payable at statutory rates on the base management and director fees

The agreement is subject to a three months' notice period

Mr Andrew Leibovitch – *Executive Director*

- Commencement date: 17 May 2011
- Base management fee at 30 June 2013 was A\$ 200,000 per annum
- Base director fee at 30 June 2014 was A\$ 50,000 per annum
- Superannuation is payable at statutory rates on the base management and director fees
- The agreement is subject to a three months' notice period

Mr Marcus Gracey – *Non-Executive Director*

- Commencement date: 17 May 2011
- Base director fee at 30 June 2014 was A\$ 50,000 per annum
- Superannuation is payable at statutory rates on base director fee
- The agreement is not subject to any termination notice period

The company currently has service contracts in place with the following two key management personnel. Details of the service agreements are listed below.

Mr Nathan Rayner – *Technical Director*,

- Commencement date: 1 July 2013
- Base management fee at 30 June 2014 was A\$ 375,000 per annum
- The agreement is subject to a three months' notice period

Ms Carla Mackay – *Chief Financial Officer*

(Resigned 12 September 2014)

- Commencement date: 1 February 2013
- Base fee at 30 June 2014 was R 900,000 (approximately A\$ 90,180 per annum)
- The agreement is subject to a three months' notice period

Mr Mark Balfour – *General Counsel and Company Secretary*

(Resigned 11 July 2014)

- Commencement date: 1 May 2013
- Base fee at 30 June 2014 was A\$ 180,000 per annum
- Base company secretary fee at 30 June 2014 was A\$ 50,000 per annum
- Superannuation is payable at statutory rates on the base company secretary fee
- The agreement is subject to a three months' notice period

The service contract with Mr Mark Balfour was terminated by mutual agreement between the Company and Mr Balfour effective 31st July 2014.

2. REMUNERATION REPORT – AUDITED (continued)

(f) Service agreements (continued)

Mr Richard Barker – *Company Secretary*

(Appointed 11 July 2014)

- Commencement date: 11 July 2014
- Base company secretary fee at commencement date was A\$ 50,000 per annum
- Superannuation is payable at statutory rates on the base company secretary fee
- The agreement is subject to a three months' notice period

No other key management personnel have service contracts in place with the consolidated entity.

(g) Details of remuneration

The following tables set out remuneration paid to key management personnel of the company during the reporting period:

	Employee benefits				Proportion of remuneration			
	Short-term	Post employment	Share-based payments		Total	Fixed %	Performance linked	
	Cash salary and fees * A\$	Super annuation A\$	Options A\$	Performance rights A\$			Options %	Rights %
2014								
<i>Non-executive directors</i>								
Marcus Gracey	50,000	4,625	220	85,630	140,475	36%	-	64%
Total non-executive directors	50,000	4,625	220	85,630	140,475	36%	-	64%
<i>Executive directors</i>								
Kerwin Rana	250,000	-	-	513,778	763,778	33%	-	67%
William Barker	375,000	34,688	24,632	856,297	1,290,617	29%	2%	69%
Andrew Leibovitch	250,000	23,125	30,827	428,149	732,101	34%	4%	62%
Total executive directors	875,000	57,813	55,459	1,798,224	2,786,496	31%	2%	67%
<i>Key management</i>								
Nathan Rayner (appointed 1 July 2013)	375,000	-	-	570,349	945,349	40%	-	60%
Carla Mackay (resigned 12 September 2014)	90,180	-	70,489	-	160,669	56%	44%	-
Mark Balfour	230,000	4,625	-	93,526	328,151	70%	-	30%
Total key management	695,180	4,625	70,489	663,875	1,434,169	48%	5%	47%
Total (Note 1 below)	1,620,180	67,063	126,168	2,547,729	4,361,140	37%	3%	60%

* No short-term cash bonuses included as paid or accrued for during the year ended 30 June 2014.

Note 1 – Total remuneration from cash salary, fees and superannuation is \$1,687,243 (refer to note 20 in the Annual Financial Statements).

2. REMUNERATION REPORT – AUDITED (continued)

(g) Details of remuneration (continued)

The following tables set out remuneration paid to key management personnel of the company during the previous reporting period:

	Employee benefits					Proportion of remuneration		
	Short-term	Post employment	Share-based payments		Total	Performance linked		
			Options	Performance rights		Options %	Rights %	
2013	Cash salary and fees * A\$	Super annuation A\$	Options A\$	Performance rights A\$	Total A\$			
Non-executive directors								
Marcus Gracey	43,000	1,125	-	11,849	55,974	79%	-	21%
Total non-executive directors	43,000	1,125	-	11,849	55,974	77%	-	23%
Executive directors								
Kerwin Rana	146,980	-	-	71,097	218,077	67%	-	33%
William Barker	287,500	16,875	17,426	118,495	440,296	69%	4%	27%
Andrew Leibovitch	225,000	11,250	17,429	59,247	312,926	75%	6%	19%
Total executive directors	659,480	28,125	34,855	248,839	971,299	68%	4%	29%
Key management								
Carla Mackay (appointed 01/02/2013)	40,795	-	22,801	-	63,596	64%	36%	-
Mark Balfour (appointed 01/04/2013)	74,375	1,125	-	23,868	99,368	76%	-	24%
Total key management	115,170	1,125	22,801	23,868	162,964	71%	14%	15%
Total (Note 2 below)	817,650	30,375	57,656	284,556	1,190,237	69%	5%	26%

* No short-term cash bonuses included as paid or accrued for during the year ended 30 June 2013.

Note 2 – Total remuneration from cash salary, fees and superannuation is \$848,025 (refer to note 20 in the Annual Financial Statements).

Since the long-term incentives are provided exclusively by way of performance rights and options, the share based payments disclosed also reflect the value of remuneration consisting of performance rights and options, based on the value of the performance rights and options granted during the year.

2. REMUNERATION REPORT – AUDITED (continued)

(h) Share-based compensation

(i) Share options

The terms and conditions of each grant of options affecting remuneration of key management personnel in the current or future reporting periods are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise Price (cents)	Value at grant date - per option (cents)	Performance milestone to be achieved	Vested %
22-Sep-11	19-Jan-12	19-Jan-15	20	0.11	n/a	100%
22-Sep-11	19-Jan-13	19-Jan-16	20	0.20	n/a	100%
22-Sep-11	19-Jan-14	19-Jan-17	20	0.30	n/a	100%
22-Sep-11	4-Nov-13	19-Jan-15	20	0.11	Cornerstone investor secured ¹	100%
22-Sep-11	4-Nov-13	4-Nov-16	25	0.09	Certified resource ²	100%
22-Sep-11	4-Nov-13	4-Nov-16	30	0.07	Certified resource ³	100%
22-Sep-11	11-Nov-13	11-Nov-16	25	0.09	Certified resource ⁴	100%
22-Sep-11	11-Nov-13	11-Nov-16	30	0.07	Certified resource ⁵	100%
1-Feb-13	1-Feb-14	31-Dec-15	20	7	1 year retention ⁶	100%
1-Feb-13	1-Feb-15	31-Dec-15	20	7	2 year retention ⁷	-
1-Feb-13	31-Dec-15	31-Dec-15	25	5	Gas Sales Agreement ⁸	-
1-Feb-13	31-Dec-15	31-Dec-15	25	8	Final Investment Decision ⁹	-

¹ Vesting was achieved when formal confirmation obtained from & Umbono Capital Partners LLC and Cygnet Capital Pty Ltd that the definition of Cornerstone Investor had been met.

² Vesting was achieved when an independent expert certified discoveries of at least 500 bcf 3C resource of gas from the Initial Portfolio on 11 November 2013.

³ Vesting was achieved when an independent expert certifies discoveries of at least 1 Tcf 3C resource of gas from the Initial Portfolio on 11 November 2013.

⁴ Vesting was achieved when an independent expert certifies discoveries of at least 500 bcf 3C resource of gas from a New Venture, confirmed as being the Ibhubesi Gas Project, on 11 November 2013

⁵ Vesting was achieved when an independent expert certifies discoveries of at least 1 Tcf 3C resource of gas from a New Venture, confirmed as being the Ibhubesi Gas Project, on 11 November 2013

⁶ Vesting was achieved when the option holder remained employed in the position on 1 February 2014.

⁷ If option holder employed in the position on 1 February 2015.

⁸ If Company enters into a Gas Sales Agreement within the region of southern Africa.

⁹ If Company approves a Financial Investment Decision for the Ibhubesi Gas Project.

The exercise price of options was set by the directors after consultation with significant shareholders and was relative to the price at which the company's shares are traded on the Australian Securities Exchange (ASX) on or about the date of grant.

Options granted carry no dividend or voting rights. No terms of equity-settled share-based payment transactions have been altered or modified during the reporting year. When exercisable each option is convertible into one ordinary share.

2. REMUNERATION REPORT – AUDITED (continued)

(h) Share-based compensation (continued)

(i) Share options (continued)

Details of vesting profiles of the options granted as remuneration to each director of the company and each named company executive is set out below. When exercisable, each option is convertible into one ordinary share of Sunbird Energy Ltd.

Name	Year of grant	Number of options granted	Value of options at grant date A\$	Number of options vested during the year	Vested %	Year in which options may vest	Max value yet to vest A\$
Marcus Gracey	2012	750,000	1,049	-	100%	-	-
William Barker	2012	2,000,000	4,051	-	100%	-	-
	2012	2,000,000	8,425	2,000,000	100%	-	-
	2012	2,000,000	6,319	-	100%	-	-
	2012	2,500,000	7,808	-	100%	-	-
	2012	5,000,000	13,966	5,000,000	100%	-	-
	2012	5,000,000	12,719	5,000,000	100%	-	-
Andrew Leibovitch	2012	2,000,000	6,319	-	100%	-	-
	2012	2,000,000	4,051	-	100%	-	-
	2012	2,000,000	8,425	2,000,000	100%	-	-
	2012	2,500,000	7,808	-	100%	-	-
	2012	5,000,000	13,966	5,000,000	100%	-	-
	2012	5,000,000	12,719	5,000,000	100%	-	-
Carla Mackay	2013	250,000	23,570	-	-	2015	23,570
	2013	250,000	23,570	250,000	100%	-	-
	2013	1,000,000	84,787	-	-	2015	84,787

No options were exercised during the year ended 30 June 2014.

2. REMUNERATION REPORT – AUDITED (continued)

(h) Share-based compensation (continued)

(ii) Performance rights

The terms and conditions of each grant of performance rights affecting remuneration in the current or future reporting periods are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise Price (cents)	Value at grant date - per right (cents)	Performance milestone to be achieved	Vested %
30-Apr-13	1-Nov-13	1-May-15	-	35	Continued service	100%
30-Apr-13	1-May-14	1-May-15	-	35	Continued service	100%
30-Apr-13	1-Nov-14	1-May-15	-	35	Continued service	-
30-Apr-13	1-May-15	1-May-15	-	35	Continued service	-
30-Apr-13	1-Nov-13	1-May-15	-	35	IGP 2P Reserves ¹	100%
30-Apr-13	1-May-15*	1-May-15	-	35	IGP 1P Reserves ¹	100%
30-Apr-13	1-May-15*	1-May-15	-	35	IGP GSA ²	-
30-Apr-13	1-May-15*	1-May-15	-	35	IGP FID ³	-
30-Apr-13	1-May-15*	1-May-15	-	35	IGP Premium Market ⁴	-
30-Apr-13	1-May-15*	1-May-15	-	35	CBM 3C 500bcf Reserves ²	100%
30-Apr-13	1-May-15*	1-May-15	-	35	CBM 3C 1tcf Reserves ²	100%
30-Apr-13	1-May-15*	1-May-15	-	35	CBM Pilot	-
30-Apr-13	1-May-15*	1-May-15	-	35	CBM GSA ² /FID ³	-

* Performance rights vest upon achieving a milestone, on or before the expiry date.

¹ Obtaining independent expert certification of gas reserves.

² The company entering into a gas sale agreement (GSA).

³ The company securing finance to support a financial investment decision (FID).

⁴ The company share price reaching A\$1 per share.

2. REMUNERATION REPORT – AUDITED (continued)

(h) Share-based compensation (continued)

(ii) Performance rights (continued)

Details of vesting profiles of the performance rights granted as remuneration to each director of the company and each named company executive is set out below. When exercisable, each right is convertible into one ordinary share of Sunbird Energy Ltd. When vested, each right is convertible into one ordinary share of Sunbird Energy Ltd at no cost to the holder of the right.

Name	Year of grant	Number of rights granted	Value of rights at grant date A\$	Number of rights vested during the year	Vested %	Year in which rights may vest	Max value yet to vest A\$
Marcus Gracey	2013	100,000	35,500	100,000	100%	-	-
	2013	100,000	35,500	-	-	2015	35,500
	2013	100,000	35,500	-	-	2015	35,500
	2013	100,000	35,500	-	-	2015	35,500
William Barker	2013	1,000,000	354,999	1,000,000	100%	-	-
	2013	1,000,000	354,999	-	-	2015	354,999
	2013	1,000,000	354,999	-	-	2015	354,999
	2013	1,000,000	354,999	-	-	2015	354,999
Andrew Leibovitch	2013	500,000	177,500	500,000	100%	2015	177,500
	2013	500,000	177,500	-	-	2015	177,500
	2013	500,000	177,500	-	-	2015	177,500
	2013	500,000	177,500	-	-	-	-
Kerwin Rana	2013	500,000	177,500	500,000	100%	-	-
	2013	500,000	177,500	-	-	2015	177,500
	2013	500,000	177,500	-	-	2015	177,500
	2013	500,000	177,500	-	-	2015	177,500
	2014	100,000	35,499	100,000	100%	-	-
	2014	100,000	35,499	-	-	2015	35,499
	2014	100,000	35,499	-	-	2015	35,499
	2014	100,000	35,499	-	-	2015	35,499
Nathan Rayner	2013	375,000	131,250	375,000	100%	2014	-
	2013	375,000	131,250	-	-	2015	131,250
	2013	375,000	131,250	-	-	2015	131,250
	2013	375,000	131,250	-	-	2015	131,250
	2013	100,000	35,000	100,000	100%	2014	-
	2013	100,000	35,000	-	-	2015	35,000
	2013	250,000	87,500	250,000	100%	2014	-
	2013	250,000	87,500	250,000	100%	2014	-
	2013	250,000	87,500	-	-	2015	87,500
	2013	250,000	87,500	-	-	2015	87,500
	2013	200,000	70,000	-	-	2014	70,000
	2013	200,000	70,000	-	-	2015	70,000
Mark Balfour	2013	100,000	35,000	100,000	100%	-	-
	2013	100,000	35,000	100,000	100%	-	-
	2013	100,000	35,000	-	-	2015	35,000
	2013	100,000	35,000	-	-	2015	35,000

2. REMUNERATION REPORT – AUDITED (continued)

(h) Share-based compensation (continued)

(ii) Performance rights (continued)

Details of ordinary shares in the company issued to key management personnel of the group as a result of the exercise of performance rights are set out below.

Name	Date of exercise of performance rights	Number of ordinary shares issued on exercise of performance rights during the year	Value at exercise date*	Price per share on exercise date (cents)
<i>Directors</i>				
Marcus Gracey	11-Nov-13	100,000	47,000	47
William Barker	11-Nov-13	1,000,000	470,000	47
Andrew Leibovitch	11-Nov-13	500,000	235,000	47
Kerwin Rana	11-Nov-13	600,000	282,000	47
<i>Other key management personnel</i>				
Nathan Rayner	11-Nov-13	600,000	282,000	47
Mark Balfour	11-Nov-13	200,000	94,000	47

* The value at the exercise date of performance rights that were granted as part of remuneration and were exercised during the year has been determined as the intrinsic value of the rights at that date.

2. REMUNERATION REPORT – AUDITED (continued)

(i) Equity instruments held by key management personnel

(i) Options and performance rights holdings

The following table shows share options and performance rights held by key management personnel during the financial year.

2014 Name	Balance at start of the period	Granted as compensation	Exercised	Balance at the end of the year	Vested during the year	Vested and exercisable	Unvested
<i>Marcus Gracey</i>							
Options	750,000	-	-	750,000	-	750,000	-
Performance rights	400,000	-	(100,000)	300,000	100,000	-	300,000
<i>William Barker</i>							
Options	18,500,000	-	-	18,500,000	-	18,500,000	-
Performance rights	4,000,000	-	(1,000,000)	3,000,000	1,000,000	-	3,000,000
<i>Andrew Leibovitch</i>							
Options	18,500,000	-	-	18,500,000	-	18,500,000	-
Performance rights	2,000,000	-	(500,000)	1,500,000	500,000	-	1,500,000
<i>Kerwin Rana</i>							
Options	-	-	-	-	-	-	-
Performance rights	2,000,000	400,000	(600,000)	1,800,000	600,000	-	1,800,000
<i>Nathan Rayner</i>							
Options	-	-	-	-	-	-	-
Performance rights	2,700,000	-	(600,000)	2,100,000	975,000	375,000	1,725,000
<i>Mark Balfour</i>							
Options	-	-	-	-	-	-	-
Performance rights	400,000	-	(200,000)	200,000	200,000	-	200,000
<i>Carla Mackay</i>							
Options	1,500,000	-	-	1,500,000	250,000	250,000	1,250,000
Performance rights	-	-	-	-	-	-	-

(ii) Share holdings

The following table shows ordinary shares held by key management personnel during the financial year.

	Balance at start of the year	Received on exercise of options during the year	Received on vesting of rights during the year	Other changes during the year	Balance at the end of the year
Marcus Gracey	50,000	-	100,000	20,000	170,000
William Barker	2,050,000	-	1,000,000	-	3,050,000
Andrew Leibovitch	2,300,000	-	500,000	-	2,800,000
Kerwin Rana	-	-	600,000	-	600,000
Nathan Rayner	200,000	-	600,000	-	800,000
Mark Balfour	140,530	-	200,000	(4,500)	336,030
Carla Mackay	-	-	-	-	-

2. REMUNERATION REPORT – AUDITED (continued)

(j) Loans to key management personnel

There were no loans to key management personnel made during the year ended, or outstanding as at 30 June 2014.

(k) Other transactions with key management personnel

A related party entity to Andrew Leibovitch, namely Serval Enterprises, was paid A\$1,145 (2013: A\$nil).

A director, Kerwin Rana, is a director of Umbono Capital Partners (Proprietary) Limited ("Umbono"), who are the operators of the group's South African projects. During the reporting period a total of A\$600,000 (2013: A\$600,000) was due to Umbono for their services, of which \$200,000 remains unpaid (2013: A\$nil).

During the reporting period, the company incurred and fully paid A\$21,109 (2013: A\$37,500) for general counsel legal services to MB Law Services Pty Ltd, the entity related to Mark Balfour.

All transactions were made on normal commercial terms and conditions and at market rates. There were no other transactions with related parties during the reporting period.

The following directors and executive fees for the financial year were payable to entities related to key management personnel:

Related entity	Key management person	2014 A\$	2013 A\$
Stratosphere Consulting Group	Marcus Gracey	-	31,750
Ballymoyer Pty Ltd	William Barker	387,292	288,675
Crest Corporation Pty Ltd	Andrew Leibovitch	241,689	199,458
Khanyile Consulting Limited	Kerwin Rana	124,833	-

As at 30 June 2014, the following amounts remain unpaid in respect to those transactions:

Stratosphere Consulting Group	Marcus Gracey	-	-
Ballymoyer Pty Ltd	William Barker	178,750	-
Crest Corporation Pty Ltd	Andrew Leibovitch	111,479	-
Khanyile Consulting Limited	Kerwin Rana	71,333	-

End of Audited Remuneration Report.

3. PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity carried out during the course of the financial year consisted of the fulfillment and satisfaction of conditions subsequent under the acquisition agreement for the 76% participating interest in the existing offshore gas reserve known as the Ibhubesi Gas Project, in southern Africa, and the development thereof, and the continued evaluation and exploration of coal bed methane (CBM) and other unconventional gas.

The Ibhubesi Gas Project transaction, which has been closed from a contractual perspective, was granted the approval for the transfer of title from the South African Department of Mineral Resources, thereby giving 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's joint venture partner in the project is PetroSA (24%), the national oil company of South Africa.

Sunbird is conducting a phased exploration program that will define the resource base and demonstrate the commercial potential of its portfolio of CBM assets, which contain a Best Estimate Gas-in-Place of 5.3 Tcf (trillion cubic feet).

4. RESULTS AND DIVIDENDS

The consolidated entity's loss after tax attributable to members of the consolidated entity for the financial year ending 30 June 2014 was A\$10,984,239 (2013: A\$4,957,434).

No dividends have been paid or declared by the company during the year ended 30 June 2014 (2013: nil).

5. LOSS PER SHARE

The basic loss per share for the consolidated entity for the year was 9.6 cents per share (2013: 4.8 cents per share).

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Ibhubesi Gas Project Acquisition

On December 20, 2012, Sunbird Energy (Ibhubesi) Pty Ltd ("Sunbird Ibhubesi"), a fully owned Australian subsidiary of Sunbird Energy Ltd, signed a purchase and sale agreement and Sales Enhancement Agreement (collectively the "Ibhubesi Agreement") with Forest Oil Corporation ("Forest"), The Anschutz Overseas Corporation ("Anschutz Overseas" and Forest Oil Netherlands B.V. ("Forest Netherlands"), (collectively referred to as the "Sellers"), for acquisition of their collective 76% interest in the Ibhubesi Gas Field, Production Right 12/1/4/03, located in offshore petroleum Block 2A ("the Block") off the West Coast of South Africa. The transaction was successfully completed on 17th June 2014, which now crystallises and affirms Sunbird take a controlling interest in the Block.

Transactions with the Sellers ("Ibhubesi Transactions") comprised the acquisition of the following subsidiaries:

- Forest Exploration International (SA) (Proprietary) Limited ("Forest SA"), the operator of the Ibhubesi Gas Field based in South Africa, holding 53.2% working interest in the Block 2A Production Right;
- Anschutz South Africa Corporation ("Anschutz"), based in the United States, holding 22.8% working interest in the Block via its South African subsidiary Anschutz Overseas (SA) Pty Ltd; and
- Green River Electric Power Company Proprietary Limited ("GREPCo"), based in South Africa.

The remaining 24% interest in the Block is held by the national oil company, PetroSA. The acquisition of Forest SA was subject to, amongst other things, Ministerial approval under Section 11 of the Mineral and Petroleum Resources Development Act, 2002 ("Section 11 Approval"). Such approval was granted by the Minister for Minerals and Energy on 7th October 2013. The acquisition of the various subsidiaries of the Sellers, included the acquisition by Sunbird of various inter-company loans made variously by the Sellers to their respective South African subsidiaries and was also subject to the Sellers procuring approvals from the South African Treasury ("Exchange Control Approvals") of such inter-company loans as foreign entity loans capable of being claimed by the foreign lenders and the repayment monies being repatriated out of South Africa at the time of repayment. Although Sunbird had a right to waive the requirement for the Sellers to procure such Exchange Control Approvals on or before the date of closing of the Ibhubesi Transactions, such Exchange Control Approvals were procured and ultimately evidence of such approvals were given by the Sellers to Sunbird on or about 13 June 2014.

Upon payment of the consideration for the Ibhubesi Transactions which comprised an initial payment to the Sellers of USD\$1.471 million ("Initial Payments") on signing of the Ibhubesi Agreement, Sunbird Ibhubesi acquired control and the interests of GREPCo and Anschutz, whilst the control of Forest SA was eventually acquired only upon the Sellers receiving both the Section 11 Approval and the Exchange Control Approvals. In addition to the Initial Payments made to Forest, Anschutz Overseas and Forest Netherlands of USD\$1.471 million, a further USD\$1.029 million ("Forest Payment") was paid to Forest upon closure of the Ibhubesi Transactions on 17th June 2014. At the time of such closure and remittance of the Forest Payment, Sunbird Ibhubesi held a collective 76% interest in the Block.

The Initial Payments were in consideration of the purchase of the entire shareholdings in the Forest SA, Anschutz and GREPCo, as well as shareholder loans from their parent companies, which carry with them considerable assessed losses in terms of the South African Income Tax Act, 1962.

Under the Ibhubesi Agreement and, in addition to the Initial Payments and the Forest Payment, conditional on Sunbird Ibhubesi achieving certain project milestones and commercial development success, the following enhancement payments are also payable to Forest, Anschutz Overseas and Forest Netherlands, subject to stated conditions:

- A total of USD\$5 million (A\$5.47 million) payable on execution of a Gas Sales Agreement
- A total of USD\$10 million (A\$10.94 million) on Final Investment Decision or First Gas Sales

Further under the Ibhubesi Agreement, the following enhancement payment is also payable to Forest and Anschutz Overseas from Block produced gas sales achieved during the term of the Production Right for the Block and any extension thereof:

- A total of Sales Enhancement Fee equal to 0.76% of net gas sales revenues

These liabilities have not been brought to account in these financial statements as the contractual cash flow only arises upon the occurrence of the above milestones. Should the milestones not occur, no further amounts are payable by Sunbird to the Sellers under the Ibhubesi Agreement.

On 26 August 2013, the United States Trade and Development Agency signed an agreement with Sunbird in which it granted funding to the Ibhubesi Gas Project to finalise the field development plan, being 80% or approximately A\$800,000 (USD\$700,000) of the cost.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (CONTINUED)

Approval of Performance Rights and Option Issues

By a unanimous resolution of the members of the company made at an extraordinary general meeting of the members held on 26th July 2013, the issue of share options or share rights in the company to a corporate advisor and key management personnel as a long term incentive to deliver long-term shareholder returns were approved.

By an agreement negotiated between Sunbird and Argonaut, of the five million options issued with shareholder approval to Argonaut, four million options were surrendered and extinguished by Argonaut.

7. EVENTS SUBSEQUENT TO REPORTING DATE

Matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, results or state of affairs of the group in future financial years which have not been disclosed publicly at the date of this report are:

Umbono Loan Facility

On 10 August 2014, the consolidated entity arranged the Umbono Loan Facility of A\$2,500,000 with Umbono Capital Partners LLC and Umbono Financial Services (Pty) LTD (collectively referred to as "Umbono"). The loan agreement provides for the drawdown in tranches as the working capital requirements of the Company demand the use of such funds, and the aggregate loan drawn down in tranche payments is repayable within twelve (12) months of the first drawdown of funds. Interest on the amount of facility used is 20% per annum, calculated daily and payable monthly. Subject to shareholder approval, at the election of Umbono, the outstanding amount of the Facility may be converted from debt to equity in the Company and, thereby, potentially avoid the necessity for the Company to repay the whole or part of the Facility converted to equity, by alternate capital raisings or debt funding.

Change of Company Secretary

Mark Balfour resigned his office as Company Secretary for the Company with effect from 11 July 2014. The service agreement between the Company, MBLaw Services Pty Ltd (an entity controlled by Mr Balfour) and Mr Balfour was terminated by mutual agreement between the parties with effect from 31st July 2014.

Richard Barker was appointed Company Secretary for the Company with effect from 11th July 2014 to succeed Mr Balfour following his resignation from that office.

Vandasias share subscription

On 9 September 2014, a transaction was concluded with Vandasias Investments Limited ("Vandasias"), for Vandasias to acquire a 43.9% interest in Sunbird via a two stage transaction involving two capital raisings at the equivalent weighted average price of approximately A\$0.34 per share and the acquisition and conversion of 47.75m existing A\$0.20 options. Overall, the transaction is priced at a premium of 79% to Sunbird's last traded share price.

The first stage of the investment, being the issue of 20,367,127 fully paid shares for an aggregate subscription amount of USD\$5,000,000 (A\$5,353,500), is due for completion within 10 business days and represents a premium of 39.5% to the Company's last traded share price. The second stage of the investment (which is subject to shareholder approval and execution of a Gas Sales Term Sheet with a potential customer) includes the issue of an additional 23,021,757 shares to Vandasias for an aggregate subscription amount of approximately USD\$9,350,000 (A\$10,011,045), and the purchase and conversion 47.75m options, which will result in the Company receiving approximately an additional USD\$8,850,000 (A\$9,475,695 - subject to exchange rates).

Stage 1

The Company will issue Vandasias 20,367,127 fully paid shares for an aggregate subscription amount of USD\$5,000,000 (A\$5,353,500) (Tranche 1 Shares) pursuant to the terms of a share subscription agreement (Share Subscription Agreement). This equates to a price per share of approximately A\$0.265 based on current exchange rates, being a premium of 39.5% to the last traded share price on 8 September 2014. The Tranche 1 Shares will be issued pursuant to the Company's current capacity under Listing Rule 7.1 and Listing Rule 7.1A.

Following issue of the Tranche 1 Shares, Vandasias will hold 14.9% of the Company's issued capital and will be entitled to nominate one director. Vandasias intends to nominate Mr. Niji Oyedele to serve as its representative on the Sunbird board of directors.

7. EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

Stage 2

Subject to meeting conditions precedents by no later than 30 November 2014, including execution of a Gas Sales Term Sheet with a potential customer and shareholder approval under item 7 of section 611 of the Corporations Act, the Company will issue 23,021,757 shares to Vandasias (Tranche 2 Shares) for an aggregate subscription amount of approximately USD\$9,350,000 (A\$10,011,045) pursuant to the terms of the Share Subscription Agreement.

Simultaneously with the issue of the Tranche 2 Shares, Vandasias will purchase and exercise 47,750,000 existing A\$0.20 options pursuant to the terms of an option sale agreement (Option Sale Agreement). The conversion of options will provide Sunbird with A\$8,550,000 (A\$9,475,695) in additional capital (subject to exchange rates) and will see Vandasias issued with a further 47,750,000 shares (Option Shares). The conversion of the options will be the subject of a separate shareholder resolution pursuant to item 7 of section 611 of the Corporations Act.

Besides the above, no matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, results or state of affairs of the group in future financial years which have not been disclosed publicly at the date of this report.

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The company will continue to pursue activities within its corporate objectives. Further information about likely developments in the operations of the company and the expected results of those operations in the future financial years has not been included in this report because disclosure would likely result in unreasonable prejudice to the company.

9. ENVIRONMENTAL REGULATIONS

The consolidated entity's operations are subject to environmental regulations under the legislation of African countries in which it operates. The board believes there are adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply.

The company is not subject to the reporting requirements of either the Energy Efficiency Opportunities Act 2006 or the National Greenhouse and Energy Reporting Act 2007.

10. DIRECTORS' AND EXECUTIVES' INTERESTS

As at the date of this report, the interests of the directors and executives in the shares, options and performance rights of the company were:

	Shares	Performance rights	Option strike price		
			\$0.20	\$0.25	\$0.30
Non-executive directors					
Marcus Gracey	170,000	300,000	750,000	-	-
Executive directors					
William Barker	3,050,000	3,000,000	8,500,000	5,000,000	5,000,000
Andrew Leibovitch	2,800,000	1,500,000	8,500,000	5,000,000	5,000,000
Kerwin Rana	600,000	1,800,000	-	-	-
Key management					
Nathan Rayner	800,000	2,100,000	-	-	-
Mark Balfour	336,030	200,000	-	-	-
Carla Mackay	-	-	500,000	500,000	500,000
Total	7,756,030	8,900,000	18,250,000	10,500,000	10,500,000

11. SHARES UNDER OPTION

As at the date of this report, there were 100,500,000 unlisted options over ordinary shares on issue detailed as follows:

Options Code	No. of options	Strike Price	Expiry Date
SNYOCI	5,000,000	\$0.20	19-Jan-15
SNYOPT1	53,000,000	\$0.20	19-Jan-15
SNY03	4,000,000	\$0.20	19-Jan-15
SNY04	4,000,000	\$0.20	19-Jan-16
SNY05	4,000,000	\$0.20	19-Jan-17
SNYOIPI	5,000,000	\$0.25	11-Nov-2016
SNYOIP2	5,000,000	\$0.30	11-Nov-2016
SNYONV1	5,000,000	\$0.25	11-Nov-2016
SNYONV2	5,000,000	\$0.30	11-Nov-2016
SNYOR3	500,000	\$0.20	31-Dec-15
SNYOR4	1,000,000	\$0.25	31-Dec-15
SNYOP6	3,500,000	\$0.25	31-Dec-15
SNYOP7	1,500,000	\$0.30	31-Dec-15
SNYO6	1,000,000	\$0.50	21-May-16
SNYOR5	3,000,000	\$0.50	01-Oct-16
Total	100,500,000		

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company.

Included in these options are options granted as remuneration to the directors and key management personnel, as disclosed in the remuneration report.

As at the date of this report, there were 8,950,000 unlisted performance rights to ordinary shares on issue detailed as follows:

Performance Rights Code	No. of rights	Strike Price	Expiry Date
SNYPR4	100,000	\$0.00	01-May-15
SNYPR5	8,850,000	\$0.00	01-May-15
Total	8,950,000		

Rights holders do not have any right, by virtue of the performance right, to participate in any share issue of the company until the performance milestone has been achieved and the right vested absolutely.

The majority of these rights are rights granted as remuneration to the directors and key management personnel, as disclosed in the remuneration report.

12. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

An indemnity agreement has been entered into with each of the directors, chief financial officer and company secretary of the company named earlier in this report. Under the agreement, the company has agreed to indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities to the extent permitted by law. There is no monetary limit to the extent of this indemnity.

Insurance

During the financial year the company has taken out an insurance policy in respect of directors' and officers' liability and legal expenses for directors and officers.

13. CORPORATE STRUCTURE

Sunbird Energy Ltd is a company limited by shares that is incorporated and domiciled in Australia. The company is listed on the Australian Securities Exchange under the code "SNY".

14. AUDIT AND NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and the experience with the company and/or the group are important.

Details of the amounts paid or payable to the auditor, BDO Audit (WA) Pty Ltd ("BDO"), are set out below.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

During the reporting period, the following fees were paid or payable for audit and non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	30-Jun-14 A\$	30-Jun-13 A\$
Services provided by the Auditor – BDO Audit (WA) Pty Ltd		
Audit and review of financial statements	64,473	43,740
Tax compliance services	14,017	14,907
Total services provided by the Auditor	78,490	58,647
Services provided by network firms of BDO Audit (WA) Pty Ltd		
Audit and review of financial statements	22,174	11,080
Due diligence audit	-	9,393
Total services provided by BDO Audit (WA) Pty Ltd and network firms	100,664	79,120

15. AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's Independence Declaration is set out on page 30 and forms part of the directors' report for the financial year ended 30 June 2014.

This report is signed in accordance with a resolution of the board of directors and is signed on behalf of the directors by:



William Barker
Managing Director

Perth, 25 September 2014

SUNBIRD ENERGY LTD AND ITS CONTROLLED ENTITIES

In the directors' opinion:

- (a) the financial statements and notes set out on pages 31 to 69 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional requirements, and
 - ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and
- (c) The consolidated entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

Note a(i) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the board of directors and is signed on behalf of the directors by:

A handwritten signature in black ink, appearing to be 'W. Barker', with a long horizontal flourish extending to the right.

William Barker
Managing Director

Perth, 25 September 2014



Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Sunbird Energy Ltd

Report on the Financial Report

We have audited the accompanying financial report of Sunbird Energy Ltd, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Sunbird Energy Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Sunbird Energy Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Sunbird Energy Ltd for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

Brad McVeigh
Director

Perth, 25 September 2014



Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF SUNBIRD ENERGY LTD

As lead auditor of Sunbird Energy Ltd for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sunbird Energy Ltd and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'BMcV', is written over a horizontal line.

Brad McVeigh
Director

BDO Audit (WA) Pty Ltd

Perth, 25 September 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2014

	Note	2014 A\$	2013 A\$
Interest revenue		34,563	170,877
Exploration expenses		(5,213,925)	(3,583,190)
Corporate cost	5	(450,184)	(982,216)
Professional fees	6	(515,741)	(276,043)
Directors' and executives' fees		(236,002)	(290,444)
Share-based payment expense	21	(4,092,600)	(566,370)
Impairment of E&E	12	(752,749)	-
Finance costs		(92,503)	(874)
Loss before income tax		(11,319,141)	(5,528,261)
Income tax expense	7	-	-
Loss from continuing operations after income tax		(11,319,141)	(5,528,261)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation	16	(50,674)	92,075
Total other comprehensive loss for the year		(11,369,815)	(5,436,186)
Loss for the period attributable to:			
Members of the parent entity		(10,984,239)	(4,957,434)
Non-controlling interest	17	(334,902)	(570,827)
Total loss from continuing operations		(11,319,141)	(5,528,261)
Total comprehensive loss for the period attributable to:			
Members of the parent entity		(11,034,913)	(4,865,359)
Non-controlling interest	17	(334,902)	(570,827)
Loss for the year attributable to owners of the parent		(11,369,815)	(5,436,186)
<i>Loss per share from continuing operation attributable to the ordinary equity holders of the Company</i>			
Basic and diluted loss per share (cents)	8	(9.60)	(4.80)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 30 June 2014

	Note	2014 A\$	2013 A\$
Assets			
<i>Current assets</i>			
Cash and cash equivalents	9	373,043	3,714,244
Trade and other receivables	10	867,839	290,763
Total current assets		1,240,882	4,005,007
<i>Non-current assets</i>			
Property, plant and equipment	11	56,577	86,488
Exploration and evaluation expenditure	12	3,754,489	2,667,019
Deposit for acquisition of subsidiary	12	-	1,637,737
Total non-current assets		3,811,066	4,391,244
Total assets		5,051,948	8,396,251
Liabilities			
<i>Current liabilities</i>			
Trade and other payables	13	1,787,337	406,850
Borrowings	14	2,484,763	-
Finance lease obligation		5,234	5,406
Total current liabilities		4,277,334	412,256
<i>Non-current liabilities</i>			
Finance lease obligation		17,138	24,304
Total non-current liabilities		17,138	24,304
Total liabilities		4,294,472	436,560
Net assets		757,476	7,959,691
Equity			
Share capital	15	14,338,035	14,263,035
Reserves	16	4,768,949	727,023
Accumulated loss		(17,585,323)	(6,601,084)
Total equity attributable to owners of Sunbird Energy Ltd		1,521,661	8,388,974
Non-controlling interest	17	(764,185)	(429,283)
Total equity		757,476	7,959,691

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2014

	Share capital A\$	Foreign currency translation reserve A\$	Share-based payment reserve A\$	Total reserves A\$	Accumulated loss A\$	Total attributable to equity holders of the group/ company A\$	Non-controlling interest share of foreign exchange A\$	Total equity A\$
Balance at 1 July 2012	9,583,787	(8,255)	76,833	68,578	(1,643,650)	8,008,715	141,544	8,150,259
Loss for the year	-	-	-	-	(4,957,434)	(4,957,434)	(570,827)	(5,528,261)
Foreign currency translation	-	92,075	-	92,075	-	92,075	-	92,075
Total comprehensive loss for the year	-	92,075	-	92,075	(4,957,434)	(4,865,359)	(570,827)	(5,436,186)
Issue of shares – net of transaction costs	4,679,248	-	-	-	-	4,679,248	-	4,679,248
Share-based payments	-	-	566,370	566,370	-	566,370	-	566,370
Total contributions by and distributions to owners of Company recognised directly in equity	4,679,248	-	566,370	566,370	-	5,245,618	-	5,245,618
Balance at 30 June 2013	14,263,035	83,820	643,203	727,023	(6,601,084)	8,388,974	(429,283)	7,959,691
Loss for the year	-	-	-	-	(10,984,239)	(10,984,239)	(334,902)	(11,319,141)
Foreign currency translation	-	(50,674)	-	(50,674)	-	(50,674)	-	(50,674)
Total comprehensive loss for the year	-	(50,674)	-	(50,674)	(10,984,239)	(11,034,913)	(334,902)	(11,369,815)
Issue of shares – net of transaction costs	75,000	-	-	-	-	75,000	-	75,000
Share-based payments	-	-	4,092,600	4,092,600	-	4,092,600	-	4,092,600
Non-controlling interest	-	-	-	-	-	-	-	-
Total distributions to owners of Company recognised directly in equity	75,000	-	4,092,600	4,092,600	-	4,167,600	-	4,167,600
Balance at 30 June 2014	14,338,035	33,146	4,735,803	4,768,949	(17,585,323)	1,521,661	(764,185)	757,476
Note(s)	15	16	16					

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated Statements of Cash Flows

for the year ended 30 June 2014

	Note	2014 A\$	2013 A\$
<i>Cash flows from operating activities</i>			
Interest received		34,563	275,529
Payment to suppliers and employees		(1,071,217)	(1,816,438)
Exploration payments		(4,505,219)	(3,292,574)
Reimbursement by PetroSA for IGP expenses		242,563	-
Net cash from operating activities	18	(5,299,310)	(4,833,483)
<i>Cash flows from investing activities</i>			
Cash payment for property, plant and equipment		(5,245)	(71,891)
Payment of exploration and evaluation expenditure		(335,887)	(1,923,867)
Payment of deposit for acquisition of subsidiary	12	-	(1,637,737)
Revaluation of foreign subsidiary		-	8,539
Net cash from investing activities		(341,132)	(3,624,956)
<i>Cash flows from financing activities</i>			
Proceeds from issue of shares/exercise of options		75,000	5,001,000
Share issue costs		-	(321,752)
Proceeds from borrowings net of raising costs	14	2,575,624	-
Repayment of borrowings - capital		(329,813)	-
Interest paid		(5,428)	-
Finance lease payments		(7,337)	29,709
Net cash from financing activities		2,308,046	4,708,957
Total cash movement for the year		(3,332,396)	(3,749,482)
Cash at the beginning of the year		3,714,244	7,466,298
Exchange rate adjustment		(8,805)	(2,572)
Total cash at the end of the year	9	373,043	3,714,244

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The financial statements are for the consolidated entity consisting of Sunbird Energy Ltd and its subsidiaries.

A Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. Sunbird Energy Ltd is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Sunbird Energy Ltd group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

Where necessary, comparatives have been reclassified and repositioned for consistency with the current year disclosures.

(ii) New and amended standards adopted by the group

The group has applied the following standards and amendments for first time for their annual reporting period commencing 1 July 2013:

- AASB 10 *Consolidated Financial Statements* - there is no impact on transactions and balances recognised in the financial statements as the consolidated entity does not have any special purpose entities.
- AASB 11 *Joint Arrangements* - there is no impact on transactions and balances recognised in the financial statements as the consolidated entity has not entered into any joint arrangements.
- AASB 12 *Disclosure of Interests in Other Entities* - there is no impact on amounts recognised in the financial statements, the standard only affected the disclosures in the notes to the financial statements.
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* - there is no impact on amounts recognised in the financial statements, the standard only affected the disclosures in the notes to the financial statements.
- AASB 119 *Employee Benefits (September 2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* - there is no impact on the transactions and balances recognised in the financial statements as the consolidated entity does not have an unconditional right to defer settlement.
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*, and
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*

There has been no change in the accounting policies arising from the adoption of new and amended standards and there were no adjustments to the amounts recognised in the financial statements. The standards only affected the disclosures in the notes to the financial statements.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(iii) Early adoption of standards

The consolidated entity has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(v) Going concern

The financial statements have been prepared on a going concern basis.

As at 30 June 2014 the consolidated entity had net assets of A\$757,476.

At the date of this report the consolidated entity also has \$A2,350,000 available under the White Swan Loan Facility and A\$1,800,000 available under the Umbono Loan Facility.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Basis of preparation (continued)

The White Swan Loan Facility

The White Swan Loan Facility agreement provides for the drawdown of the loan by tranches of A\$1 million and is repayable within 12 months of the first drawdown of funds. On 5 March 2014, Sunbird successfully obtained a grant of waiver from Listing Rule 10.1 from ASX to provide security over Sunbird's assets through the Facility with White Swan. This waiver was required as White Swan is a related party within the definitions of the Corporations Act and the Listing Rules.

Subject to shareholder approval, at the election of White Swan the outstanding amount of the Facility may be converted from debt to equity in the Company and, thereby, potentially avoid the necessity for the Company to repay the whole or part of the Facility converted to equity, by alternate capital raisings or debt funding.

The Umbono Loan Facility

On 10 August 2014, the consolidated entity arranged the Umbono Loan Facility of A\$2,500,000 with Umbono Capital Partners LLC and Umbono Financial Services (Pty) LTD (collectively referred to as "Umbono"). The loan agreement provides for the drawdown in tranches as the working capital requirements of the Company demand the use of such funds, and the aggregate loan drawn down in tranche payments is repayable within twelve (12) months of the first drawdown of funds. Interest on the amount of facility used is 20% per annum, calculated daily and payable monthly. Total amount drawn down to date is \$700,000.

Subject to shareholder approval, at the election of Umbono, the outstanding amount of the Facility may be converted from debt to equity in the Company and, thereby, potentially avoid the necessity for the Company to repay the whole or part of the Facility converted to equity, by alternate capital raisings or debt funding.

Vandasia share subscription

In addition, on 9 September 2014 the company entered into a share subscription agreement with Vandasia Investments Limited ("Vandasia"). The first stage of the agreement, being the issue of 20,367,127 fully paid shares for an aggregate subscription amount of USD\$5,000,000 (A\$5,353,500), is due for completion within 10 business days from the agreement date. Details of the Vandasia transaction are disclosed in note 22.

B Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sunbird Energy Ltd ("the company" or "the parent entity") as at 30 June 2014 and the results of all subsidiaries for the year then ended. Sunbird Energy Ltd and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition method of accounting is used to account for business combinations by the group. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of financial position and statement of changes in equity.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C Segment reporting

AASB 8 Operating Segments requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

D Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of Sunbird is Australian dollars ("A\$").

The consolidated financial statements are presented in Australian dollars, which is the company's presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to A\$ at foreign exchange rates ruling at the dates the fair value was determined.

(iii) Financial statements of foreign operations

The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on translation are recognised directly in the foreign currency translation reserve ("FCTR"), as a separate component of equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss, as part of the gain or loss on sale where applicable.

E Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Net financial income

Net financial income comprises interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, dividend income and foreign exchange gains and losses.

Interest income is recognised in the profit and loss as it accrues, using the effective interest method.

Management fees are recognised in the profit and loss as the right to a fee accrues, in accordance with contractual rights.

F Income tax

The income tax expense for the period presented comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised, or to the extent that the group has deferred tax liabilities with the same taxation authority.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G Business combination

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

H Asset acquisition

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities, as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition.

I Impairment of assets

The carrying amounts of the company's assets, other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement.

J Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J Financial instruments (continued)

(ii) Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Details on how the fair value of financial instruments is determined are disclosed in note 2.

(iii) Impairment

The group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

K Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short-term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

L Trade and other receivables

Trade and other receivables are recorded at amounts due less any allowance for doubtful debts.

M Other financial assets

The group classifies its investments in the following categories: loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

Investments in subsidiaries are carried at cost, net of any impairment.

N Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a work condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items ("major components").

(ii) Subsequent costs

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in profit and loss as an expense as incurred.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N Property, plant and equipment (continued)

(iii) Depreciation

With the exception of freehold land and mineral property and development assets, depreciation is charged to profit and loss using a straight value method over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Mineral property and development assets are depreciated on the units of production basis over the life of the economically recoverable reserves.

The estimated useful lives in the current period are as follows:

Item	Average useful life
Plant and equipment	3 to 10 years
Software	2.5 years
Furniture and fittings	10 years
Motor vehicles	3 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

O Exploration and evaluation expenditure

Exploration and evaluation costs are allocated separately to specific areas of interest. Each area of interest is limited to a size related to a known and probable Mineral Resource capable of supporting a mining operation. Such costs comprise net direct costs and an appropriate portion of related overhead expenditure directly related to activities in the area of interest.

Exploration and evaluation costs incurred in the normal course of operations are written off immediately.

Exploration and evaluation costs are capitalised where they are the result of an acquisition from a third party. These capitalised costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When a decision to proceed to development is made the exploration and evaluation costs capitalised to that area are transferred to mine development within property, plant and equipment. All costs subsequently incurred to develop a mine prior to the start of mining operations within the area of interest are capitalised. These costs include expenditure to develop new ore bodies within the area of interest, to define further mineralisation in existing areas of interest, to expand the capacity of a mine and to maintain production.

P Environmental protection and replacement

Expenditures related to ongoing environmental activities are charged against earnings as incurred or capitalised and depreciated depending on their relationship to future earnings. The fair value of the liability for an asset retirement obligation is recognised in the period incurred. The fair value is added to the carrying amount of the associated asset and depreciated over the asset's useful life. The liability is accreted over time through periodic charges to earnings and it is reduced by actual costs of decommissioning and reclamation. Estimates of decommissioning and reclamation costs could change as a result of changes in regulatory requirements and cost estimates.

Q Trade and other payables

Trade and other payables are non-interest bearing liabilities stated at cost and settled within 30 days.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R Goods and Services Tax / Value Added Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST") or Value Added Tax ("VAT"), except where the amount of GST/VAT incurred is not recoverable from the taxation authority. In these circumstances, the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST/VAT included. The net amount of GST/VAT recoverable from, or payable to, the relevant tax authority is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST/VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant tax authority are classified as operating cash flows.

S Provisions

A provision is recognised in the statement of financial position when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

T Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

U Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

V Dividends

Dividends are recognised as a liability in the period in which they are declared.

W Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and other salary related expenses are recognised as expenses in the year in which the associated services are rendered by employees of the company. Short-term accumulating compensated absences such as paid annual leave are recognised when services rendered by employees, that increase their entitlement to future compensated absences, occur. Short-term accumulating compensated absences such as sick leave are recognised when absences occur.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W Employee benefits (continued)

(i) Defined contribution plans

Employee benefits include statutory social insurance payments to the State Social Insurance Scheme. Contributions to this defined contribution plan are recognised as an expense as incurred.

(ii) Share-based payments

The company provides benefits to employees (including directors) of the company in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ("equity-settled transactions").

The fair value of options is recognised as an expense with a corresponding increase in equity (share-based payments reserve). The fair value is measured at grant date and recognised over the period during which the holder become unconditionally entitled to the options. Fair value is determined by an independent valuer using a Black-Scholes option pricing model. In determining fair value, no account is taken of any performance conditions other than those related to the share price of Sunbird ("market conditions"). The cumulative expense recognised between grant date and vesting date is adjusted to reflect the directors best estimate of the number of options that will ultimately vest because of internal conditions of the options, such as the employees having to remain with the company until the vesting date, or such that employees are required to meet internal performance targets.

(iii) Share-based payments

No expense is recognised for options that do not ultimately vest because internal conditions were not met. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to the statement of comprehensive income. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

X Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for the bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Y Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. the difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting period and on foreseeable future transactions.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Z New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	Nature of change	Impact on application	Application date
AASB 9 <i>Financial Instruments</i>	Amends the requirements for classification, measurement and derecognition of financial assets and financial liabilities.	Adoption of AASB 9 is only mandatory for the year ending 30 Jun 2016. The entity has not yet made an assessment of the impact of these amendments.	1 January 2015
AASB 2012-6 (issued September 2012) Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures	Defers the effective date of AASB 9 to 1 Jan 2015. Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.	Annual reporting periods beginning on or after 1 Jan 2015

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group uses different methods to measure different types of risk to which it is exposed.

Risk management is carried out by the management under policies approved by the board of directors. Group management identifies, evaluates and hedges financial risks by holding cash in interest earning deposits.

The group holds the following financial instruments:

	2014 A\$	2013 A\$
Financial assets		
Cash and cash equivalents	373,043	3,714,244
Trade and other receivables	867,839	290,763
Total financial assets	1,240,882	4,005,007
Financial liabilities		
Trade and other payables	(1,787,337)	(406,850)
Finance lease obligation	(22,372)	(29,710)
Borrowings	(2,484,763)	-
Total financial liabilities	(4,294,472)	(436,560)
Net financial instruments	(3,053,590)	3,568,447

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The consolidated entity has the Australian dollar (A\$) as its functional currency, which is also the currency for the group's transactions. Some exposure to foreign exchange risk exists in respect to the South African subsidiaries which have transactions denominated in South African Rand (ZAR). The risk is measured using sensitivity analysis and cash flow forecasting.

The group's exposure to foreign currency risk at the reporting date, expressed in Australian Dollars, was:

Cash and cash equivalents	185,502	471,222
Trade and other receivables	595,978	182,550
Trade and other payables	(271,778)	(202,143)
Total exposure to foreign currency risk	509,702	451,629

Group sensitivity to movements in foreign exchange rates is shown in the summarised sensitivity analysis table below:

	Carrying amount A\$	Foreign exchange risk			
		-10%	Equity A\$	+10%	Equity A\$
30-Jun-14					
Financial assets					
Cash and cash equivalents	185,502	-	(18,550)	-	18,550
Trade and other receivables	595,978	-	(59,598)	-	59,598
Financial liabilities					
Trade and other payables	(271,778)	-	27,178	-	(27,178)
Net exposure to foreign currency risk	509,702	-	(50,970)	-	50,970

	Carrying amount A\$	Foreign exchange risk			
		-10%	Equity A\$	+10%	Equity A\$
30-Jun-13					
Financial assets					
Cash and cash equivalents	471,222	-	(47,122)	-	47,122
Trade and other receivables	182,550	-	(18,255)	-	18,255
Financial liabilities					
Trade and other payables	(202,143)	-	20,214	-	(20,214)
Net exposure to foreign currency risk	451,629	-	(45,163)	-	45,163

Foreign exchange volatility was chosen to reflect expected short-term fluctuations in the South African Rand.

Price risk

The group does not hold investments and therefore is not exposed to equity securities price risk.

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, the ability to meet obligations when due and to close out market positions.. Due to the dynamic nature of the underlying businesses, the management aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. Surplus funds are only invested in instruments that are tradeable in highly liquid markets.

The tables below analyse the group's financial liabilities into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

30-Jun-14	Less than 6 months	Total contractual cash flows	Carrying amount of liabilities
Borrowings	-	2,484,763	2,484,763
Trade and other payables	1,787,337	1,787,337	1,787,337
Finance lease obligation	5,234	22,372	22,372
Total exposure to liquidity risk	1,792,571	4,294,472	4,294,472

30-Jun-13	Less than 6 months	Total contractual cash flows	Carrying amount of liabilities
Trade and other payables	406,850	406,850	406,850
Finance lease obligation	29,710	29,710	29,710
Total exposure to liquidity risk	436,560	436,560	436,560

Interest rate risk

The group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

	Weighted average interest rate	30 June 2014	Weighted average interest rate	30 June 2013
Floating interest rate:				
Cash available at call	2.40%	123,699	2.76%	3,546,475
Fixed interest rate:				
Term deposits	2.58%	249,343	4.35%	167,769
Borrowings	20%	(2,484,763)	-	-
Finance lease obligation	8.5%	(22,372)	8.5%	(29,710)
Total exposure to interest rate risk		(2,134,093)		3,684,534

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

The group has significant interest-bearing borrowings; however a percentage change in interest rates would not have a material impact on the results. The group's sensitivity to movement in interest rates is shown in the summarised sensitivity analysis table below:

	Interest rate risk				
		-10 bps		+10 bps	
30-Jun-14	Carrying amount A\$	Profit A\$	Equity A\$	Profit A\$	Equity A\$
Cash and cash equivalents	373,043	(373)	-	373	-
Borrowings	(2,484,763)	2,485	-	(2,485)	-
Finance lease obligation	(22,372)	22	-	(22)	-
Net exposure to interest rate risk	(2,134,092)	2,134	-	(2,134)	-

	Interest rate risk				
		-10 bps		+10 bps	
30-Jun-13	Carrying amount A\$	Profit A\$	Equity A\$	Profit A\$	Equity A\$
Cash and cash equivalents	3,714,244	(3,714)	-	3,714	-
Finance lease obligation	(29,710)	30	-	(30)	-
Net exposure to interest rate risk	3,684,534	(3,684)	-	3,684	-

Interest rate volatility was chosen to reflect expected short-term fluctuations in market interest rates.

(c) Credit risk

The carrying amount of cash and cash equivalents and trade and other receivables (excluding prepayments) represent the group's maximum exposure to credit risk in relation to financial assets.

Cash and short-term liquid investments are placed with reputable banks, so no significant credit risk is expected. The group does have any material exposure to a single debtor, namely PetroSA, but no significant credit risk is expected. None of the financial assets are either past due or impaired.

(d) Fair value measurements

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the company decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact future recoverability include the level of reserves and resources, future technological changes, cost of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Income taxes

The group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes across the group. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group estimates its tax liabilities based on the group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at inception.

(d) Share-based payment transactions

The fair value of share appreciation rights is measured using a Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

4. SEGMENT INFORMATION

(a) Description of segments

The Company's Board of Directors, who are collectively the "Chief Operating Decision Maker", receives financial information for two reportable segments being "Corporate" and "Exploration".

(b) Segment information

For the year ended 30 June 2014	Exploration A\$	Corporate A\$	Eliminations A\$	Consolidated A\$
Total segment revenue	9,612	24,951	-	34,563
Profit/(loss) before income tax	(5,548,029)	(13,737,112)	7,966,740	(11,319,141)
Segment assets				
Property, plant and equipment	35,282	21,295	-	56,577
Exploration and evaluation property	3,754,489	-	-	3,754,489
Cash and cash equivalents	185,502	187,541	-	373,043
Trade and other receivable	615,122	252,717	-	867,839
Total segment assets	4,590,395	461,553	-	5,051,948
Segment liabilities				
Finance lease obligation	22,372	-	-	22,372
Trade and other payable	290,919	1,496,418	-	1,787,337
Borrowings	-	2,484,763	-	2,484,763
Total segment liabilities	313,291	3,981,181	-	4,294,472

4. SEGMENT INFORMATION (CONTINUED)**(b) Segment information (continued)**

For the year ended 30 June 2013	Exploration A\$	Corporate A\$	Eliminations A\$	Consolidated A\$
Total segment revenue	-	170,877	-	170,877
Profit/(loss) before income tax	(3,583,190)	(1,945,071)	-	(5,528,261)
Segment assets				
Property, plant and equipment	59,597	26,891	-	86,488
Exploration and evaluation property	2,667,019	-	-	2,667,019
Deposit for acquisition of subsidiary	1,637,737	-	-	1,637,737
Other	2,053,258	5,393,515	(3,441,766)	4,005,007
Total segment assets	6,417,611	5,420,406	(3,441,766)	8,396,251
Segment liabilities				
Finance lease obligation	29,710	-	-	29,710
Trade and other payables	248,933	157,917	-	406,850
Other liabilities	3,027,541	-	(3,027,541)	-
Total segment liabilities	3,306,184	157,917	(3,027,541)	436,560

5. CORPORATE COSTS

	2014 A\$	2013 A\$
Consultants' fees	223,235	217,198
Insurance	2,794	15,874
Occupancy	20,164	116,995
Travel	10,202	105,874
Depreciation	913	11,892
Corporate compliance and communication	112,459	298,956
Office and other costs	80,417	215,427
Total corporate costs	450,184	982,216

6. PROFESSIONAL FEES

	2014 A\$	2013 A\$
<i>Services provided by the Auditor – BDO Audit (WA) Pty Ltd</i>		
Audit and review of financial statements	64,473	43,740
Tax compliance services	14,017	14,907
Total services provided by the Auditor	78,490	58,647
<i>Services provided by network firms of BDO Audit (WA) Pty Ltd</i>		
Audit and review of financial statements	22,174	11,080
Due diligence audit	-	9,393
Total services provided by the Auditor's network firms	22,174	20,473
Total services provided by BDO Audit (WA) Pty Ltd and network firms	100,664	79,120
<i>Other professional fees</i>		
Corporate advisory fees	170,000	138,000
Legal fees	65,821	58,923
Capital raising fees	154,189	-
Other fees	25,067	-
Total other professional fees	415,077	196,923
Total professional fees	515,741	276,043

7. TAXATION

	2014 A\$	2013 A\$
INCOME TAX EXPENSE		
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
Total income tax expense from continuing operation	-	-
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Profit Before Income Tax	(11,319,141)	(5,528,260)
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2013: 30%)	(3,395,742)	(1,658,478)
<i>Tax effect of:</i>		
- entertainment	4,574	380
- share-based payments	1,227,780	2,100
- non-deductible expenditure	-	446,745
- other	225,825	(1,337)
- difference in overseas rates	104,721	66,859
- deferred tax assets not brought to account	1,832,820	1,143,731
Income tax expense/(benefit)	-	-
The applicable weighted average effective tax rates are as follows:	0%	0%
DEFERRED TAX ASSETS		
(a) Unrecognised deferred tax assets		
Timing differences	42,512	4,110
Australian tax losses - revenue	626,744	275,824
Foreign tax losses - revenue	2,578,455	1,206,139
Foreign tax losses - attributable to NCI	301,332	207,560
	3,549,043	1,693,633
Offset against deferred tax liabilities recognised	-	-
Deferred tax assets not brought to account	3,549,043	1,693,633

The tax benefits of the above deferred tax assets will only be obtained if:

- The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- The consolidated entity continues to comply with the conditions for deductibility imposed by law; and
- No changes in income tax legislation adversely affect the consolidated entity from utilising the benefits.

8. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share at the reporting date was based on the loss attributable to ordinary shareholders of A\$10,984,239 (2013: A\$4,957,434) and a weighted average number of ordinary shares outstanding during the current financial year of 114,759,726 (2013: 103,328,493) shares calculated as follows:

	2014 A\$	2013 A\$
Loss for the year	(10,984,239)	(4,957,434)
<i>Loss attributable to ordinary shareholders</i>		
Issued ordinary shares at the beginning of the year	112,700,000	100,000,000
Effect of shares issued during the year	2,059,726	3,328,493
Weighted average number of ordinary shares (basic)	114,759,726	103,328,493
Effect of options on issue	-	-
Weighted average number of ordinary shares (diluted)	114,759,726	103,328,493
Basic loss per share (cents)	(9.60)	(4.80)

Diluted loss per share

Potential ordinary shares are not considered dilutive, thus diluted loss per share is the same as basic loss per share.

9. CASH AND CASH EQUIVALENTS

	2014 A\$	2013 A\$
Cash and cash equivalents consist of:		
Cash on hand	123,700	3,546,475
Cash in term deposits	249,343	167,769
Cash in escrowed account	-	1,122,368
Total cash on hand	373,043	4,836,612
Less: cash in escrowed account	-	(1,122,368)
Total cash and cash equivalents	373,043	3,714,244

Interest rate risk exposure

The Group's exposure to interest rate risk is discussed in note 2.

10. TRADE AND OTHER RECEIVABLES

	2014 A\$	2013 A\$
Prepayments	-	4,366
Deposits	23,054	23,054
GST and VAT receivable	323,455	257,552
Other receivables	521,330	5,791
Total trade and other receivables	867,839	290,763

None of the current receivables are past due.

Risk exposure

Information about the group's exposure to credit, foreign exchange and interest rate risk is provided in note 2.

II. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of property, plant and equipment – 2014

	Plant & equipment	Motor vehicles	Software	Furniture and fittings	Total
At cost					
Opening balance as at 1 July 2013	21,203	54,569	2,087	20,796	98,655
Additions	6,403	-	2,083	-	8,486
Disposals	(3,063)	-	-	(2,700)	(5,763)
Effects of foreign currency translation – current year	(680)	(5,220)	(343)	-	(6,243)
Closing balance as at 30 June 2014	23,863	49,349	3,827	18,096	95,135
Accumulated depreciation					
Opening balance at 1 July 2013	4,497	3,549	1,104	3,017	12,167
Depreciation for the year	5,894	16,449	1,315	3,619	27,277
Disposals	(265)	-	-	(81)	(346)
Effects of foreign currency translation – current year	(121)	(340)	(79)	-	(540)
Closing balance as at 30 June 2014	10,005	19,658	2,340	6,555	38,558
Carrying value					
Opening carrying value as at 1 July 2013	16,706	51,020	983	17,779	86,488
Additions	6,403	-	2,083	-	8,486
Disposals	(2,798)	-	-	(2,619)	(5,417)
Depreciation for the year	(5,894)	(16,449)	(1,315)	(3,619)	(27,277)
Effects of foreign currency translation – current year	(559)	(4,880)	(264)	-	(5,703)
Closing balance as at 30 June 2014	13,858	29,691	1,487	11,541	56,577

II. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of property, plant and equipment – 2013

	Plant & equipment	Motor vehicles	Software	Furniture and fittings	Total
At cost					
Opening balance as at 1 July 2012	12,549	-	585	13,655	26,789
Additions	8,679	54,569	1,502	7,141	71,891
Effects of foreign currency translation – current year	(25)	-	-	-	(25)
Closing balance as at 30 June 2013	21,203	54,569	2,087	20,796	98,655
Accumulated depreciation					
Opening balance at 1 July 2012	219	-	40	16	275
Depreciation for the year	4,278	3,549	1,064	3,001	11,892
Closing balance as at 30 June 2013	4,497	3,549	1,104	3,017	12,167
Carrying value					
Opening carrying value as at 1 July 2012	12,330	-	545	13,639	26,514
Additions	8,679	54,569	1,502	7,141	71,891
Depreciation for the year	(4,278)	(3,549)	(1,064)	(3,001)	(11,892)
Effects of foreign currency translation – current year	(25)	-	-	-	(25)
Closing balance as at 30 June 2013	16,706	51,020	983	17,779	86,488

12. EXPLORATION AND EVALUATION EXPENDITURE

As at 30 June 2014, the carrying value of the capitalised exploration and evaluation properties of the consolidated entity was A\$3,754,489 (2013: A\$2,667,019); the carrying amounts of individual projects are as per the reconciliation of movement in exploration and evaluation property below.

Reconciliation of movement in exploration and evaluation property

	Note	2014 A\$	2013 A\$
<i>Ibhubesi Gas Project</i>			
Project carrying value at 1 July		1,915,359	-
Initial Payment – Anschutz Overseas Corporation		-	720,669
Initial Payment – Forest Oil Netherlands B.V.		-	33,632
Initial Payment – Forest Oil Corporation		-	659,171
Less: Forest Payment – refundable deposit held as guarantee		-	(515,368)
Forest Payment – deposit consideration upon the Section 11 Approval		515,368	-
Forest Payment – escrow funds release upon the Section 11 Approval		1,145,307	-
Total Forest Payment capitalised upon completion of acquisition	(i)	1,660,675	-
Costs incurred during the year		178,455	1,017,255
Project carrying value at 30 June		3,754,489	1,915,359
<i>Coal Bed Methane (CBM) Project</i>			
Project carrying value at 1 July		751,660	-
Exploration and evaluation property recognised on acquisition of Pretzavest		-	312,000
Exploration and evaluation property recognised on acquisition of Greatways		-	440,000
Effect of translation to presentation currency		1,089	(340)
Impairment	(ii)	(752,749)	-
Project carrying value at 30 June		-	751,660
Total carrying value of capitalised exploration and evaluation at 30 June		3,754,489	2,667,019

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

(i) Ibhubesi Gas Project

On 20 December 2012, Sunbird Energy (Ibhubesi) Pty Ltd (“Sunbird Ibhubesi”), a fully owned Australian subsidiary of Sunbird Energy Ltd signed a purchase and sale agreement (“Ibhubesi Agreement”) with Forest Oil Corporation, the Anschutz Overseas Corporation and Forest Oil Netherlands b.v., (collectively referred to as the “Forest”), for acquisition of their collective 76% interest in the Ibhubesi Gas Field - Block 2A (“Ibhubesi Gas Project”), subject to Ministerial approval under Section 11 of the Mineral and Petroleum Resources Development Act, 2002 (“Section 11 Approval”).

Total consideration of USD\$2.5 million payable by Sunbird Ibhubesi for acquisition of the Ibhubesi Gas Project was allocated during the year ended 30 June 2013, as follows:

- the initial payments made to Forest were USD\$1.471 million, of which USD\$1 million was paid as consideration and USD\$0.471 million as a refundable deposit guarantee, subject to the Section 11 Approval; and
- the additional USD\$1.029 million (“Forest Payment”) was placed in escrow until the Section 11 Approval was received.

12. EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

On 9 October 2013, Sunbird Ibhubesi received the Section 11 Approval and finalised the acquisition of the Block, upon which the deposit guarantee of USD\$0.471 million (A\$0.515 million) was released as part of acquisition consideration to the Sellers. The acquisition of the Ibhubesi Project was finalised on 20 June 2014, when the Forest Payment of USD\$1.029 million (A\$1.145 million) was released from escrow and paid to Forest. Upon the completion of the transaction both the deposit guarantee and the funds released from escrow, classified as deposits for acquisition of subsidiary in the previous financial year, were capitalised as exploration and evaluation expenditure in the balance sheet.

By virtue of the acquisition, the consolidated entity also acquired the control of Forest entities. The transaction was not considered a business combination as the transaction was the acquisition of a single assets, being the interest in the Ibhubesi Gas Project, which did not constitute a business. Accordingly, the cost of the acquisition was fully allocated to the Exploration and Evaluation Expenditure in the balance sheet.

Deposits for acquisition of subsidiary - reconciliation of movement

	2014 A\$	2013 A\$
Balance at 1 July	1,637,737	-
Forest Payment – funds in escrow pending Section 11 Approval	-	1,122,369
Forest Payment – deposit guarantee pending Section 11 Approval	-	515,368
Effect of foreign currency translation	22,938	-
Forest Payment capitalised to Exploration and evaluation expenditure	(1,660,675)	-
Balance at 30 June	-	1,637,737

(ii) Coal Bed Methane (CBM) Project

Due to increased uncertainty in regard to recoverability of the CBM Project asset, the consolidated entity reduced the carrying value of the CBM Project asset to A\$ nil (2013: A\$751,660) during the reporting period, resulting in impairment expense of A\$752,749.

13. TRADE AND OTHER PAYABLES

	2014 A\$	2013 A\$
Trade creditors	1,388,598	232,583
Other payables	77,835	93,335
Accruals	320,904	80,932
Total trade and other payables	1,787,337	406,850

Trade and other payables are non-interest bearing liabilities stated at cost and settled within 30 days. Information about the group's exposure to foreign currency risk is provided in Note 2.

14. BORROWINGS

Borrowings comprised of two loan facilities being a loan from Jamaran Australia Pty Ltd ("Jamaran Loan") of USD\$300,000 (A\$329,813), and a loan facility with White Swan Nominees Pty Ltd ("White Swan Loan Facility") for a secured loan facility of up to A\$5 million.

Jamaran Loan

The Jamaran Loan was concluded on 14 February 2014, was unsecured and accrued interest at 6% per annum calculated daily, with an establishment fee of 2% of the principal amount. The repayment date was three months from the date on which the loan was made to Sunbird, and was repaid in full, including interest and establishment fees, on 29 May 2014.

14. BORROWINGS (CONTINUED)*White Swan Loan facility*

The White Swan Loan Facility was arranged on 24 February 2014 and attracted interest at 20% per annum. The loan agreement provided for the drawdown in tranches as the working capital requirements of the Company demand the use of such funds, and the aggregate loan drawn down in tranche payments is repayable within twelve (12) months of the first drawdown of funds.

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 Loan Facility agreement provides that upon such repayment of the Loan Facility, the Security shall be discharged and released.

The 12 month Loan Facility is secured against Sunbird's beneficial interest in the shares of its wholly owned subsidiary, Anschutz South Africa Corporation, which holds an indirect participating interest of 22.8% in the South African Block 2A Production Right which incorporates the Ibhubesi Gas Project. Security on the Loan Facility was subject to a grant of a waiver by ASX of Listing Rule 10.1 due to White Swan being a related party within the definitions prescribed by the Corporations Act 2001 and the ASX Listing Rules, which was received on 5 March 2014, subject to certain conditions.

On 12 June 2014, the White Swan Loan Facility was varied as follows:

- 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 White Swan Loan Facility; or
 - if such election is made within 20 Business Days of the Company raising capital during the term of the White Swan Loan Facility, at the lesser of \$0.25 and the price per share at which the Company raises capital within the term of the White Swan Loan 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.

At 30 June 2014, the total secured liabilities are as follows:

	2014 A\$	2013 A\$
<i>White Swan Loan Facility</i>	2,400,000	-
White Swan Loan Facility - Capitalised interest	84,763	-
Total borrowings	2,484,763	-
<i>Total facilities</i>		
White Swan Loan Facility	5,000,000	-
Total facilities	5,000,000	-
<i>Used at the reporting date</i>		
White Swan Loan Facility	2,400,000	-
Total facilities	2,400,000	-
<i>Unused at the reporting date</i>		
White Swan Loan Facility	2,600,000	-
Total facilities	2,600,000	-

15. SHARE CAPITAL

The group's capital is comprised of ordinary shares and options over ordinary shares of the Company.

		2014 A\$	2013 A\$
Shares on issue		15,527,725	15,452,725
Issuance cost		(1,189,690)	(1,189,690)
Total share capital		14,338,035	14,263,035
<i>Reconciliation of movement in issued capital</i>			
	Date	Number of shares	A\$
Balance as at 1 July 2012		100,000,000	9,583,787
Issue of shares – sophisticated investors (12,500,000 @ A\$0.40)	26-Mar-13	12,500,000	5,000,000
Issue of unlisted options (1,000,000 @ A\$0.001)	11-Jun-13	-	1,000
Issue of shares – consultant retention(200,000 @ A\$0.00)	19-Jun-13	200,000	-
Issuance cost		-	(321,752)
Balance as at 30 June 2013		112,700,000	14,263,035
Balance as at 1 July 2013		112,700,000	14,263,035
Issue of shares – conversion of performance options (3,050,000 @ A\$0.00)	30-Jun-14	200,000	-
Issue of shares – exercise of options (375,000 @ A\$0.20)	24-Feb-14	375,000	75,000
Issue of shares – conversion of performance options (3,050,000 @ A\$0.00)	11-Nov-13	3,050,000	-
Balance as at 30 June 2014		116,325,000	14,338,035

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in the proportion to the number and amount paid on the shares held.

Options over ordinary shares

At 30 June 2014, the company had 100,500,000 (2013: 97,875,000) unlisted options over ordinary shares on issue.

<i>Reconciliation of movement in unlisted options over ordinary shares</i>	Number	Issue date	Expiry date	Exercise price (cents)
Total unlisted options as at 1 July 2012	90,000,000			
Argonaut engagement	1,000,000	11-Jun-13	30-Nov-15	50
Sign on and retention options	500,000	1-Feb-13	31-Dec-15	20
Sign on and retention options	375,000	1-May-12	24-Feb-14	20
Sign on and retention options	1,000,000	1-Jan-13	4-Nov-16	25
CBM performance options	1,000,000	1-Jan-13	4-Nov-16	25
Ibhubesi performance options	3,000,000	13-Dec-12	31-Dec-15	20
Ibhubesi performance options	1,000,000	1-Feb-13	31-Dec-15	20
Total unlisted options as at 30 June 2013	97,875,000			

15. SHARE CAPITAL (CONTINUED)

Total unlisted options as at 1 July 2013	97,875,000			
Merchant engagement - Retention options	1,000,000	21-May-13	1-Oct-16	50
Merchant engagement - Incentive options	2,000,000	21-May-13	1-Oct-16	50
Sign on and retention options exercised	(375,000)	24-Feb-14		
Total unlisted options as at 30 June 2014	100,500,000			

Options over ordinary shares carry no voting or dividend rights.

Capital risk management

The group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

16. RESERVES

	2014 A\$	2013 A\$
Share-based payments reserve	4,735,803	643,203
Foreign currency translation reserve	33,146	83,820
Total reserves	4,768,949	727,023
<i>Reconciliation of movement in reserves</i>		
Share-based payments reserve		
Balance as at 1 July	643,203	76,833
Equity settled share-based payments expense	4,092,600	566,370
Balance as at 30 June	4,735,803	643,203
Foreign currency translation reserve		
Balance as at 1 July	83,820	(8,255)
Effect of foreign currency translation	(50,674)	92,075
Balance as at 30 June	33,146	83,820
Total reserves balance as at 30 June	4,768,949	727,023

Share-based payments reserve

The share-based payments reserve represents the value of options issued under the compensation arrangement that the consolidated entity is required to include in the consolidated financial statements. No gain or loss is recognised in the profit or loss on the purchase, sale, issue or cancellation of the consolidated entity's own equity instruments.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

17. INTERESTS IN OTHER ENTITIES

(a) Material subsidiaries

The consolidated entity's principal subsidiaries at 30 June 2014 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the consolidated entity, and the proportion of ownership interests held equals the voting rights held by the consolidated entity. The country of incorporation or registration is also their principal place of business. Principal activity of all subsidiaries is gas exploration and development.

	Place of business/ country of incorporation	Ownership interest held by			
		the consolidated entity		non-controlling interests	
		2014	2013	2014	2013
Pretzavest 37 Pty Ltd	South Africa	74%	74%	26%	26%
Greatways Holdings (BVI) Ltd	BVI	100%	100%	-	-
Sunbird Energy (SA) Pty Ltd	South Africa	100%	100%	-	-
Sunbird Australia (Mozambique) Pty Ltd	Australia	100%	100%	-	-
Sunbird Energy (Ibhubesi) Pty Ltd	Australia	100%	100%	-	-

(b) Non-controlling interests

Set out below is summarised financial information of Pretzavest 37 Pty Ltd, which has non-controlling interests. The amounts disclosed are before inter-company eliminations.

	2014 A\$	2013 A\$
<i>Summarised balance sheet</i>		
Current assets	279,758	653,612
Current liabilities	274,671	207,546
Current net assets	5,087	446,066
Non-current assets	35,282	59,597
Non-current liabilities	3,109,558	2,198,378
Non-current assets	(3,074,276)	(2,138,781)
Net assets	(3,069,189)	(1,692,715)
Accumulated NCI	(764,185)	(429,283)

Summarised statement of comprehensive income

Revenue	-	-
Loss for the period	(1,600,084)	(2,195,489)
Other comprehensive income	223,611	(41,626)
Total comprehensive income	(1,376,473)	(2,237,115)
Loss allocated to NCI	(334,902)	(570,827)

Summarised cash flows

Cash flows from/(used in) operating activities	(888,819)	(2,241,767)
Cash flows from/(used in) investing activities	-	-
Cash flows from/(used in) financing activities	596,890	2,112,302
Net increase/(decrease) in cash and cash equivalents	(291,929)	(129,465)

17. INTERESTS IN OTHER ENTITIES (CONTINUED)**(c) Transactions with non-controlling interests**

There were no transactions with the non-controlling interests during the reporting period.

18. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW USED

	2014 A\$	2013 A\$
Loss after taxation	(11,319,141)	(5,528,261)
Add/(less) non-cash items:		
Depreciation	28,240	11,892
Share-based payments expense	4,092,600	566,370
Impairment of investment (i)	752,749	-
Accrued interest expense	84,763	-
Brokerage fees - Financing cash flows	154,189	-
Finance fees - financing cash flows	5,428	-
Foreign currency translation reserve (ii)	98,452	83,803
Changes in working capital:		
Increase in trade and other receivables	(577,077)	(54,494)
Increase in trade and other payables	1,380,487	87,207
Net cash outflow used	<u>(5,299,310)</u>	<u>(4,833,483)</u>

Non-cash investing and financing activities

- (i) During the reporting period the consolidated entity reduced the carrying value of the CBM Project to nil which gave rise to the impairment charge of A\$752,749.
- (ii) The foreign currency translation reserve amount of \$98,452 results from the translation of capitalised Exploration and Evaluation Expenditure at 30 June 2014.

19. PARENT ENTITY

	2014 A\$	2013 A\$
Current assets	440,258	4,444,767
Non-current assets	4,298,399	6,174,918
Total assets	4,738,657	10,619,685
Current liabilities	3,981,181	153,690
Total liabilities	3,981,181	153,690
Net assets	757,476	10,465,995
Contributed equity	14,338,035	14,263,035
Share-based payment reserve	4,735,803	643,203
Foreign currency translation reserve	-	134,200
Accumulated losses	(18,316,362)	(4,574,443)
Total equity	757,476	10,465,995
Loss for the year	(13,737,852)	(2,751,036)
Total comprehensive loss for the year	(13,737,852)	(2,751,036)

Commitments

There were no commitments at 30 June 2014.

Contingencies

There were no contingent assets or liabilities of the parent as at 30 June 2014 (30 June 2013: A\$ NIL).

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity and some of its subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others.

20. RELATED PARTY TRANSACTIONS

(a) Parent entities

The ultimate parent entity within the group is Sunbird Energy Ltd incorporated in Australia.

(b) Subsidiaries

Interests in subsidiaries are set out in note 17(a).

(c) Loans to/from related parties

The following table sets out the loans to or from related parties at the current and previous reporting date:

Loan to	Loan from	2014 A\$	2013 A\$
Pretzavest 37 Pty Ltd	Sunbird Energy Ltd	3,493,615	2,366,686
Forest Exploration (SA) Pty Ltd	Sunbird Energy Ltd	4,459,496	368,243
Anschutz Overseas (SA) Pty Ltd	Forest Exploration (SA) Pty Ltd	1,098,997	87,099
Forest Exploration (SA) Pty Ltd	Pretzavest 37 Pty Ltd	397,832	186,272

20. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Other related party transactions

A related party entity to Andrew Leibovitch, namely Serval Enterprises, was paid A\$1,145 (2013: A\$nil).

Umbono Capital Partners (Proprietary) Limited ("Umbono"), a party related to Kerwin Rana, are operators of the group's South African projects. During the reporting period a total of A\$600,000 (2013: A\$600,000) was due to Umbono for their services, of which \$200,000 remains unpaid (2013: A\$nil).

During the reporting period, the company incurred and fully paid A\$59,382 (2013: A\$37,500) for legal services to MB Law Services Pty Ltd, the entity related to Mark Balfour.

All transactions were made on normal commercial terms and conditions and at market rates. There were no other transactions with related parties during the reporting period.

(e) Key management personnel

The following persons were directors and key management personnel of Sunbird Energy Ltd during the financial year:

(i)	Executive Chairman	Mr K Rana
(ii)	Executive directors	Mr W Barker, Managing Director Mr A Leibovitch, Executive Director
(iii)	Non-executive director	Mr M Gracey
(iv)	Key management personnel	Mr N Rayner, Technical Director Mr M Balfour, General Counsel and Company Secretary Ms C Mackay, Chief Financial Officer

There were no other persons, beside the Directors and Executive Management, identified as key management personnel of the Company during the reporting period.

(f) Key management personnel compensation

The key management personnel compensation was as follows:

	2014 A\$	2013 A\$
Short-term employee benefits	1,620,180	817,650
Post-employment benefits	67,063	30,375
Share-based payment	2,673,897	342,212
Total key management personnel compensation	4,361,140	1,190,237

Directors and executive fees, included in the short-term benefits, were paid to entities related to key management personnel as follows:

Related entity	Key management person	2014 A\$	2013 A\$
Stratosphere Consulting Group	Marcus Gracey	-	31,750
Ballymoyer Pty Ltd	William Barker	387,292	288,675
Crest Corporation Pty Ltd	Andrew Leibovitch	241,689	199,458
Khanyile Consulting Limited	Kerwin Rana	124,833	-

As at 30 June 2014, the following amounts remain unpaid in respect to those transactions:

20. RELATED PARTY TRANSACTIONS (CONTINUED)

Related entity	Key management person	2014 A\$	2013 A\$
Stratosphere Consulting Group	Marcus Gracey	-	-
Ballymoyer Pty Ltd	William Barker	178,750	-
Crest Corporation Pty Ltd	Andrew Leibovitch	111,479	-
Khanyile Consulting Limited	Kerwin Rana	124,833	-

Detailed remuneration disclosures are provided in the remuneration report on pages 10 to 21.

21. SHARE-BASED PAYMENTS**(a) Employee and other options and rights over ordinary shares**

The company has no formal document under which options and rights are issued. Decisions to grant options and rights are made by the Board and are based on aligning the long-term interests of key management personnel, employees, consultants and strategic external parties with those of the company's shareholders.

Options and rights are granted for no consideration, are subject to vesting conditions and carry no dividend or voting rights.

The exercise price of options is based on the weighted average price at which the company's shares are traded on the Australian Securities Exchange (ASX) on or about the date of grant.

Each option and right is convertible into one ordinary share upon vesting.

Share options granted during the reporting period

	2014		2013	
	Average exercise price per option	Number of options	Average exercise price per option	Number of options
As at 1 July	21.7	97,875,000	21.7	90,375,000
Granted during the year	50.0	3,000,000	22.3	7,500,000
Exercised during the year	20.0	(375,000)	-	-
As at 30 June	22.6	100,500,000	21.7	97,875,000

Vested and exercisable at 30 June

Weighted average share price at the date of exercise of options exercised during the year ended 30 June 2014 was 30 cents (2013: 35 cents).

21. SHARE-BASED PAYMENTS (CONTINUED)*Share options outstanding at the end of the year*

Grant date	Expiry date	Exercise price (cents)	Number of options	
			2014	2013
9-Oct-13	1-Oct-16	50	3,000,000	-
21-May-13	30-Nov-15	25	1,000,000	1,000,000
1-Jan-13	2-Jul-16	20	500,000	500,000
1-Feb-13	2-Jan-17	20	500,000	500,000
1-Feb-13	4-Nov-16	20	1,000,000	1,000,000
1-Feb-13	31-Dec-15	20	250,000	250,000
1-Feb-13	31-Dec-16	20	250,000	250,000
1-Feb-13	31-Dec-15	25	1,000,000	1,000,000
13-Dec-12	31-Dec-15	25	2,000,000	2,000,000
13-Dec-12	31-Dec-15	30	1,000,000	1,000,000
1-May-12	24-Feb-14	20	-	375,000
12-Oct-11	19-Jan-15	20	4,000,000	4,000,000
12-Oct-11	19-Jan-16	20	4,000,000	4,000,000
12-Oct-11	19-Jan-17	20	4,000,000	4,000,000
13-Oct-11	19-Jan-15	20	13,000,000	13,000,000
12-Oct-11	4-Nov-16	25	5,000,000	5,000,000
12-Oct-11	4-Nov-16	30	5,000,000	5,000,000
12-Oct-11	12-Nov-16	25	5,000,000	5,000,000
12-Oct-11	12-Nov-16	30	5,000,000	5,000,000
12-Oct-11	19-Jan-15	20	5,000,000	5,000,000
23-Jan-12	19-Jan-15	20	40,000,000	40,000,000
			100,500,000	97,875,000

Weighted average remaining contractual life of options outstanding at 30 June 2014 is 1.2 years (2013: 2.1 years).

21. SHARE-BASED PAYMENTS (CONTINUED)

Performance rights granted during the reporting period

During the year ended 30 June 2014, the company issued the following performance rights:

	2014 Number of rights	2013 Number of rights
As at 1 July	12,000,000	-
Granted during the year	400,000	12,000,000
Exercised during the year	(3,250,000)	-
As at 30 June	9,150,000	12,000,000
Vested and exercisable at 30 June	200,000	375,000

Weighted average share price at the date of exercise of performance rights exercised during the year ended 30 June 2014 was 47 cents (2013: not applicable)

Performance rights outstanding at the end of the year

	Number of rights	
Expiry date	2014	2013
1-Nov-13	-	100,000
1-May-14	-	200,000
1-May-15	8,850,000	11,400,000
1-May-15	200,000	200,000
1-Nov-15	100,000	100,000
	9,150,000	12,000,000

Weighted average remaining contractual life of performance rights outstanding at 30 June 2014 is 0.8 years (2013: 1.8 years).

(b) Fair value

Fair value of share options

The assumptions used in calculating the fair value of options granted during the reporting year and the comparative period are set out in the tables below.

For options granted during the year ended 30 June 2014

Code	Number	Exercise price (cents)	Grant date	Expiry date	Share price (cents)	Price volatility	Expected dividend yield	Risk-free rate	Fair value (cents)
SNYOR9	1,000,000	50	09-10-13	01-10-16	39	100%	0%	2.97%	19
SNYOR10	2,000,000	50	09-10-13	01-10-16	39	100%	0%	2.97%	19
	<u>3,000,000</u>								

21. SHARE-BASED PAYMENTS (CONTINUED)

For options granted during the year ended 30 June 2013

Code	Number	Exercise price (cents)	Grant date	Expiry date	Share price (cents)	Price volatility	Expected dividend yield	Risk-free rate	Fair value (cents)
SNYOR4	1,000,000	25	21-05-13	30-11-15	38	100%	0%	2.46%	38
SNYOR4	250,000	20	01-01-13	02-07-16	25	100%	0%	2.46%	11
SNYOR4	250,000	20	01-01-13	02-07-16	25	100%	0%	2.46%	11
SNYOR4	250,000	20	01-01-13	02-01-17	25	100%	0%	2.46%	12
SNYOR4	250,000	20	01-01-13	02-01-17	25	100%	0%	2.46%	12
SNYOP6	500,000	20	01-01-13	04-11-16	25	100%	0%	2.46%	11
SNYOP6	500,000	20	01-01-13	04-11-16	30	100%	0%	2.46%	11
SNYOR3	250,000	20	01-02-13	31-12-15	18	100%	0%	2.46%	8
SNYOR3	250,000	20	01-02-13	31-12-16	18	100%	0%	2.46%	9
SNYOP6	1,000,000	25	01-02-13	31-12-15	18	100%	0%	2.46%	9
SNYOP6	2,000,000	25	13-12-12	31-12-15	15	100%	0%	2.46%	7
SNYOP7	1,000,000	30	13-12-12	31-12-15	15	100%	0%	2.46%	7
	7,500,000								

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes option-pricing model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes option-pricing model.

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

Share options are granted under a service condition and, for grants to key management personnel, market and non-market performance conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received.

During the reporting period, no options (2013: 1,500,000) were granted to key management personnel as long-term incentives to deliver long-term shareholder returns.

21. SHARE-BASED PAYMENTS (CONTINUED)*Fair value of performance rights*

For performance rights granted during the year ended 30 June 2014

Code	Number	Grant date	Expiry date	Share price (cents)	Price volatility	Expected dividend yield	Risk-free rate	Fair value (cents)
SNYPR5	400,000	01-07-13	01-05-15	35	85%	0%	2.46%	35
	<u>400,000</u>							

For performance rights granted during the year ended 30 June 2013

Code	Number	Grant date	Expiry date	Share price (cents)	Price volatility	Expected dividend yield	Risk-free rate	Fair value (cents)
SNYPR1	100,000	01-05-13	01-11-13	35	85%	0%	2.46%	35
SNYPR2	200,000	01-05-13	01-11-13	35	85%	0%	2.46%	35
SNYPR4	200,000	01-05-13	01-05-15	35	85%	0%	2.46%	35
SNYPR5	10,400,000	30-04-13	01-05-15	35	85%	0%	2.46%	35
SNYPR5	1,000,000	01-05-13	01-05-15	35	85%	0%	2.46%	35
SNYPR4	100,000	01-05-13	01-11-15	35	85%	0%	2.46%	35
	<u>12,000,000</u>							

(c) Expenses arising from share-based payment transactions

	2014 A\$	2013 A\$
Options expense	1,104,789	341,117
Rights expense	2,987,811	225,253
Total share-based payments expense	<u>4,092,600</u>	<u>566,370</u>

22. EVENTS OCCURRING AFTER REPORTING DATE

Matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, results or state of affairs of the group in future financial years which have not been disclosed publicly at the date of this report are:

Umbono Loan Facility

On 10 August 2014, the consolidated entity arranged the Umbono Loan Facility of A\$2,500,000 with Umbono Capital Partners LLC and Umbono Financial Services (Pty) LTD (collectively referred to as "Umbono"). The loan agreement provides for the drawdown in tranches as the working capital requirements of the Company demand the use of such funds, and the aggregate loan drawn down in tranche payments is repayable within twelve (12) months of the first drawdown of funds. Interest on the amount of facility used is 20% per annum, calculated daily and payable monthly. Subject to shareholder approval, at the election of Umbono, the outstanding amount of the Facility may be converted from debt to equity in the Company and, thereby, potentially avoid the necessity for the Company to repay the whole or part of the Facility converted to equity, by alternate capital raisings or debt funding.

Vandasias share subscription

On 9 September 2014, a transaction was concluded with Vandasias Investments Limited ("Vandasias"), for Vandasias to acquire a 43.9% interest in Sunbird via a two stage transaction involving two capital raisings at the equivalent weighted average price of approximately A\$0.34 per share and the acquisition and conversion of 47.75m existing A\$0.20 options. Overall, the transaction is priced at a premium of 79% to Sunbird's last traded share price.

The first stage of the investment, being the issue of 20,367,127 fully paid shares for an aggregate subscription amount of USD\$5,000,000 (A\$5,353,500), is due for completion within 10 business days and represents a premium of 39.5% to the Company's last traded share price. The second stage of the investment (which is subject to shareholder approval and execution of a Gas Sales Term Sheet with a potential customer) includes the issue of an additional 23,021,757 shares to Vandasias for an aggregate subscription amount of approximately USD\$9,350,000 (A\$10,011,045), and the purchase and conversion 47.75m options, which will result in the Company receiving approximately an additional USD\$8,850,000 (A\$9,475,695 - subject to exchange rates).

Stage 1

The Company will issue Vandasias 20,367,127 fully paid shares for an aggregate subscription amount of USD\$5,000,000 (A\$5,353,500) (Tranche 1 Shares) pursuant to the terms of a share subscription agreement (Share Subscription Agreement). This equates to a price per share of approximately A\$0.265 based on current exchange rates, being a premium of 39.5% to the last traded share price on 8 September 2014. The Tranche 1 Shares will be issued pursuant to the Company's current capacity under Listing Rule 7.1 and Listing Rule 7.1A.

Following issue of the Tranche 1 Shares, Vandasias will hold 14.9% of the Company's issued capital and will be entitled to nominate one director. Vandasias intends to nominate Mr. Niyi Oyedele to serve as its representative on the Sunbird board of directors.

Stage 2

Subject to meeting conditions precedents by no later than 30 November 2014, including execution of a Gas Sales Term Sheet with a potential customer and shareholder approval under item 7 of section 611 of the Corporations Act, the Company will issue 23,021,757 shares to Vandasias (Tranche 2 Shares) for an aggregate subscription amount of approximately USD\$9,350,000 (A\$10,011,045) pursuant to the terms of the Share Subscription Agreement.

Simultaneously with the issue of the Tranche 2 Shares, Vandasias will purchase and exercise 47,750,000 existing A\$0.20 options pursuant to the terms of an option sale agreement (Option Sale Agreement). The conversion of options will provide Sunbird with A\$8,550,000 (A\$9,475,695) in additional capital (subject to exchange rates) and will see Vandasias issued with a further 47,750,000 shares (Option Shares). The conversion of the options will be the subject of a separate shareholder resolution pursuant to item 7 of section 611 of the Corporations Act.

Besides the above, no matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, results or state of affairs of the group in future financial years which have not been disclosed publicly at the date of this report.

23. CAPITAL AND OTHER COMMITMENTS

There were no commitments in the parent entity or the group at 30 June 2014 (30 June 2013: A\$ NIL), other than a finance lease commitment made by Pretzavest 37 Pty Ltd amounting to A\$22,372 (2013: A\$29,710) for the purchase of a motor vehicle repayable over 5 years at 8.5% per annum.

24. CONTINGENCIES

The group had contingent liabilities at 30 June 2014 of A\$167,343 (R1,670,087) (2013: A\$99,434 (R897,418)) in respect to the restoration and rehabilitation bonds held by the Petroleum Agency South Africa (PASA).

In addition, under the Ibhubesi Agreement and, in addition to the Initial Payments and the Forest Payment, conditional on Sunbird Ibhubesi achieving certain project milestones and commercial development success, the following enhancement payments are also payable to Forest, Anschutz Overseas and Forest Netherlands, subject to stated conditions:

- A total of USD\$5 million (A\$5.47 million) payable on execution of a Gas Sales Agreement
- A total of USD\$10 million (A\$10.94 million) on Final Investment Decision or First Gas Sales

Further under the Ibhubesi Agreement, the following enhancement payment is also payable to Forest and Anschutz Overseas from Block produced gas sales achieved during the term of the Production Right for the Block and any extension thereof:

- A total of Sales Enhancement Fee equal to 0.76% of net gas sales revenues

These liabilities have not been brought to account in these financial statements as the contractual cash flow only arises upon the occurrence of the above milestones. Should the milestones not occur, no further amounts are payable by Sunbird to the Sellers under the Ibhubesi Agreement.

OVERVIEW

In March 2003, the Australian Securities Exchange (ASX) Corporate Governance Council published its Principles of Good Corporate Governance and Best Practice Recommendations ("Recommendations").

In August 2007, the ASX Corporate Governance Council published a revised Principles and Recommendations (2nd Edition).

In 2010, the ASX Corporate Governance Council published a further revised Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition) to ensure that these remain relevant to the Australian business and investment communities. The Company's Corporate Governance Statement is structured below with reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition). The Company's Board of Directors has reviewed the recommendations. In many cases the Company is already achieving the standard required. In a limited number of instances, the Company has determined not to comply with the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a Company of this size. Recommendations which the Company does not comply with are highlighted in this report.

Further information on the Company's corporate governance policies is located on the website: www.sunbirdenergy.com

I. PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Companies should establish and disclose the respective roles and responsibilities of Board and management.

- Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.
- Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.
- Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.

1.2 The Company's practice:

The Board considers that the essential responsibility of directors is to oversee the Company's activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value. Responsibility for management of the Company's business is delegated to the Company's Executives, who are accountable to the Board.

Further, the Board takes specific responsibility for:

- Contributing to the development of and approving corporate strategy;
- Appointing, assessing the performance of and, if necessary removing the Managing Director and the Executive Director;
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- Overseeing and monitoring:
 - Organizational performance and the achievement of strategic goals and objectives
 - Compliance with the Company's code of conduct
 - Progress of major capital expenditures and other corporate projects including acquisitions, mergers and divestments;
- Monitoring financial performance including approval of the annual, half yearly and quarterly reports and liaison with the auditor;
- Ensuring there are effective management processes in place, including reviewing and ratifying systems of risk identification and management, ensuring appropriate and adequate internal control processes, and that monitoring and reporting procedures for these systems are effective;
- Enhancing and protecting the Company's reputation;
- Approving major capital expenditure, capital management, acquisitions and divestments;
- Reporting to shareholders;
- Appointment of directors; and
- Any other matter considered desirable and in the interest of the Company.

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Company has a formal Board Charter which is on the Company's website and summarised above. In broad terms, the Board is accountable to the shareholders and must ensure that the Company is properly managed to protect and enhance shareholders' wealth and other interests. The Board Charter sets out the role and responsibilities of the Board within the governance structure of the Company and its related bodies corporate (as defined in the Corporations Act).

The Company's Executives are responsible for the ongoing management of the Company's operations and report to the Board. They are accountable for all functions that are necessary to the operations of the Company and not specifically reserved to the Board. The Company's Executives' performances are reviewed on a regular basis by the Board.

Based on the above information the Company believes it is fully compliant with Recommendations 1.1, 1.2 and 1.3.

2. PRINCIPLE 2: STRUCTURE The Board TO ADD VALUE

2.1 Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

- **Recommendation 2.1:** A majority of the Board should be independent directors.
- **Recommendation 2.2:** The chair should be an independent director.
- **Recommendation 2.3:** The roles of chair and chief executive officer should not be exercised by the same individual.
- **Recommendation 2.4:** The Board should establish a nomination committee.
- **Recommendation 2.5:** Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.
- **Recommendation 2.6:** Companies should provide the information indicated in the Guide to reporting on Principle 2

2.2 The Company's practice:

Independence

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. In accordance with this definition, the Company has one independent, non-executive director and as the Company is small, is considered adequate at this stage.

Composition

The directors have been chosen for their particular expertise to provide the Company with a competent and well-rounded decision-making body and which will assist the Company and shareholders in meeting their objectives.

The term in office held by each director in office at the date of this report is as follows and details of the professional skills and expertise of each of the directors are set out in the Directors' Report.

Name	Position	Term in Office
Kerwin Rana	Executive Chairman	2 years
Will Barker	Managing Director	2.5 years
Andrew Leibovitch	Executive Director	2.5 years
Marcus Gracey	Non-Executive Director	2.5 years

The directors meet frequently, both formally and informally, so that they maintain a mutual, thorough understanding of the Company's business and to ensure that the Company's policies of corporate governance are adhered to.

Education

The Company has an informal process to educate new directors about the nature of the business, current issues, the corporate strategy and the Company's expectations concerning the performance of directors. Directors are given access to and encouraged to participate in continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to Company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the consolidated entity's expense. A director must consult with an advisor suitably qualified in the relevant field and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other Board members.

Nomination committee

The Company does not currently have a separate nomination committee and as such has not complied with Recommendation 2.4. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full Board, given the size and nature of the Company's activities and as such, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

Monitoring of Board performance

The performance of all Directors is reviewed by the Chairman on an ongoing basis and any Director whose performance is considered unsatisfactory is asked to retire. The Chairman's performance is reviewed by the other Board members.

The Company has established firm guidelines to identify the measurable and qualitative indicators of the Director's performance during the course of the year. Those guidelines include:

- Attendance at all Board meetings. Missing more than three consecutive meetings without reasonable excuse will result in that Director's position being reviewed; and
- Attendance at the Company's Shareholder Meetings. Non-attendance without reasonable excuse will result in that Director's position being reviewed.

Based on the above information the Company believes it is fully compliant with Recommendations 2.1, 2.2, 2.3, 2.5 and 2.6. The Company is not compliant with Recommendation 2.4 as outlined.

3. PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

3.1 Companies should actively promote ethical and responsible decision-making.

- **Recommendation 3.1:** Companies should establish a code of conduct and disclose the code or a summary of the code as to:
 - the practices necessary to maintain confidence in the Company's integrity
 - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
 - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices
- **Recommendation 3.2:** Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.
- **Recommendation 3.3:** Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.
- **Recommendation 3.4:** Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.
- **Recommendation 3.5:** Companies should provide the information indicated in the Guide to reporting on Principle 3.

3.2 The Company's practice:

Ethical standards

The Company has a formal Code of Conduct as per Recommendation 3.1. This code outlines how directors and employees of the Company and its related bodies corporate are to behave when conducting business. A full copy of this Code of Conduct is available on the Company's website.

The Company is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation. In addition, the Board subscribes to the Statement of Ethical Standards as published by the Australian Institute of Company Directors.

All Directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Diversity policy

The Board has adopted a Diversity Policy as per Recommendation 3.2. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees. The Diversity Policy outlines the processes by which the Board will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company.

The Company is committed to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees and is utilised to enhance the Company's performance.

The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives. The Company has in its employ senior managers, including the Executive Chairman, middle management and operational employees who qualify as Historically Disadvantaged South Africans under the South African Mining Charter.

Gender diversity

As a priority, the Company is focusing on the participation of women in the Company, and particularly on its Board and within senior management. The Board is in the process of determining appropriate measurable objectives for achieving gender diversity.

Women employees, executives and Board members

The Company and its consolidated entities have four (4) female employees/executives:

- its Chief Financial Officer;
- its Accountant;
- its Cape Town Office Manager and
- its Finance and Administration Manager,

which represent approximately 33.33% of the total number employees, executives and/or Board members of the Company and its consolidated entities. There are currently no female members of the Board of the Company.

Based on the above information the Company believes it is fully compliant with Recommendations 3.1, 3.2, 3.3, 3.4 and 3.5.

4. PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

- **Recommendation 4.1:** The Board should establish an audit committee.
- **Recommendation 4.2:** The audit committee should be structured so that it:
 - consists only of non-executive directors
 - consists of a majority of independent directors
 - is chaired by an independent chair, who is not chair of the Board
 - has at least three members.
- **Recommendation 4.3:** The audit committee should have a formal charter.
- **Recommendation 4.4:** Companies should provide the information indicated in the Guide to reporting on Principle 4.

4.2 The Company's practice:

Audit Committee

The Board has not established a separate audit committee and as such has not complied with Recommendation 4.1 & 4.2. The duties and responsibilities typically delegated to such a committee are the responsibility of the full Board, due to the size and current operations of the Company.

The processes the Board applies in performing this function include:- reviewing internal control and recommending enhancements;

- monitoring compliance with Corporations Act 2001, Securities Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission and financial institutions;
- improving the quality of the accounting function, personnel and processes;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner; and
- reviewing the performance of the external auditors on an annual basis and nomination of auditors is at the discretion of the Board.

Audit and Compliance Policy

The Board imposes stringent policies and standards to ensure compliance with all corporate financial and accounting standards. Where considered appropriate, the Company's external auditors, professional advisors and management are invited to advise the Board on these issues and the Board meets quarterly to consider audit matters prior to statutory reporting.

The Company requires that its auditors must not carry out any other major area of service to the Company and should have expert knowledge of both Australian and international jurisdictions.

The Board assumes responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board maintains responsibility for a framework of internal control and ethical standards for the management of the consolidated entity.

The Board, consisting of members with financial expertise and detailed knowledge and experience of the oil and gas exploration and evaluation business, advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Managing Director and Chief Financial Officer declared in writing to the Board that the Company's financial reports for the year ended 30 June 2012 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

Based on the above information the Company believes it is fully compliant with Recommendations 4.3 and 4.4. The Company is not compliant with Recommendations 4.1 and 4.2 as outlined.

5. PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Companies should promote timely and balanced disclosure of all material matters concerning the Company.

- **Recommendation 5.1:** Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
- **Recommendation 5.2:** Companies should provide the information indicated in the Guide to reporting on Principle 5.

5.2 The Company's practice:

Continuous Disclosure Policy

The Company has a formal Continuous Disclosure Policy as required by Recommendation 5.1. This policy was introduced to ensure the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules and ensuring the Company and individual officers do not contravene the Corporations Act or ASX Listing Rules. A full copy of this policy can be found on the Company's website.

The Company is required to immediately tell the ASX once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

Therefore to meet this obligation the Company undertakes to:

- Notify the ASX immediately it becomes aware of any information that a reasonable person would expect to have a material effect on the price and value of the companies securities, unless that information is not required to be disclosed under the listing rules;
- Disclose notifications to the ASX on the Company website following confirmation of the publishing of the information by the ASX; and
- Not respond to market speculation or rumour unless the ASX considers it necessary due to there being, or likely to be, a false market in the Company's securities.

The Managing Director and the Company Secretary are responsible for co-ordinating the disclosure requirements. To ensure appropriate procedure all directors, officers and employees of the Company coordinate disclosures through the Managing Director and the Company Secretary, including:

- Media releases;
- Analyst briefings and presentations; and
- The release of reports and operational results.

Continuous disclosure is a standing agenda item for all Board meetings.

Based on the above information the Company believes it is fully compliant with Recommendations 5.1 and 5.2.

6. PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

- **Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.
- **Recommendation 6.2:** Companies should provide the information indicated in the Guide to reporting on Principle 6.

6.2 The Company's practice:

Shareholder communication

It is the policy of the Company to communicate effectively with its shareholders by giving them ready access to balanced and understandable information about the Company and making it easier for them to participate in general meetings.

The Board encourages full shareholder participation at the Annual General Meeting as it provides shareholders an opportunity to review the Company's annual performance. Shareholder attendance also ensures a high level of accountability and identification with the Company's strategy and goals.

The shareholders are responsible for voting on the appointment of directors, approval of the maximum amount of directors' fees and the granting of options and shares to directors. Important issues are presented to the shareholders as single resolutions.

The Company's auditor is required to be present, and be available to shareholders, at the Annual General Meeting.

Information is communicated to shareholders through:

- the Annual Report which is distributed to all shareholders;
- Half-Yearly Reports, Quarterly Reports, and all Australian Securities Exchange announcements which are posted on the Company's website;
- the Annual General Meeting and other meetings so called to obtain approval for Board action as appropriate; and
- compliance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules.

The Company's full policy on shareholder communication can be found on our website.

Based on the above information the Company believes it is fully compliant with Recommendations 6.1 and 6.2.

7. PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 Companies should establish a sound system of risk oversight and management and internal control

- **Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
- **Recommendation 7.2:** The Board should require management to design and implement a risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.
- **Recommendation 7.3:** The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
- **Recommendation 7.4:** Companies should provide the information indicated in the Guide to reporting on Principle 7.

7.2 The Company's practice:

RISK MANAGEMENT

Recognise and manage risk

Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various Directors and management, depending upon the nature and materiality of the matter.

The Board has established a formal policy to effectively recognise and manage risk as required by Recommendation 7.1. The Company's policy is to achieve levels of operation that balance risk and reward with the ultimate aim of optimising shareholder value. The Risk Management and Internal Control policy is detailed in full on our website.

Oversight of the risk management system

The Board takes a proactive approach to risk management. The Board is responsible for oversight of the processes whereby the risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. This oversight encompasses operational, financial reporting and compliance risks.

The Company believes that it is crucial for all Board members to be a part of the process, and as such the Board has not established a separate risk management committee. The Board oversees the establishment, implementation and annual review of the Company's risk management policies as part of the Board approval process for the strategic plan, which encompasses the Company's vision and strategy, designed to meet stakeholder's needs and manage business risks.

The Managing Director has declared, in writing to the Board and in accordance with section 295A of the Corporations Act, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company.

Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that deals with:

- Financial reporting - there is a comprehensive budgeting system with an annual budget, updated on a regular basis approved by the Board. Monthly actual results are reported against these budgets.
- Investment appraisal - the Company has clearly defined guidelines for capital expenditure including annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses or assets are being acquired or divested.
- Quality and integrity of personnel - the Company's policies are detailed in an approved induction manual. Formal appraisals are conducted annually for all employees.

Based on the above information the Company believes it is fully compliant with Recommendations 7.1, 7.2, 7.3 and 7.4.

8. PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

- **Recommendation 8.1:** The Board should establish a remuneration committee.
- **Recommendation 8.2:** The remuneration committee should be structured so that it:
 - consists of a majority of independent directors
 - is chaired by an independent chair
 - has at least three members
- **Recommendation 8.3:** Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.
- **Recommendation 8.4:** Companies should provide the information indicated in the Guide to reporting on Principle 8.

8.2 The Company's practice:

Remuneration committee

The Company does not currently have a separate remuneration committee and as such has not complied with Recommendation 8.1 or Recommendation 8.2. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full Board, given the size and nature of the Company's activities.

Remuneration policies

Remuneration of Directors are formalised in service agreements. The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the Managing Director, the Executive Director and the executive team (if applicable). The Board may engage external consultants for independent advice in the future as it deems necessary.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and senior executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive directors' and senior executives' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of senior executives
- Attraction of quality management to the Company
- Performance incentives (if appropriate) which allow executives to share the rewards of the success of the Company

Remuneration of non-executive directors is determined by the Board with reference to comparable industry levels and, specifically for directors' fees, within the maximum amount approved by shareholders. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

For details on the amount of remuneration and all monetary and non-monetary components for all directors refer to the Remuneration Report on pages 10 to 21 above. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

Based on the above information the Company believes it is fully compliant with Recommendation 8.3 and Recommendation 8.4 and is not compliant with Recommendation 8.1 or Recommendation 8.2 as outlined.

Principle

Reference in the
Company's
Corporate
Governance
Statement*Principle 1 – Lay solid foundations for Management and oversight*

Companies should establish and disclose the respective roles and responsibilities of Board and Management.

- **Recommendation 1.1:** Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.
- **Recommendation 1.2:** Companies should disclose the process for evaluating the performance of senior executives.
- **Recommendation 1.3:** Companies should provide the information indicated in the Guide to reporting on Principle 1.

See page 70

Principle 2 - Structure the Board to add value

Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

- **Recommendation 2.1:** A majority of the Board should be independent directors.
- **Recommendation 2.2:** The chair should be an independent director.
- **Recommendation 2.3:** The roles of chair and chief executive officer should not be exercised by the same individual.
- **Recommendation 2.4:** The Board should establish a nomination committee.
- **Recommendation 2.5:** Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.
- **Recommendation 2.6:** Companies should provide the information indicated in the Guide to reporting on Principle 2.

See page 71

Principle 3 - Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision-making

- **Recommendation 3.1:** Companies should establish a code of conduct and disclose the code or a summary of the code as to:
 - the practices necessary to maintain confidence in the Company's integrity
 - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
 - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices
- **Recommendation 3.2:** Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.
- **Recommendation 3.3:** Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.
- **Recommendation 3.4:** Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.
- **Recommendation 3.5:** Companies should provide the information indicated in the Guide to reporting on Principle 3.

See page 72

Principle 4 - Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

- **Recommendation 4.1:** The Board should establish an audit committee.
- **Recommendation 4.2:** The audit committee should be structured so that it:
 - consists only of non-executive directors
 - consists of a majority of independent directors
 - is chaired by an independent chair, who is not chair of the Board
 - has at least three members.
- **Recommendation 4.3:** The audit committee should have a formal charter.
- **Recommendation 4.4:** Companies should provide the information indicated in the Guide to reporting on Principle 4.

See page 74

Principle 5 - Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the Company.

- **Recommendation 5.1:** Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
- **Recommendation 5.2:** Companies should provide the information indicated in the Guide to reporting on Principle 5.

See page 75

Principle 6 - Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

- **Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.
- **Recommendation 6.2:** Companies should provide the information indicated in the Guide to reporting on Principle 6.

See page 75

Principle 7- Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

- **Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
- **Recommendation 7.2:** The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.
- **Recommendation 7.3:** The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
- **Recommendation 7.4:** Companies should provide the information indicated in the Guide to reporting on Principle 7.

See page 76

Principle 8- Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

- **Recommendation 8.1:** The Board should establish a remuneration committee.
- **Recommendation 8.2:** The remuneration committee should be structured so that it:
 - consists of a majority of independent directors
 - is chaired by an independent chair
 - has at least three members.
- **Recommendation 8.3:** Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.
- **Recommendation 8.4:** Companies should provide the information indicated in the Guide to reporting on Principle 8.

See page 77

Our Role

Sunbird's operational activities do not exist in isolation. Rather, they occur in remote and rural areas that are home to a range of communities. As such, Sunbird considers not just commercial factors but also social, cultural, environmental and government imperatives when evaluating project development opportunities.

Sunbird recognises its role as part of the communities in which it operates and from which it draws employees, and is supportive of the sustainable socio-economic development and well-being of these communities.

Our approach is built on two-way stakeholder communication, trust and transparency with the end result aimed at long-term, self-sustaining results. We communicate actively with our multiple stakeholders – including community representatives, non-governmental organisations, regulators and local governments – through both formal and informal channels.

Corporate social investment (CSI) is being integrated into sustainable business practices across the globe. Sunbird's CSI Program recognises the need for targeted investments that maximise positive community impact and is based on the following key strategies:

- **Positive Impact** – maximising and maintaining positive impact and benefits for our communities
- **Stakeholder Engagement** – building positive and responsive internal and external relationships in South Africa
- **Responsible Compliance** – maintaining a licence to operate by developing corporate social responsibility, local economic development and preferential procurement strategies that fulfil our role as a responsible corporate citizen

Our Focus

This year, Sunbird's CSI Program continued to focus on implementing projects focused on three key areas - education, environment and poverty eradication.

The South African government recently declared the Limpopo and Eastern Cape Provinces, in which Sunbird operates, the most poverty stricken in the country, with extremely challenging educational conditions.

As poverty and poor education are enormous challenges for both Government and community leaders to overcome, Sunbird recognises the critical role of education in transforming South Africa as it becomes increasingly competitive in the global economy.

Through partnerships with local communities, major labour-sending areas, government departments, non-government organisations and educational institutions, Sunbird has identified a number of key areas of need.

In doing so we identified a range of suitable projects on which to concentrate our CSI efforts, as well as additional sustainable initiatives focused on building and supporting education systems and processes in South Africa, including infrastructure.

Bahananwa Science & Career Expo 2014

Sunbird believes that investing in education is critical to reducing poverty and inequality. According to key surveys, young people in South Africa do not place a high value on science, technology, engineering and mathematics. As such, there is a need to increase interest in and understanding of careers in these fields.

Following the success of the 2013 Bahananwa Science & Career Expo, Sunbird has again chosen to support the 2014 Bahananwa Expo as a great opportunity for large numbers of students to find out more about the choices and careers available to them.

Held in February 2014 at Eldorado village in Limpopo Province, the Expo is the only educational show in the Bahananwa district and provides a unique platform to showcase the variety of higher education options and career opportunities accessible to all students.

This year's Expo was attended by more than 900 Grade 10 to 12 students from neighbouring schools. The expo included speakers, exhibitions, demonstrations and skills development workshops for educators. Exhibitors included universities and organisations and companies from industries such as mining, engineering, law, social work and health.





This year Sunbird took a hands-on approach with Chairman Kerwin Rana speaking to students and conducting a leadership and skills development workshop for educators and managers as part of the Expo.

Mr Rana addressed a range of topics and encouraged the students to “work hard and dream big”. He spoke to them about not being limited by their circumstances but to follow their passion.

Mr Rana also talked about positive improvements happening in the region. He noted that according to the local Department of Education, in 2009, 737 out of 1,410 high schools in Limpopo were considered to be underperforming. In 2012, this figure had dropped to 369.

This year also saw the department record a 66.9% matric pass rate in Limpopo, up from 63.9% in 2012.

Sunbird believes its involvement with the Bahananwa Science & Career Expo will continue to assist in the improvement of education in the region and help the district reach the 70% matric pass rate target.

The Expo is a joint initiative with Kodumela Bokamoso Youth Development, Village Main Reef and is supported by the Department of Education in the region.

Bizana Ablution Facilities

This year Sunbird's CSI Program also took part in an education project focused on building critical infrastructure at a regional secondary school.

At the Zinini Junior Secondary School in Bizana village, Eastern Cape Province, a lack of adequate sanitation facilities in the region means this and many other schools don't have ablution facilities for students. This poses obvious health & safety risks, so Sunbird built ten new ablution facilities for the students.

Due to the lack of a standard sanitation system in the area, Sunbird installed an anaerobic bio-gas digestion system which also provides gas for cooking and lighting for the school.

In order to generate more gas through the system, more organic waste needs to be deposited into the digesters so students are encouraged to collect waste from their communities. This has created greater environmental awareness at the school and is addressing waste management challenges in the community.

The Zinini School was founded in 1983. From its humble beginnings in one thatch-roofed mud rondavel, the school now has 503 learners and 15 educators.

Sunbird's engagement with the school was not only to provide proper school facilities, but also included creating jobs, imparting skills training and encouraging talent from within the Bizana community to build the facilities.

Sunbird appointed two contractors for the installation of the digesters and construction of the ablution blocks. Eleven temporary local jobs were created.

Infrastructure development remains a key challenge in most rural schools across South Africa, especially in the Eastern Cape. Investing in the foundation of the country's future leaders is a key aspect of Sunbird's CSI Program.

Outcomes:

2013 Community Investments Projects

Lovely Community Centre

Last year, Sunbird assisted the village of Lovely to construct a community centre which was completed in November 2013. Lovely is small community situated near Vivo, within Blouberg Municipality, Limpopo and falls within Sunbird's Mopane Exploration Right.

Since completion, the new community centre has performed many functions and played host to a range of social, educational and recreational activities for residents. Locals say the community centre has delivered a number of benefits including:

- Providing a location for a temporary early learning centre and vaccination services. Previously, children would travel 4.5km to Burgerregt for early learning and vaccinations
- Students currently attending school at Burgeregt and Pax can attend study groups at the centre after hours
- Holding community meetings – a municipal community projects hub

Multipurpose Centre for Matsela Secondary School

Also as a part of Sunbird's 2013 CSI Program was the conversion and refurbishment of two old classrooms into a multipurpose centre at Matsela Secondary School.

Located in Pax, a small village near Lovely, which also falls within Sunbird's Mopane Exploration Right, the school did not have a quiet and secure environment, equipped with the necessary furniture and infrastructure, where students could take exams.

Since being completed in December 2013, the multipurpose centre has delivered the following benefits to the community and the school:

- Favourable environment for fully supervised school examinations
- Venue for tutorials and study groups
- Suitable venue for community/school meetings
- Great setting for student social activities

Computer Lab for Tshapile Junior Secondary School

In 2013 Sunbird also sponsored a computer lab at Tshapile Junior Secondary School in Ngcobo, Tshapile Village in the Eastern Cape Province. This major project involved:

- Renovation of an existing classroom and installation of 20 computers, a printer and furniture
- Upgrading the school's electricity system as the previous electricity supply was insufficient to meet existing needs
- Installation of a security system to protect against theft of the equipment and damage being done to the property.

The completed lab now provides access to technology for pupils who would otherwise not have any and brings Internet access to rural areas, increasing connectivity with the rest of the world.

Since being fully established, the lab has seen Information & Communication Technology (ICT) gain a groundswell of interest and teaching, not only for Tshapile but for other surrounding schools as well.

So popular is the Tshapile computer lab that the municipal department of education has now allowed other schools to have access, exposing even more students to ICT.

Teachers at Tshapile say the lab has also helped them work in teams and share ideas related to school curriculums.

EXCHANGE LISTING

Sunbird Energy Ltd shares are listed on the Australian Securities Exchange. The Company's ASX code is SNY.

SUBSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

As at 13 October 2014, there were 2 shareholders who had a holding of 5% or more, as follows:

	Name of Ordinary Shareholder	A/C Designation	Shares Held	% of Shares
1	SALT MINERAL INVESTMENTS LTD		40,000,000	29.26%
2	VANDASIA INVESTMENTS LIMITED		20,367,127	14.90%

CLASS OF SHARES AND VOTING RIGHTS

At 13 October 2014 there were 491 holders of 136,692,127 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

- a. each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
- b. on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a shareholder has one vote; and
- c. on a poll, every person present who is a shareholder or a proxy, attorney or Representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

The number of shareholders holding less than a marketable parcel is nil.

UNLISTED SECURITIES

The Company does not have any unlisted securities as at 13 October 2014.

CASH USAGE

Since the time of listing on ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

LISTING OF 20 LARGEST SHAREHOLDERS AS AT 13 OCTOBER 2014

	Name of Ordinary Shareholder	A/C Designation	Shares Held	% of Shares
1	SALT MINERALS INVESTMENTS LIMITED		40,000,000	29.26%
2	VANDASIA INVESTMENTS LIMITED		20,367,127	14.90%
3	DECK CHAIR HOLDINGS PTY LTD		4,650,000	3.40%
4	INVESTMENT HOLDINGS PTY LTD	<INVESTMENT HOLDINGS UNIT A/C>	4,625,000	3.38%
5	MAHSOR HOLDINGS PTY LTD	<ROSHAM FAMILY SUPER A/C>	2,817,500	2.06%
6	HOLDREY PTY LTD	DON MATHIESON FAMILY	2,500,000	1.83%
7	MAHSOR HOLDINGS PTY LTD	ROSHAM FAMILY S/F NO2	1,775,623	1.30%
8	INVERMAY NOMINEES PTY LTD		1,625,000	1.19%
9	DCJ PTY LTD	<D JAGGER S/F A/C>	1,520,000	1.11%
10	MR ANDREW LEIBOVITCH & MRS KAREN RUTH LEIBOVITCH	<KATSS INVESTMENT A/C>	1,387,500	1.02%
11	DON MARTIN SUPERANNUATION PTY LTD	<DON MARTIN SUPER FUND A/C>	1,300,000	0.95%
12	FNL INVESTMENTS PTY LTD	<SUPERANNUATION PLAN A/C>	1,200,000	0.88%
13	GLAMOUR DIVISION PTY LTD	<THE HAMMER A/C>	1,009,550	0.74%
14	MRS VIVIENNE JAGGER	THE POOLSIDE INVESTMENT	1,000,000	0.73%
15	INVERMAY NOMINEES PTY LTD	INVERMAY	1,000,000	0.73%
16	SEIVAD INVESTMENTS PTY LTD		1,000,000	0.73%
17	MS MERLE SMITH & MS KATHRYN SMITH	<THE MINI PENSION FUND A/C>	976,786	0.71%
18	MR EGON KARL WALTER MAUSS		900,000	0.66%
19	MATCH CORP PTY LTD	<CAA A/C>	812,500	0.59%
20	MRS ALLISON JANE RAYNER		800,000	0.59%
Total			91,266,586	66.77%
Balance of register			45,425,541	33.23%
Grand total			136,692,127	100.00%

DISTRIBUTION OF SHAREHOLDERS

Spread of Holdings	Ordinary Shareholders
1 – 1,000	11
1,001 – 5,000	23
5,001 – 10,000	26
10,001 – 100,000	276
100,001 and over	155
Total	491

LISTING OF 20 LARGEST RIGHTS HOLDERS AS AT 17 OCTOBER 2013

(a) Retention Rights (SNYPR3) vesting on 1 November 2014 and expiring on 1 May 2015

	Name of Rights holder	A/C Designation	Rights Held	% of Rights
1	Greengate Pty Ltd	<Balfour Family A/C>	100,000	100%
Total			100,000	100%

DISTRIBUTION OF RIGHTS HOLDERS

Spread of Holdings	Rights Holders
1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	1
100,001 and over	-
Total	1

b) Retention Rights (SNYPR4) vesting on 1 May 2015 and expiring on 1 May 2015

	Name of Rights holder	Rights Held	% of Rights
1	Greengate Pty Ltd <Balfour Family A/C>	100,000	50%
2	Allison Jane Rayner	100,000	50%
Total		200,000	100%

DISTRIBUTION OF RIGHTS HOLDERS

Spread of Holdings	Rights Holders
1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	2
100,001 and over	-
Total	2

(c) Performance Rights (SNYPR5) with various vesting dates and expiring 1 May 2015

	Name of Rights holder	A/C Designation	Rights Held	% of Rights
1	Invermay Nominees Pty Ltd	<Invermay Trust A/C>	3,000,000	33.90%
2	Allison Jane Rayner		2,000,000	22.60%
3	Khanyile Consulting Limited		1,800,000	20.34%
4	Andrew Leibovitch and Karen Leibovitch	<Katss Investment A/C>	1,500,000	16.95%
5	Sakhile Ngcobo		250,000	2.82%
6	Marcus Gracey		300,000	3.39%
Total			8,850,000	100%

DISTRIBUTION OF RIGHTS HOLDERS

Spread of Holdings	Rights Holders
1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	-
100,001 and over	6
Total	6

(d) Options (SNYOCI) exercisable at \$0.20 each vested but expiring on or before 19 January 2015 (escrowed until 18 January 2014)

	Name of Rights holder	A/C Designation	Rights Held	% of Rights
1	Andrew Leibovitch and Karen Leibovitch	<Katss Investment A/C>	2,500,000	50%
2	Invermay Nominees Pty Ltd	<Invermay Trust A/C>	2,500,000	50%
Total			5,000,000	100%

DISTRIBUTION OF OPTION HOLDERS

Spread of Holdings	Option Holders
1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	-
100,001 and over	2
Total	2

(e) Options (SNYO3) exercisable at \$0.20 each vested but expiring on or before 19 January 2015 (escrowed until 18 January 2014)

	Name of Rights holder	A/C Designation	Rights Held	% of Rights
1	Andrew Leibovitch and Karen Leibovitch	<Katss Investment A/C>	2,000,000	50%
2	Invermay Nominees Pty Ltd	<Invermay Trust A/C>	2,000,000	50%
Total			4,000,000	100%

DISTRIBUTION OF OPTION HOLDERS

Spread of Holdings	Option Holders
1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	-
100,001 and over	2
Total	2

(f) Options (SNYOPTI) exercisable at \$0.20 each expiring on or before 19 January 2015 (escrowed until 18 January 2014)

	Name of Option holder	A/C Designation	Rights Held	% of Rights
1	Salt Minerals Investments Limited		40,000,000	75.47%
2	Mycatmax Pty Ltd	<The Viking S/F>	3,976,876	7.50%
3	Mahsor Holdings Pty Ltd	<Rosham Family Super>	3,976,876	7.50%
4	Mr Gino de Mori		3,093,124	5.84%
5	Ms Merle Smith and Ms Kathryn Smith	<The Mini Pension Fund>	866,250	1.63%
6	Millenium Falcon Pty Ltd		750,000	1.42%
7	Nonste Pty Ltd	<N&N Gold Family>	336,874	0.64%
Total			53,000,000	100%

DISTRIBUTION OF OPTION HOLDERS

Spread of Holdings	Option Holders
1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	-
100,001 and over	7
Total	7

(g) Options (SNYO4) exercisable at \$0.20 each expiring on or before 19 January 2016 (escrowed until 18 January 2014)

	Name of Rights holder	A/C Designation	Rights Held	% of Rights
1	Andrew Leibovitch and Karen Leibovitch	<Katss Investment A/C>	2,000,000	50%
2	Invermay Nominees Pty Ltd	<Invermay Trust A/C>	2,000,000	50%
Total			4,000,000	100%

DISTRIBUTION OF OPTION HOLDERS

Spread of Holdings	Option Holders
1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	-
100,001 and over	2
Total	2

(h) Options (SNYO5) exercisable at \$0.20 each expiring on or before 19 January 2017 (escrowed until 18 January 2014)

	Name of Rights holder	A/C Designation	Rights Held	% of Rights
1	Andrew Leibovitch and Karen Leibovitch	<Katss Investment A/C>	2,000,000	50%
2	Invermay Nominees Pty Ltd	<Invermay Trust A/C>	2,000,000	50%
Total			4,000,000	100%

DISTRIBUTION OF OPTION HOLDERS

Spread of Holdings	Option Holders
1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	-
100,001 and over	2
Total	2

(i) Options (SNYOIP1) exercisable at \$0.25 each expiring various dates (escrowed until 18 January 2014)

	Name of Rights holder	A/C Designation	Rights Held	% of Rights
1	Andrew Leibovitch and Karen Leibovitch	<Katss Investment A/C>	2,500,000	50%
2	Invermay Nominees Pty Ltd	<Invermay Trust A/C>	2,500,000	50%
Total			5,000,000	100%

DISTRIBUTION OF OPTION HOLDERS

Spread of Holdings	Option Holders
1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	-
100,001 and over	2
Total	2

(j) Options (SNYOIP2) exercisable at \$0.30 each expiring various dates (escrowed until 18 January 2014)

	Name of Rights holder	A/C Designation	Rights Held	% of Rights
1	Andrew Leibovitch and Karen Leibovitch	<Katss Investment A/C>	2,500,000	50%
2	Invermay Nominees Pty Ltd	<Invermay Trust A/C>	2,500,000	50%
Total			5,000,000	100%

DISTRIBUTION OF OPTION HOLDERS

Spread of Holdings	Option Holders
1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	-
100,001 and over	2
Total	2

(k) Options (SNYONV1) exercisable at \$0.25 each expiring various dates (escrowed until 18 January 2014)

	Name of Rights holder	A/C Designation	Rights Held	% of Rights
1	Andrew Leibovitch and Karen Leibovitch	<Katss Investment A/C>	2,500,000	50%
2	Invermay Nominees Pty Ltd	<Invermay Trust A/C>	2,500,000	50%
Total			5,000,000	100%

DISTRIBUTION OF OPTION HOLDERS

Spread of Holdings	Option Holders
1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	-
100,001 and over	2
Total	2

(l) Options (SNYONV2) exercisable at \$0.30 each expiring various dates (escrowed until 18 January 2014)

	Name of Rights holder	A/C Designation	Rights Held	% of Rights
1	Andrew Leibovitch and Karen Leibovitch	<Katss Investment A/C>	2,500,000	50%
2	Invermay Nominees Pty Ltd	<Invermay Trust A/C>	2,500,000	50%
Total			5,000,000	100%

DISTRIBUTION OF OPTION HOLDERS

Spread of Holdings	Option Holders
1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	-
100,001 and over	2
Total	2

(m) Retention Options (SNYO6) exercisable at \$0.50 each expiring on or before 22 May 2016

	Name of Option holder	A/C Designation	Rights Held	% of Rights
I	Argonaut Investments Pty Ltd	<Argonaut Investment A/C>	1,000,000	100%
Total			1,000,000	100%

DISTRIBUTION OF OPTION HOLDERS

Spread of Holdings	Option Holders
1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	-
100,001 and over	1
Total	1

(n) Retention Options (SNYOR3) exercisable at \$0.20 each expiring on or before 31 December 2015

	Name of Rights holder	A/C Designation	Rights Held	% of Rights
I	Carla Mackay		500,000	100%
Total			500,000	100%

DISTRIBUTION OF OPTION HOLDERS

Spread of Holdings	Option Holders
1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	-
100,001 and over	1
Total	1

(o) Retention Options (SNYOR4) exercisable at \$0.25 each expiring on or before 31 December 2015

	Name of Rights holder	A/C Designation	Rights Held	% of Rights
1	Sundil Ramluggan		1,000,000	100%
Total			1,000,000	100%

DISTRIBUTION OF OPTION HOLDERS

Spread of Holdings	Option Holders
1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	-
100,001 and over	1
Total	1

(p) Performance Options (SNYOP6) exercisable at \$0.25 each expiring on or before 31 December 2015

	Name of Rights holder	A/C Designation	Rights Held	% of Rights
1	John L. Langhus		2,000,000	57.14%
2	Carla Mackay		1,000,000	28.57%
3	Sundil Ramluggan		500,000	14.29%
Total			3,500,000	100%

DISTRIBUTION OF OPTION HOLDERS

Spread of Holdings	Option Holders
1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	-
100,001 and over	3
Total	3

(q) Performance Options (SNYOP7) exercisable at \$0.20 each expiring on or before 31 December 2015

	Name of Rights holder	A/C Designation	Rights Held	% of Rights
1	John L. Langhus		1,000,000	66.67%
2	Sundil Ramluggan		500,000	33.33%
Total			1,500,000	100%

DISTRIBUTION OF OPTION HOLDERS

Spread of Holdings	Option Holders
1 – 1,000	-
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 100,000	-
100,001 and over	2
Total	2

Reserves

Sunbird Reserves (Undeveloped)		2013		2014		Variation	
		Ibhubesi Gas Project		Ibhubesi Gas Project		Ibhubesi Gas Project	
		Gas (BCF)	Condensate (MMstb)	Gas (BCF)		Gas (BCF)	Condensate (MMstb)
Reserves	1P	160	1.3	160	1.3	-	-
	2P	410	3.3	410	3.3	-	-
	3P	695	5.5	695	5.5	-	-

Resources

Sunbird Resources		Gross (100%)		Net (IGP 76%; CBM 74%)			
		Ibhubesi Gas Project		Mopane CBM Project	Ibhubesi Gas Project		Mopane CBM Project
		Gas (BCF)	Condensate (MMstb)	Gas (BCF)	Gas (BCF)	Condensate (MMstb)	Gas (BCF)
Contingent Resources	1C	50	0.4	351	38	0.3	260
	2C	96	0.8	644	73	0.6	477
	3C	241	1.9	1018	183	1.4	753
Prospective Resources	Low	4509	-	-	3427	-	-
	Best	7783	-	-	5915	-	-
	High	13304	-	-	10111	-	-

Listing Rule 5.39.5 Statement

To ensure the highest quality and most objective reserves assessments, the Board of Sunbird has mandated that all reserves evaluations and estimations undertaken on the Company's assets shall be conducted by independent third party consultants that comply with listing Rule 5.11. These assessments are to be completed or updated a) immediately upon coming aware of a material change that could impact the existing Reserves Assessments or b) As soon as practical upon the completion of an acquisition or divestment event (including change in working interest).

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.

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.

Schedule of Tenements

As at October 2014, Sunbird Energy Limited has an interest in the following tenements:

Project Name	Country	Sunbird subsidiary held by	Sunbird working interest	Permit(s)	Area (km ² /ha)	Status of Application
Kasane	Botswana	Greatways Properties (Pty) Ltd	100%	024/2010, 025/2010, 026/2010, 027/2010, 028/2010, 029/2010, 030/2010	4161.5	Exploration Right Granted
Mopane	South Africa	Umbono Coal Bed Methane Mopane (Pty) Ltd	74%*	30/5/2/3/2/99ER	1,576.54	Exploration Right Granted
Springbok Flats	South Africa	Umbono CBM Springbok Flats (Pty) Ltd	74%*	12/3/104ER	451.47	Exploration Right Granted
Springbok Flats West	South Africa	Umbono CBM Springbok Flats (Pty) Ltd	74%*	12/3/226ER	747.51	Exploration Right Granted
Springbok Flats West	South Africa	Umbono CBM Springbok Flats (Pty) Ltd	74%*	12/2/46	1422.68	TCP Granted
Ermelo	South Africa	Umbono Coal Ermelo (Pty) Ltd	74%*	12/3/95/ER	645.76	Exploration Right Granted
Ermelo West	South Africa	Umbono Coal Ermelo (Pty) Ltd	74%*	12/3/227ER	797.24	Exploration Right Granted
Somkhele	South Africa	Umbono Coal Bed Methane Somkhele (Pty) Ltd	74%*	12/3/140ER	266.14	Exploration Right Granted
Ibhubesi	South Africa	Forest Exploration International (South Africa) (Pty) Ltd and Anschutz Overseas (SA) (Pty) Ltd	76%	12/4/03		Exploration Right Granted

* The minority Exploration Right holder is Umbono Capital Partners (Pty) Ltd.

** The minority Production Right holder is held by the PetroSA.

