

**ASX Announcement**  
**18 March 2015**

## **Sunbird Enters Gas Sales Agreement Term Sheet with Eskom**

- **GSA Term Sheet agreed between Eskom and Ibhubesi JV for the supply of gas from the Ibhubesi Gas Field to the Ankerlig Power Station**
- **Term Sheet for the supply of 30 billion cubic feet (Bcf) of gas per year for up to 15 years**
- **Signing of GSA Term Sheet creates major value growth opportunity for all stakeholders including Sunbird shareholders**
- **Major step towards commercialisation of South Africa's largest proven gas field**
- **Provides impetus for further exploration of 7.8 Tcf of prospective Orange Basin gas resources**

Sunbird Energy Limited (ASX:SNY) is pleased to announce that the Ibhubesi Gas Project (IGP) joint venture, comprising Sunbird (76%) and PetroSA (24%) - South Africa's National Oil Company - has entered a Gas Sales Agreement (GSA) Term Sheet with Eskom Holdings (SOC) Ltd (Eskom) for the supply of gas to the Ankerlig Power Station.

The GSA Term Sheet is a culmination of two years of work between the technical, commercial and legal teams of the respective parties and sets the key commercial terms and processes for the finalisation of a binding GSA during the course of 2015. The GSA Term Sheet includes provisions for the supply of 30 billion cubic feet (Bcf) of gas per year for up to 15 years to the Ankerlig Power Station about 40km north of Cape Town.

Sign off of the GSA Term Sheet demonstrates Eskom's commitment to the IGP and achieves a significant milestone on the path to development of Ibhubesi by connecting South Africa's largest proven gas field with a gas market at the Ankerlig Power Station. The supply of Ibhubesi gas to Ankerlig will allow Eskom to realise significant fuel cost savings, while providing a new and cleaner burning energy supply to South Africa.

The success of this development in providing a route to market for IGP's existing 2P reserves of 540 Bcf (SNY 76%: 410 Bcf) will also encourage further exploration and development in the Orange Basin. Sunbird's independent experts estimate that there is a further 7.8 Tcf (SNY 76%: 5.9 Tcf) of best estimate prospective gas resources in the Company's 5,000 km<sup>2</sup> Production Right area.

The development of the IGP places Sunbird at the forefront of South Africa's emerging gas economy, which includes various domestic and imported gas alternatives, adding more secure electricity generation capacity and providing a vital new fuel source for the diversification of the country's energy mix.

Commenting on the completion of the GSA Term Sheet, Sunbird's Chairman, Kerwin Rana, said: "The signing of this GSA Term Sheet with Eskom, is a significant advancement in the commercialisation of the Ibhubesi Gas Project which will have an extremely positive developmental impact while providing a tremendous opportunity for major value growth for all stakeholders including Sunbird shareholders.

"The delivery of gas from South Africa's largest proven gas field provides for a secure, cleaner and significantly lower cost fuel to Ankerlig while assisting in the development of the Orange Basin and the creation of a new industry and much needed jobs.

"We look forward to continuing to work closely to achieve our common goal of delivering gas from the Ibhubesi Gas Project to Ankerlig Power Station."

Mr Rana added that the commercialisation of IGP will provide a critical foundation project for the development of an integrated gas economy on the West Coast of South Africa featuring:

- Offshore petroleum exploration and development;
- Upstream/Offshore domestic oil and gas production;
- Midstream pipeline infrastructure;
- LNG importation;
- Gasification of onshore power generation and industry;
- Diesel replacement in existing power stations;
- New build gas fired Independent Power Plants; and
- Fuel replacement for major industrial users.

Mr Rana said the development of the IGP speaks directly to the country's energy "War Room" priorities of bringing energy security and reducing costs through the Five-Point Plan being overseen by Deputy President, Cyril Ramaphosa. It also supports the Presidential initiative termed Operation Phakisa which has been established to unlock the economic potential of South Africa's oceans, with a particular focus on oil and gas development.

Development of the IGP will provide the critical first gas production and pipeline infrastructure on the West Coast, opening up new industries in both upstream petroleum exploration and development and a new energy supply for downstream power generation, major industry and domestic uses.

Development of IGP will result in many significant national benefits to South Africa, such as:

- Significant savings for Eskom on fuel costs for the Ankerlig Power Station;
- Provide a new fuel source for western South Africa, thereby improved energy security;

- The IGP will establish the first critical pipeline infrastructure offshore West Coast of South Africa;
- Significant revenue to the government in the form of royalties, corporate and payroll taxes and state participation;
- Significant direct and indirect job creation during construction and production phases leading to the development of local skills and enterprise;
- 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.

Having completed this important step towards the commercialisation of the IGP, Sunbird is now focused on:

- Progressing the non-binding GSA Term Sheet to a fully termed and binding GSA in conjunction with PetroSA, and Eskom;
- Completion of further technical studies to support the subsurface and engineering aspects; and
- Delivering a robust funding plan for project development through strategic investment, partnering and/or project financing.

Critically, all necessary environmental permitting approvals are well matured and due for completion by the third quarter of 2015. Success in all of these endeavours, as per the current project schedule, would anticipate first gas out of the IGP and into the Ankerlig Power Station in 2018.

PetroSA Group CEO, Nosizwe Nokwe-Macamo, said: “PetroSA is committed to ensuring we play a critical role in seeking solutions to the power challenges that face our sister company, Eskom”.

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

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

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### **About Eskom (Eskom Holdings (SOC) Ltd)**

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

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

### **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 opportunities for the development of large scale energy projects. Whilst ASX-listed, Sunbird has about 45% of its shareholding in black African and South African hands through Vandasias Investments Limited (Vandasias) and Umbono Capital (Umbono). Vandasias is a Pan-African specialist investment company established by a group of leading African industrialists with a focus on developing the vast gas resources in continental Africa. Vandasias is structured to make investments in upstream gas assets, LNG solutions and related infrastructure, as well as gas-to-power projects. Umbono in South Africa is a black-owned natural resources and energy investment and project development company that has been in business for over 17 years with a diverse portfolio of interests across the resources and energy sectors.

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

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

Sunbird also has a portfolio of 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 PetroSA (Petroleum, Oil and Gas Corporation of South Africa (SOC) Ltd)**

PetroSA is the national oil company of South Africa and holds a portfolio of assets that spans the petroleum value chain. The core business activities of PetroSA are:

- Exploration and production of oil and natural gas;
- Participation in, and acquisition of, local as well as international upstream petroleum ventures;
- Production of synthetic fuels from offshore gas at one of the world's largest Gas-to-Liquid (GTL) refineries in Mossel Bay, South Africa;
- Development of domestic refining and liquid fuels logistical infrastructure; and
- Marketing and trading of oil and petrochemicals.

PetroSA operates the FA-EM, South Coast gas fields as well as the Oribi and Oryx oil fields. The producing gas fields provide feedstock to the Mossel Bay GTL refinery.

### **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 km of 2D seismic. Over US\$125 million (R1.2 billion) has been spent on exploration and appraisal of the project since 2000.

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

- The IGP is a Strategic Infrastructure Project (SIP5) under the Presidential Infrastructure Coordination Commission;
- The IGP will establish the first critical pipeline infrastructure in the Orange Basin
- 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) interest and state participation (PetroSA 24%) in the Project;
- 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) and on 11 March 2014 (Original Prospective Resource 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.