

## **ASX Announcement**

31 October 2014

### **September 2014 Quarterly Report**

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

#### **Highlights**

- **Sunbird Secures \$25m Capital Injection & Strategic Partner**
- **Initial US\$5m Capital Received from Vandasias**
- **Eskom Term Sheet Negotiations Continue**

#### **Sunbird Secures \$25m Capital Injection & Strategic Partner**

On 9 September 2014 Sunbird announced that binding agreements had been executed in respect of a transaction which, once fully completed, will deliver over AUD\$25,000,000 (subject to exchange rates) to the Company at a weighted average premium of up to 79% on the last traded share price (prior to announcing the transaction), and secure a major strategic partner to help advance development of its Ibhubesi Gas Project (IGP) in South Africa.

The transaction will see Pan-African investment company, Vandasias Investments Limited acquire a 43.9% interest in Sunbird via a two stage transaction involving two capital raisings at the equivalent weighted average price of approximately AUD\$0.34 per share and the acquisition and conversion of 47.75m existing AUD\$0.20 options.

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, was completed on 7 October. This investment equated to A\$0.277 share price, and represented a premium of 45.6% to the Company's last traded share price prior to announcing the transaction.

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, and the purchase and conversion 47,750,000 options, which will result in Sunbird receiving approximately an additional A\$9,550,000.

The Vandasia transaction will deliver the funding required to advance the IGP to commercialisation and provides Sunbird with a highly capable strategic shareholder with extensive industry experience in Africa.

### **Advancing Gas Sales Negotiations with Eskom for Supply of IGP Gas**

During the quarter Sunbird further advanced negotiations with Eskom for the sale of indigenous gas from the IGP to Eskom's Ankerlig Power Station.

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

Eskom, South Africa's State owned energy company, is the largest producer of electricity in Africa, and is one of the world's largest utilities in terms of generation capacity and sales. Eskom generates approximately 95% of the electricity used in South Africa and approximately 45% of the electricity used in Africa.

### **Technical Update**

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

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

### **Ibhubesi Technical Design Program**

Sunbird has continued to finalise the preliminary Field Development Plan (FDP) and the Basis of Design (BoD) studies 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 optimal sales pipeline size and route.

### **Regulatory & Environmental Approvals**

During the quarter the Final Scoping Report (FSR) covering the approvals necessary for the revised Ibhubesi development concept, namely the offshore pipeline and onshore gas processing facility, was

prepared and issued for public comment. This consultation period ended in September and the FSR has been submitted to the Department of Environmental Affairs for approval.

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

In May 2014 Sunbird and PetroSA formally applied for an extension of the Gas Market Development Phase which was due to expire in mid October 2014. This application has been processed by the Petroleum Agency of South Africa (PASA), and in July 2014 PASA confirmed that the application had been forwarded to the Department of Mineral Resources with a recommendation to accept the requested 3 year extension. We now await Ministerial sign off.

### **Mopane Project – Limpopo Province**

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

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

This quarter saw Sunbird granted a renewed Exploration Right at Mopane, which was formally executed 16 September.

**\*\* ENDS \*\***

**For further information please visit [www.sunbirdenergy.com](http://www.sunbirdenergy.com) or contact:**

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### **About Sunbird Energy Ltd**

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

Sunbird owns a 76% controlling interest in the Ibhubesi Gas Project offshore of the west coast of South Africa. Sunbird is developing and will operate the Ibhubesi Gas Project, South Africa's largest undeveloped gas field.

The Ibhubesi Gas Project has multiple development opportunities including gas-fired power projects to supply the high value South African energy market. Sunbird's joint venture partner in the project is PetroSA (24%), the national oil company of South Africa.

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

### **About the Ibhubesi Gas Project**

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

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

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

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

- The IGP is a Strategic Infrastructure Project (SIP5) under the Presidential Infrastructure Coordination Commission;
- The IGP will establish the first critical pipeline infrastructure in the Orange Basin providing a route to market and encouraging further exploration and development;
- Will provide significant revenue to the government in the form of royalties, corporate and payroll taxes and state participation;
- Substantial direct and indirect job creation during construction and production phases leading to the development of local skills and enterprise;
- Significant Black Economic Empowerment (BEE) and state participation in the Project with a BEE group holding (indirectly) 22% 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 CO<sub>2</sub> emissions via the utilisation of gas.

### **Qualified Petroleum Evaluator**

The reserves and resource estimates used in this announcement were compiled by Tim Hower (Registered Professional Engineer (Colorado #9597), and member of the Society of Petroleum Engineers) and Jeffrey B. Aldrich a Certified Petroleum Geologist, #3791, by the American Association of Petroleum Geologists (AAPG) and member of the Society of Petroleum Engineers (SPE). Both Mr Hower and Mr Aldrich are of MHA Petroleum Consultants LLC. The definitions of proved, probable, and possible hydrocarbon reserves and resources are

consistent with those as they appear in the ASX Listing Rules. Mr Hower and Mr Aldrich are qualified in accordance with the requirements of ASX listing rule 5.42 and has consented to the use of the reserves and resource figures in the form and context in which they appear in this announcement.

#### **ASX Listing Rule 5.43 Statement**

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

# Appendix 5B

## Mining exploration entity and oil and gas exploration entity quarterly report

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

Name of entity

**SUNBIRD ENERGY LIMITED**

ABN

**21 150 956 773**

Quarter ended ("current quarter")

**30 September 2014**

### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(331)	(331)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(146)	(146)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	4	4
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
		<b>(473)</b>	<b>(473)</b>
<b>Net Operating Cash Flows</b>			
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(1)	(1)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
		<b>(1)</b>	<b>(1)</b>
<b>Net investing cash flows</b>			
1.13	Total operating and investing cash flows (carried forward)	<b>(474)</b>	<b>(474)</b>

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(474)	(474)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	650	650
1.17	Repayment of borrowings	(2)	(2)
1.18	Dividends paid	-	-
1.19	Other (funds received for shares yet to be issued)	3,929	3,929
	<b>Net financing cash flows</b>	<b>4,577</b>	<b>4,577</b>
	<b>Net increase (decrease) in cash held</b>	<b>4,103</b>	<b>4,103</b>
1.20	Cash at beginning of quarter/year to date	373	373
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>4,476</b>	<b>4,476</b>

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	143
1.24	Aggregate amount of loans to the parties included in item 1.10	-

#### 1.25 Explanation necessary for an understanding of the transactions

Payment of directors and executive fees: A\$142,917.

### Non-cash financing and investing activities

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

On 10 August 2014, the consolidated entity arranged the Umbono Loan Facility of A\$2,500,000 with Umbono Capital Partners LLC. During the current quarter the company made the first draw down of A\$400,000 and converted a further A\$345,000 (subject to exchange rates) to debt under the Facility. The loan is for the period of 12 months from the first draw-down; when it becomes due it can either be repaid or converted to equity at the election of the lender, subject to shareholders' approval.

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

N/A

+ See chapter 19 for defined terms.

### **Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1    Loan facilities	7,500	3,395
3.2    Credit standby arrangements	-	-

### **Estimated cash outflows for next quarter**

	\$A'000
4.1    Exploration and evaluation	(2,000)
4.2    Development	-
4.3    Production	-
4.4    Administration	(150)
<b>Total</b>	<b>(2,150)</b>

### **Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1    Cash on hand and at bank	4,225	124
5.2    Deposits at call	251	249
5.3    Bank overdraft	-	-
5.4    Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>4,476</b>	<b>373</b>

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+ See chapter 19 for defined terms.



## Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	Nil		
6.2	Interests in mining tenements and petroleum tenements acquired or increased	Nil		

## Issued and quoted securities at end of current quarter

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

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

+ See chapter 19 for defined terms.

**Appendix 5B**

**Mining exploration entity and oil and gas exploration entity quarterly report**

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil Nil			
7.7	<b>Performance Rights</b>	<b>Total Number</b>	<b>Number Quoted</b>	<b>Issue Price per security (see Note 3) (cents)</b>	
	<b>Total on issue</b>	9,150,000	Nil	Nil	
	<b>SNYPR<sub>3</sub></b>	100,000	Nil		
	<b>SNYPR<sub>4</sub></b>	200,000	Nil		
	<b>SNYPR<sub>5</sub></b>	8,850,000	Nil		
7.8	Changes during quarter (a) Increase through issues (b) Decreases through securities matured, converted.	Nil Nil	Nil Nil		
7.9	<b>Options</b>	<b>Number</b>	<b>Number Quoted</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
	SNY03	4,000,000	Nil	20 cents	19-Jan-15
	SNY04	4,000,000	Nil	20 cents	19-Jan-16
	SNY05	4,000,000	Nil	20 cents	19-Jan-17
	SNYOC <sub>1</sub>	5,000,000	Nil	20 cents	19-Jan-15
	SNYOIP <sub>1</sub>	5,000,000	Nil	25 cents	Various
	SNYOIP <sub>2</sub>	5,000,000	Nil	30 cents	Various
	SNYONV <sub>1</sub>	5,000,000	Nil	25 cents	Various
	SNYONV <sub>2</sub>	5,000,000	Nil	30 cents	Various
	SNYOPT <sub>1</sub>	53,000,000	Nil	20 cents	19-Jan-15
	SNY06	1,000,000	Nil	50 cents	21-May-16
	SNYOP <sub>6</sub>	3,500,000	Nil	25 cents	31-Dec-15
	SNYOP <sub>7</sub>	1,500,000	Nil	30 cents	31-Dec-15
	SNYOR <sub>3</sub>	500,000	Nil	20 cents	31-Dec-15
	SNYOR <sub>4</sub>	1,000,000	Nil	25 cents	31-Dec-15
	SNYOR <sub>5</sub>	3,000,000	Nil	50 cents	01-Oct-16

+ See chapter 19 for defined terms.

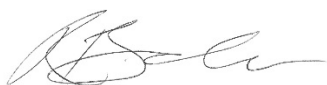
## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

7.10	Issued during quarter				
		Nil	Nil		
7.11	Exercised during quarter	Nil			
7.12	Expired during quarter	Nil	Nil		
7.13	Debenture (totals only)	Nil			
7.14	Unsecured Notes (totals only)	Nil			

## Compliance statement

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



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Company Secretary

Date: 31/10/2014

Print name: Richard Barker

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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