SUNBIRD ENERGY LIMITED
ACN 150 956 773

(to be renamed "INTERPOSE HOLDINGS LIMITED")

NOTICE OF GENERAL MEETING

A General Meeting of the Company will be held at Level 1, 50 Ord Street, West Perth, Western Australia on Thursday 9 June 2016 at 3.00 pm (WST)

BDO Corporate Finance (WA) Pty Ltd has prepared an independent expert's report on the proposed Transaction and has concluded that the proposed Transaction is NOT FAIR BUT REASONABLE to Shareholders (other than the Holders and their Associates). Refer to Section 3.5 of the Explanatory Memorandum for further information.

This Notice should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on (08) 9463 3260

SUNBIRD ENERGY LIMITED
ACN 150 956 773

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of the shareholders of Sunbird Energy Limited ACN 150 956 773 (**Company**) will be held at Level 1, 50 Ord Street, West Perth Western Australia on Thursday 9 June 2016 at 3.00 pm (WST).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Tuesday 7 June 2016 at 3.00 pm (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

AGENDA

1. RESOLUTION 1 – APPROVAL OF SHARE SALE

To consider and, if thought fit, to pass with or without amendment, as an **ordinary resolution** the following:

> *"Subject to the passing of Resolution 2, for the purposes of Listing Rules 10.1 and 11.2, and for all other purposes, Shareholders approve and authorise the Company to dispose of the Sale Shares pursuant to the Share Sale Agreement and otherwise on the terms and conditions detailed in the Explanatory Memorandum."*

Voting Exclusion

The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit (except a benefit solely in their capacity as a holder of Shares) if the Resolution is passed, or any Associate of such person.

However, the Company will not disregard a vote if:

(a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or

(b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – APPROVAL OF SELECTIVE BUYBACK

To consider and, if thought fit, to pass with or without amendment, as a **special resolution** the following:

> *"Subject to the passing of Resolution 1, for the purposes of section 257D(1)(a) of the Corporations Act and Listing Rule 10.1 and for all other purposes, approval be given for the Company to conduct a selective share buyback of a*

*total of 55 million Shares (**Buyback Shares**) from the Holders pursuant to the Buyback Agreement and otherwise on the terms and conditions detailed in the Explanatory Memorandum."*

Voting Exclusion

The Company will disregard any votes cast on this Resolution by the Holders and any person who might obtain a benefit (except benefit solely in their capacity as a holder of Shares) if the Resolution is passed, or any Associate of such person.

However, the Company will not disregard a vote if:

(a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or

(b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. RESOLUTION 3 – CHANGE OF COMPANY NAME

To consider and, if thought fit, to pass with or without amendment, as a **special resolution** the following:

"Subject to the passing of Resolutions 1 and 2, for the purposes of section 157(1) of the Corporations Act, and for all other purposes, approval is given for the name of the Company to be changed to "Interpose Holdings Limited" on the terms and conditions detailed in the Explanatory Memorandum."

Dated 27 April 2016

BY ORDER OF THE BOARD

Richard Barker
Company Secretary

SUNBIRD ENERGY LIMITED

A C N 1 5 0 9 5 6 7 7 3

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of the Shareholders in connection with the business to be conducted at the Meeting to be held at Level 1, 50 Ord Street, West Perth Western Australia on Thursday 9 June 2016 at 3.00 pm (WST).

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions.

A Proxy Form is enclosed with the Notice and this Explanatory Memorandum.

2. Action to be taken by Shareholders

The business of the Meeting affects your shareholding and your vote is important.

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Proxies

A Proxy Form is enclosed with the Notice and this Explanatory Memorandum. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions detailed in the Proxy Form. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

(a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;

(b) a proxy need not be a member of the Company; and

(c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where the proportion or number is not specified, each proxy may exercise half of the votes.

Proxy Forms must be received by the Company no later than 3.00 pm (WST) on Tuesday 7 June 2016. Proxy Forms received later than this time will be invalid.

The Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

3. OVERVIEW OF THE TRANSACTION

3.1 What is the Transaction?

Proposed divestment of the African Projects

Under the Transaction, the Company will sell its African Projects (being all the Company's non-cash assets) to Sunbird Energy Holdings Pty Ltd (**Purchaser**). The Purchaser is a private, black-owned South African company comprised of a consortium of Shareholders and debt holders of Sunbird and led by Umbono Capital Partners LLC, a black-owned South African resources and energy investment and development company.

The African Projects will be sold in consideration for:

(a) payment of a purchase price of approximately A$1 million (subject to adjustments to account for GST returns owing to the Company and Transaction and administration costs to Completion) (**Purchase Price**);

(b) assignment of debts totalling approximately A$4.5 million, owed by the Company to the Lenders, to the Purchaser; and

(c) the buyback and cancellation of the 55 million Buyback Shares held by the Holders, by way of a selective buyback (**Selective Buyback**) at a deemed total consideration of A$2.75 million.

The notional value of the Transaction to the Company (including the buyback and cancellation of the Buyback Shares, the assignment of debts and the sale of the Sale Shares) is approximately A$8.26 million.

African Projects

The Company's African Projects are:

Project Name	Country	Permit(s)	Description	Sunbird Group interest
Mopane	South Africa	30/5/2/3/2/99ER	Coal Bed Methane (CBM) Exploration Right	74%
Springbok Flats		12/3/104ER	CBM Exploration Right	
Springbok Flats West		12/2/46	CBM Technical Cooperation Permit	
Ibhubesi	South Africa	12/4/03	Offshore South Africa Oil project	76%

Sunbird Group re-structure

Prior to the date of the Shareholder meeting, the Sunbird Group intends to undertake an internal re-structure such that the Company's African Projects along with all associated liabilities and cash reserves will be transferred to the Sunbird Subsidiary, all shares in which will be transferred to the Purchaser.

A corporate structure chart for the Sunbird Group is set out in Schedule 3. The Corporate Chart indicates the structure of the Sunbird Group as after the internal re-structure of the Sunbird Group but before Completion.

How will the Transaction be effected?

The Transaction will be effected by the Company:

(a) selling the Sale Shares, being all the issued share capital of the Sunbird Subsidiary, to the Purchaser pursuant to the Share Sale Agreement;

(b) undertaking the Selective Buyback from the Holders pursuant to the Buyback Agreement;

(c) assigning the debt owing under, and securing releases from, the Loan Deeds from the Lenders pursuant to the Deeds of Assignment and Release;

(d) novating the master services agreement between the Company and Raynor Consultants Pty Ltd (**Master Services Agreement**) to the Sunbird Subsidiary pursuant to the Deed of Novation; and

(e) entering into the Third Party Debt Agreement pursuant to which the Purchaser indemnifies Sunbird for certain third party debts in the event they remain outstanding at Completion.

Completion under the Share Sale Agreement and the Buyback Agreement must occur simultaneously. If Completion under with either the Share Sale Agreement or the Buyback Agreement does not occur, all the Transaction Documents will terminate and the Transaction will not proceed.

The Deed of Novation and the Deeds of Assignment and Release only have effect on and from the date on which simultaneous Completion occurs under the Share Sale Agreement and the Buyback Agreement.

Conditions

The Share Sale Agreement and the Buyback Agreement are conditional on, among other things:

(a) the Company obtaining the necessary Shareholder approvals for the Share Sale and the Selective Buyback; and

(b) execution of all the Transaction Documents,

(together, the **Conditions**).

Completion of the Share Sale Agreement and Buyback Agreement is to occur five Business Days after the satisfaction or waiver of the last of the Conditions.

The Conditions may only be waived jointly by the Company and the Purchaser under the Share Sale Agreement, and cannot be waived in any circumstances under the Buyback Agreement.

Selective Buyback

By way of the Buyback Agreement, the Company has agreed, subject to Shareholder approval, to buyback a total of 55,000,000 held by the Holders (**Buyback Shares**). The Buyback Shares represent a 39.6% interest in the Company. The Selective Buyback involves the purchase and immediate cancellation of the Buyback Shares as part consideration for the Transaction.

The Transaction, including the Selective Buyback, will not cancel or otherwise deal with any shares held by Shareholders other than those Buyback Shares held by the Holders.

3.2 Why has the Company proposed the sale of the African Projects?

Market conditions over the last 18 months have made it very difficult for small cap companies, such as the Company, to secure development and working capital from the ASX and Australian shareholder base. These market conditions are hindering the Company's African Projects valuations and development opportunities.

The Board believes that disposal of the African Projects on the terms of the proposed Transaction presents an opportunity for the Company to realise the value contained within its African Projects, and allow the Company to explore new business opportunities.

Further information regarding the financial effect of the Transaction on the Company, and the advantages and disadvantages of the Transaction, is detailed in Sections 3.3 and 3.6.

3.3 Financial effect of the Transaction on the Company

At Completion, the Company will have no liabilities and the Company's only asset will be approximately A$1 million cash at bank (subject to adjustments to account for GST returns owing to the Company and Transaction and administration costs to Completion) which will provide working capital for the Company as it investigates new business and acquisition opportunities.

The Transaction provides value certainty for Shareholders, but will result in the Company no longer being exposed to any financial benefit that might be realised from its African Projects.

The pro-forma statement of financial position detailed in Schedule 4 has been prepared to enable Shareholders to make an assessment of the likely effect of the Transaction on the financial position of the Company.

3.4 Use of Funds

The net cash proceeds of the Transaction, estimated to be approximately A$1 million (subject to adjustments to account for GST returns owing to the Company and Transaction and administration costs to Completion), will be used by the Company to maintain listing and pursue new business and acquisition opportunities for the benefit of shareholders.

3.5 Independent Expert's Report

As required by Listing Rule 10.1, the Directors commissioned the Independent Expert, BDO Corporate Finance (WA) Pty Ltd, to prepare a report on the Transaction to ascertain whether it is fair and reasonable to Shareholders (other than the Holders and their Associates).

The Independent Expert has concluded that the Transaction (including the Share Sale and the Selective Buyback) is not fair but reasonable for Shareholders (other than the Holders and their Associates).

Schedule 5 contains a copy of the Independent Expert's Report. Shareholders are urged to read the Independent Expert's Report in full.

BDO Corporate Finance (WA) Pty Ltd has given, and has not withdrawn, its consent to the inclusion of its report in the Notice in the form and context in which it appears.

It is expected that the Holders and their Associates will make their own determination of the fairness and reasonableness of the Transaction.

3.6 Advantages and disadvantages of the Transaction

The advantages and disadvantages to the Company of the Transaction are as follows:

(a) Advantages:

- (i) upon Completion, the Transaction will add approximately A$1 million to the Company's cash reserves (subject to adjustments to account for GST returns owing to the Company and Transaction and administration costs to Completion) and reduce the Company's debt to A$0;
- (ii) the Transaction provides value certainty for Shareholders;
- (iii) the Directors are of the view that better opportunities exist elsewhere for the Company, and the disposal of the African Projects will allow the Company and Directors to pursue new business and acquisition opportunities;
- (iv) the Independent Expert has concluded that the Transaction is not fair but reasonable;
- (v) as at the date of the Notice and this Explanatory Memorandum, no Superior Proposal to acquire the African Projects or the Company has emerged;
- (vi) if the Transaction is not approved, the Share price may trade below the price per Share which the consideration payable for the Transaction represents;
- (vii) the Transaction means that the Company will cease to have the burden of the financial obligations it would otherwise have in relation to the maintenance of the African Projects; and
- (viii) the Selective Buyback:
  - (A) is an integral part of the Transaction and will result in Shares having a greater level of cash backing; and

(B) will reduce the issued share capital of the Company from 138,992,127 Shares to 83,992,127 Shares, potentially providing for better per Share growth and cash flow opportunities for future investments.

(b) Disadvantages

(i) upon Completion, the Company's only assets will be cash and it may be subject to additional Listing Rule requirements (see Section 3.7);

(ii) the Company will no longer own the African Projects and, therefore, Shareholders will not participate in any potential future value created by the African Projects;

(iii) as a result of the Transaction, the Company will not generate positive cash flows for the foreseeable future; and

(iv) there is a risk that the Company may not be able to locate and acquire suitable investment opportunities.

3.7 Strategy of the Company going forward

After Completion:

(a) the Company will no longer have a main business undertaking; and

(b) the Company's only asset will comprise cash, totalling approximately A$1 million (subject to adjustments to account for GST returns owing to the Company and Transaction and administration costs to Completion).

The Directors intend to investigate opportunities from within and outside the oil and gas sector, however it is noted, as indicated above, that the market conditions within the oil and gas sector make capital raising, especially for exploration projects very difficult. To this end, as announced on 18 April 2016, the Company has executed a corporate advisory mandate with Cygnet Capital Pty Limited (**Cygnet Capital**). Pursuant to the mandate Cygnet Capital will assist the Company with the identification and introduction of new business opportunities.

Shareholders should note that, pursuant to Chapter 12 of the Listing Rules, ASX's policy is to allow companies that have disposed of their main undertaking a period of six months within which to satisfy ASX that the company has a sufficient level of operation to justify the continued quotation of the company's securities on ASX.

Consequently, if following a period of six months after Completion, the Company has not acquired a suitable new business or project, ASX may suspend the quotation of the Shares on ASX.

In addition, if following Completion, the Company makes a significant acquisition, ASX may require the Company to "re-comply" with the requirements for listing in Chapters 1 and 2 of the Listing Rules. This may involve significant costs, the lengthy suspension of Shares from trading on ASX and a potentially dilutive capital raising.

3.8 Plans for the Company if the Transaction does not proceed

If the Transaction does not proceed, the Transaction Documents, including the Sale Share Agreement and Buyback Agreement will terminate and the Company will continue to develop the African Projects. The Directors make no representation in relation to the future financial performance of the Company.

3.9 Directors' interests and recommendation

Dorian Wrigley is a shareholder and director of Umbono Capital Partners LLC. He, along with Kerwin Rana, is an Associate of Umbono Capital Partners LLC. Umbono Capital Partners LLC is a Holder. Accordingly the Conflicted Directors have taken no part in Board decisions in relation to the Transaction.

All other Directors have no material interest in the outcome of the Transaction, other than as a result of any interest arising solely in their capacity as a non-substantial Shareholder or associate of a non-substantial Shareholder.

The Board considers, having reviewed the Independent Expert's Report, that the terms of the Transaction are not fair but reasonable insofar as the Shareholders (other than the Holders and their Associates) are concerned, and **RECOMMEND that Shareholders (in the absence of a Superior Proposal) vote IN FAVOUR of the Transaction by voting IN FAVOUR of ALL Resolutions, as the Directors intend to do in respect of the Shares they hold at the time of the Meeting.**

3.10 Inter-conditional Resolutions

Resolutions 1, 2, and 3 are inter-conditional. If Resolutions 1 (Approval of Share Sale) or 2 (Approval of Selective Buyback) are not approved by Shareholders, the Transaction will not be completed. If Resolutions 1 or Resolution 2 are not approved, then Resolution 3 (Change of Company Name) will not become effective, though the Transaction will still proceed.

For information relating to the Company's intentions if the Transaction does not proceed, refer to Section 3.8.

3.11 Indicative timing

Event	Date
Latest date and time for receipt of Proxy Forms	3.00pm 7 June 2016 (WST)
Date and time for determining eligibility to vote	3.00pm 7 June 2016 (WST)
Meeting	3.00pm 9 June 2016 (WST)
Satisfaction of Conditions	by 30 June 2016 (WST)
Completion of Share Sale and Selective Buy-Back	by 30 June 2016 (WST)

These dates are indicative only and are subject to change. Subject to the Corporations Act and Listing Rules, the above dates may be varied. Any changes to the above timetable will be announced to ASX. The Company reserves the right to amend or withdraw from the Transaction, subject to the terms of the Transaction Documents and applicable legal requirements.

Unless otherwise stated, all references to time in this document are references to WST.

4. RESOLUTION 1 - APPROVAL OF THE SHARE SALE

4.1 Reason for resolution

Resolution 1 seeks Shareholder approval pursuant to Listing Rules 10.1 and 11.2 for the Company to complete the Share Sale, under which it will dispose of the Sale Shares to the Purchaser.

4.2 Listing Rules 10.1 and 11.2

Listing Rule 10.1 prevents a company from disposing of a "substantial asset" to certain persons identified in Listing Rule 10.1, including a "substantial holder" being a person who alone, or together with its Associates, has a Relevant Interest in 5% or more of the total votes attaching to the voting shares in the company.

The Purchaser together with its Associates holds a Relevant Interest in 5% or more of the total votes attached to Shares. Accordingly, the Purchaser is a "substantial holder" in the Company for the purposes of Listing Rule 10.1.

In addition, the Sale Shares account for more than 5% of the equity interests of the Company as set out in its last annual report, meaning that the Sale Shares constitute a "substantial asset" for the purposes of the Listing Rules.

Listing Rule 11.2 restricts the Company's ability to dispose of its main undertaking without Shareholder approval. The Sale Shares, which the Company proposes to sell to the Purchaser pursuant to the Share Sale Agreement, constitute the main undertaking of the Company.

The effect of passing Resolution 1 will be to allow the Company to dispose of its main undertaking and a substantial asset to the Purchaser (a "substantial holder" in the Company for the purposes of Listing Rule 10.1) by completing the Share Sale Agreement without breaching Listing Rules 10.1 or 11.2.

4.3 Independent Expert's Report

As required by Listing Rule 10.10.2, the Company has appointed BDO Corporate Finance (WA) Pty Ltd as an Independent Expert to report on the terms of the Transaction, including the Share Sale Agreement. See Section 3.5 for further detail.

4.4 Specific information required Listing Rules 10.1, 10.10 and 11.2

For the purposes of Listing Rules 10.1, 10.10 and 11.2, the following information regarding the Transaction is provided:

(a) an Independent Expert's Report has been included as Schedule 5 and sets out:

   (i) the effect of the Transaction on the Company; and

   (ii) whether the Transaction is fair and reasonable to Shareholders (other than the Holders and their Associates); and

(b) a voting exclusion statement in relation to Resolution 1 is included in the Notice.

4.5 Inter-conditional Resolutions

As noted in Section 3.10, Resolutions 1, 2 and 3 are inter-conditional. If Resolution 1 is not approved by Shareholders, neither of Resolutions 2 or 3 will become effective and no part of the Transaction (including the Share Sale and the Selective Buyback) nor change of the Company's name will proceed.

4.6 Directors' interests and recommendation

Refer to Section 3.9.

The Chairman will cast all available proxies in favour of Resolution 1.

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5. RESOLUTION 2 – APPROVAL OF SELECTIVE BUYBACK

5.1 Background

As at the date of this Explanatory Memorandum, the Company has 138,992,127 Shares on issue. Part of the consideration to be received by the Company on Completion is the buyback and cancellation of the Buyback Shares (being 55 million Shares) pursuant the Buyback Agreement.

5.2 Reason for the Resolution 2

Resolution 2 seeks Shareholder approval pursuant to section 257D(1)(a) and Listing Rule 10.1 for the Selective Buyback.

5.3 Independent Expert's Report

As required by Listing Rule 10.10.2 and as recommended in ASIC Regulatory Guide 110, the Company has appointed BDO Corporate Finance (WA) Pty Ltd as the Independent Expert to report on the terms of the Transaction, including the Buyback Agreement. See Section 3.5 for further detail.

5.4 Rationale for the Selective Buy-Back

The Directors believe the Selective Buy-Back is in the best interests of the Company and those Shareholders entitled to vote on the Resolution (i.e. Shareholders other than the Holders that their Associates) for the following reasons:

(a) **Part of the disposal of the African Projects**: as detailed in Section 3, the Selective Buyback is an integral part of the Transaction, constituting part of the consideration for the sale of the African projects. The Transaction is conditional upon the approval of Resolution 2. Upon Completion, the Purchaser will acquire the Sale Shares, and as part consideration for the acquisition the Buyback Shares held by the Holders will be transferred to the Company and cancelled. The consideration for the Transaction has been structured so that no cash shall be payable by the Company to effect the Selective Buyback. However, the Buyback Shares will be bought back at a deemed total consideration of A$2.75 million (A$0.05 per Buyback Share). The deemed value assigned to the Buyback Shares is based on the average daily close Share price for the last 6 months, which is $0.0505 per Share.

(b) **Anti-dilution**: as a result of the Selective Buy-Back, each Shareholder (other than the Holders) will have their percentage interest in the entire issued share capital of the Company increased.

(c) **Cash-backing:** the cash-backing per Share will increase from 0.0056 cents per Share to between 0.0107 and 0.0119 cents per Share;

(d) **Fair and Reasonable**: the Independent Expert considers that the Transaction, including the Selective Buyback, is not fair but reasonable to the Shareholders (excluding the Holders and their Associates). Schedule 5 contains a copy of the Independent Expert's Report. Shareholders are urged to read the Independent Expert's Report in full.

5.5 Summary of the terms of the Selective Buy-Back

The terms of the Selective Buyback are contained in the Buyback Agreement. The principal terms of the Selective Buyback are as follows:

(a) subject to obtaining the necessary Shareholder approvals, in part consideration for the Transaction, the Buyback Shares will be bought back from the Holders and cancelled;

(b) while no cash consideration will be payable in respect of the Selective Buyback and cancellation of the Buyback Shares, the Buyback Shares will be bought back at a deemed price of A$0.05 per Buyback Share,

(c) the Selective Buyback will, take place 5 Business Days after satisfaction of the Conditions (including obtaining the necessary Shareholder approvals); and

(d) completion of the Selective Buyback is conditional on the simultaneous completion of the Share Sale.

5.6 Effect of the Selective Buyback on the Company

If Shareholders approve the Selective Buyback, no cash will be paid by the Company and the Buyback Shares will be cancelled at Completion. This will reduce the total number of Shares on issue from 138,992,127 Shares to 83,992,127 Shares.

Completion of the Selective Buyback will occur 5 Business Days after satisfaction of the Conditions.

As described above, the Selective Buyback is part of the Transaction consideration, and it will not complete if completion of the Share Sale does not occur simultaneously (see Section 3.1).

The securities on issue in the Company, before and after the Selective Buyback, are as follows:

Total securities pre Selective Buyback		**Total securities post Selective Buyback**	
Shares	**Options & Rights**	**Shares**	**Options & Rights**
138,992,127	30,600,000	83,992,127	30,600,000

The cash backing per Share before and after the proposed Selective Buyback, is as follows:

	Before the Selective Buyback	**Post Selective Buyback**
Total number of shares on issue	138,992,127	83,992,127

Cash balance of the Company (A$)	775,000[1]	1,000,000[2]
Cash backing per Share (cents per Share)	0.0056	0.0119

Notes:
1. Estimated.
2. Includes the payment of approximated A$1 million as the Purchase Price to the Company pursuant to the Share Sale Agreement, however the Purchase Price is subject to adjustments including to account for GST returns and Transaction and administration costs to Completion.

5.7 Impact on control

The Selective Buyback will result in Vandasia Investment Limited no longer being a "substantial holder" in the Company for the purposes of Listing Rule 10.1.

The Selective Buyback and cancellation of the Buyback Shares will not trigger any person, whether an existing Shareholder or not, to acquire a relevant interest in Shares exceeding 20%.

5.8 What if the Selective Buy-Back does not proceed?

The Selective Buyback requires Shareholders (except the Holders and their Associates) to approve it by way of special resolution. Resolution 2 seeks this approval. If Resolution 2 is not approved by Shareholders, neither the Share Sale nor the Selective Buyback will be completed.

5.9 Corporations Act requirements

A company incorporated under, and subject to the provisions of, the Corporations Act may buyback its own shares if the buyback does not materially prejudice the company's ability to pay its creditors and the company follows the procedures in Division 2 of Part 2J.1 of the Corporations Act.

Section 257D of the Corporations Act requires that the terms of the Selective Buyback be approved by a special resolution passed at a general meeting of the Company, with no votes being cast in favour of the resolution by any person whose Shares are proposed to be bought back or by their Associates.

Accordingly, Resolution 2 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative). Neither the Holders (as the parties whose Shares are proposed to be bought back) nor any of their Associates are permitted to vote on Resolution 2.

5.10 Listing Rule 10.1 requirements

As noted in Section 4.4, Listing Rule 10.1 requires a company to obtain the approval of shareholders for an acquisition of a "substantial asset" from a "substantial holder". As the Holders are together a substantial holder for the purposes of Listing Rule 10.1 (see Section 4.4) and the Buyback Shares constitute more than 5% of equity interests of the Company and are, therefore, a substantial asset, the Selective Buyback requires the approval of Shareholders. Such approval is sought under Resolution 2.

5.11 Inter-conditional Resolutions

As noted in Section 3.10, Resolutions 1, 2 and 3 are inter-conditional. If Resolution 2 is not approved by Shareholders, neither of Resolutions 1 or 3 will become effective and no part of the Transaction (including the Share Sale and the Selective Buyback) nor change of the Company's name will proceed.

5.12 Directors' recommendation

Refer to Section 3.9.

The Chairman will cast all available proxies in favour of Resolution 2.

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6. RESOLUTION 3 – CHANGE OF NAME

6.1 General

In accordance with section 157 of the Corporations Act, if a company wishes to change its name, it must pass a special resolution adopting a new name.

Resolution 3 seeks Shareholder approval for the change of the name of the Company to "Interpose Holdings Limited".

Resolution 3 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The change of name will take effect on the date that ASIC alters the details of the Company's registration.

6.2 Inter-conditional Resolutions

As noted in Section 3.10, Resolutions 1, 2 and 3 are inter-conditional. If either of Resolutions 1 or 2 is not approved by Shareholders, Resolution 3 will not become effective and no part of the Transaction (including the Share Sale and the Selective Buyback) nor change of the Company's name will proceed.

However, if Resolution 3 is not approved by Shareholders, Resolutions 1 and 2 will still become effective and the Share Sale and the Selective Buyback may proceed.

6.3 Directors' recommendation

Refer to Section 3.9.

The Chairman will cast all available proxies in favour of Resolution 3.

Schedule 1 – Definitions

In this Explanatory Memorandum and the Notice, unless the context otherwise requires:

A$** or **$ means Australian dollars.

African Projects means the Company's African oil and gas projects detailed in Section 3.1.

ASIC means Australian Securities and Investments Commission.

Associates has the meaning given by section 12 of the Corporations Act.

ASX means ASX Limited ACN 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX.

Board means the board of Directors.

Business Day means a day other than a Saturday or Sunday on which banks are open for business generally in Perth, Western Australia.

Buyback Agreement means the buyback agreement to be entered into between the Company and the Holders.

Buyback Shares means 55 million Shares to be bought back by the Company from the Holders pursuant to the Buyback Agreement.

Cash Consideration has the meaning given in Section 3.1.

Chairman means the person appointed to chair the Meeting convened by the Notice.

Company and **Sunbird** means Sunbird Energy Limited ACN 150 956 773.

Competing Proposal means any proposal or offer received by the Company, or any member of the Sunbird Group, from a third party to evaluate or enter into any transaction that is similar to the Transaction or under which (other than as required or contemplated by the Transaction):

(a) other than with respect to on-market purchases of Shares with no involvement by any member of the Sunbird Group, a person would acquire a relevant interest or voting power in 20% or more of Shares or of the securities of any member of the Sunbird Group;

(b) a person would enter into, buy, dispose of, terminate or otherwise deal with any cash settled equity swap or other synthetic, economic or derivative transaction connected with or relating to 20% or more of Shares or of the securities of any member of the Sunbird Group;

(c) a person would directly or indirectly acquire or obtain an interest (including an economic interest) in all or a substantial part or material part of the Business or the Assets or any member of the Sunbird Group;

(d) a person would acquire Control of the Company or any member of the Sunbird Group;

(e) a person may otherwise acquire, or merge with, the Company or any member of the Sunbird Group (including by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of securities, strategic alliance, dual listed company structure or joint venture); or

(f) the Company will issue, on a fully diluted basis, 20% or more of its capital as consideration for the assets or share capital of another person,

or any proposal by the Company to implement any material reorganisation of capital. The variation of a proposal or offer constitutes a proposal or offer for the purposes of this definition.

Completion means simultaneous completion of the Share Sale Agreement and the Buyback Agreement in accordance with their terms on the Completion Date.

Completion Date means the date which is five Business Days after the satisfaction or waiver of the last of the Conditions.

Conditions means the conditions precedent to the Sale Share Agreement and the Buyback Agreement as detailed in Section 3.1.

Conflicted Directors means Directors Dorian Wrigley and Kerwin Rana.

Control has the meaning given by section 50AA of the Corporations Act and **Controlled** has a corresponding meaning.

Constitution means the constitution of the Company.

Corporate Chart means the corporate chart in Schedule 3.

Corporations Act means *Corporations Act 2001* (Cth).

Cygnet Capital means Cygnet Capital Pty Limited.

Deed of Novation means the deed of novation to be entered into between the Rayner Consultants Pty Ltd ACN 163 542 569, Sunbird and Ibhubesi, pursuant to which Ibhubesi assumes all of Sunbird's obligations under the Master Services Agreement.

Deeds of Assignment and Release means four separate deeds of assignment and release to be entered into between each of the Lenders on the one hand, and the Company, Ibhubesi and the Purchaser on the other hand.

Directors means the directors of the Company.

Explanatory Memorandum means this explanatory memorandum.

Holders means Vandasia Investment Limited, Salt Mineral Investments Limited, Geluk Investments Pty Ltd and the Lenders and any other persons that agree to sell their Shares back to the Company under the Buyback Agreement.

Ibhubesi means Sunbird Energy (Ibhubesi) Pty Ltd ACN 161 490 491.

Independent Expert means BDO Corporate Finance (WA) Pty Ltd.

Independent Expert's Report means the Independent Expert's report, as set out in Schedule 5.

Listing Rules means the Listing Rules of ASX.

Lenders means Geluk Investments Pty Ltd, Allan Mackintosh, Brian Glover and Umbono Capital Partners LLC.

Loan Deeds means four separate deeds between each of the Lenders on the one hand and the Company and Ibhubesi on the other, pursuant to which the Lenders have provided loan facilities to Sunbird.

Meeting means the general meeting of the Company to be held at Level 1, 50 Ord Street, West Perth Western Australia on Thursday 9 June 2016 at 3.00pm (WST).

Notice means the notice convening the Meeting which accompanies this Explanatory Memorandum.

Proxy Form means the proxy form attached to the Notice.

Purchaser means Sunbird Energy Holdings Pty Ltd.

Purchase Price has the meaning given in Section 3.1.

Related Entities means in relation to a party, any entity that is related to that party within the meaning of section 50 of the Corporations Act or which is an economic entity (as defined in any approved Australian accounting standard) that is Controlled by that party.

Relevant Interest has the meaning given in sections 608-609 of the Corporations Act.

Resolution means a resolution referred to in this Notice.

Sale Shares means 120 fully paid ordinary shares in the capital of the Sunbird Subsidiary, which constitutes the entire issued capital of the Sunbird Subsidiary.

Section means a section of this Explanatory Memorandum.

Selective Buyback has the meaning given in Section 3.1.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Share Sale means the sale of the Sale Shares by the Company to the Purchaser pursuant to the terms of the Share Sale Agreement.

Share Sale Agreement means the share sale agreement between the Company and the Purchaser, dated on or about 19 April 2016.

Sunbird Group means the Company and its Related Entities.

Sunbird Subsidiary means a wholly owned subsidiary of the Company to which the Sunbird Group intends to, prior to the date of the Shareholder meeting, transfer the Company's African Projects along with all associated liabilities and cash reserves.

Superior Proposal means a bona fide Competing Proposal that the Board, acting reasonably and in good faith, and after taking advice from its legal and financial advisors, determines:

(a) is reasonably capable of being valued and completed on a timely basis, taking into account all aspects of the Competing Proposal and the person making it, including without limitation having regard to legal, regulatory and financial matters and any conditions precedent; and

(b) would or would be reasonably likely, if completed in accordance with its terms, be more favourable to Shareholders than the Transaction, after taking into account all of the terms and conditions of, and the identity, reputation and standing of the person making, the Competing Proposal.

Third Party Debt Agreement means the agreement relating to third party debt to be entered into between the Seller and the Company.

Transaction means the divestment to the African Projects pursuant to the terms of the Transaction Documents.

Transaction Documents means:

(a) Share Sale Agreement;

(b) Buyback Agreement;

(c) Deeds of Assignment and Release;

(d) Deed of Novation; and

(e) Third Party Debt Agreement.

WST means Australian Western Standard Time, as observed in Perth, Western Australia.

In this Notice, words importing the singular include the plural and vice versa.

Schedule 2 – Proxy Form

SUNBIRD ENERGY LIMITED

ACN 150 956 773

P R O X Y   F O R M
The Company Secretary
SUNBIRD ENERGY LIMITED

By delivery:	***By post:***	***By facsimile:***
1st Floor, 50 Ord Street	PO Box 434	+61 8 9463 6630
WEST PERTH WA 6005	PERTH WA 6872	

Name of Shareholder:	
Address of Shareholder:	
Number of Shares entitled to vote:	

Please mark ☒ to indicate your directions. Further instructions are provided overleaf.

Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the Meeting.

Step 1 – Appoint a Proxy to Vote on Your Behalf

I/we being Shareholder/s of the Company hereby appoint:

The Chairman (mark box)	☐	**OR** if you are **NOT** appointing the Chairman as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy	

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman, as my/our proxy to act generally at the Meeting on my/our behalf to be held at Level 1, 50 Ord Street, West Perth Western Australia on Thursday 9 June 2016 commencing at 3.00pm (WST) and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit). If 2 proxies are appointed, the proportion or number of votes that this proxy is authorised to exercise is [ ]% of the Shareholder's votes / [ ] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request).

Important – If the Chairman is your proxy or is appointed your proxy by default

The Chairman intends to vote all available proxies in favour of all Resolutions. If the Chairman is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box in relation to a Resolution, you will be expressly authorising the Chairman to vote in accordance with the Chairman's voting intentions on that Resolution.

Step 2 – Instructions as to Voting on Resolutions

INSTRUCTIONS AS TO VOTING ON RESOLUTIONS

The proxy is to vote for or against the Resolutions referred to in the Notice as follows:

		For	Against	Abstain*
Resolution 1	Approval of Share Sale			
Resolution 2	Approval of Selective Buyback			
Resolution 3	Change of Company Name			

* If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Authorised signature/s This section ***must*** be signed in accordance with the instructions below to enable your voting instructions to be implemented.

The Chairman intends to vote all available proxies in favour of each Resolution.

Signature of Shareholder(s):

Individual or Shareholder 1	**Shareholder 2**	**Shareholder 3**
Sole Director/Company Secretary	Director	Director/Company Secretary

Date: ______________________

Contact name: ______________________ **Contact ph (daytime):** ______________________

E-mail address: ______________________ **Consent for contact by e-mail in relation to this Proxy Form:** **YES** ☐ **NO** ☐

Proxy Notes:

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

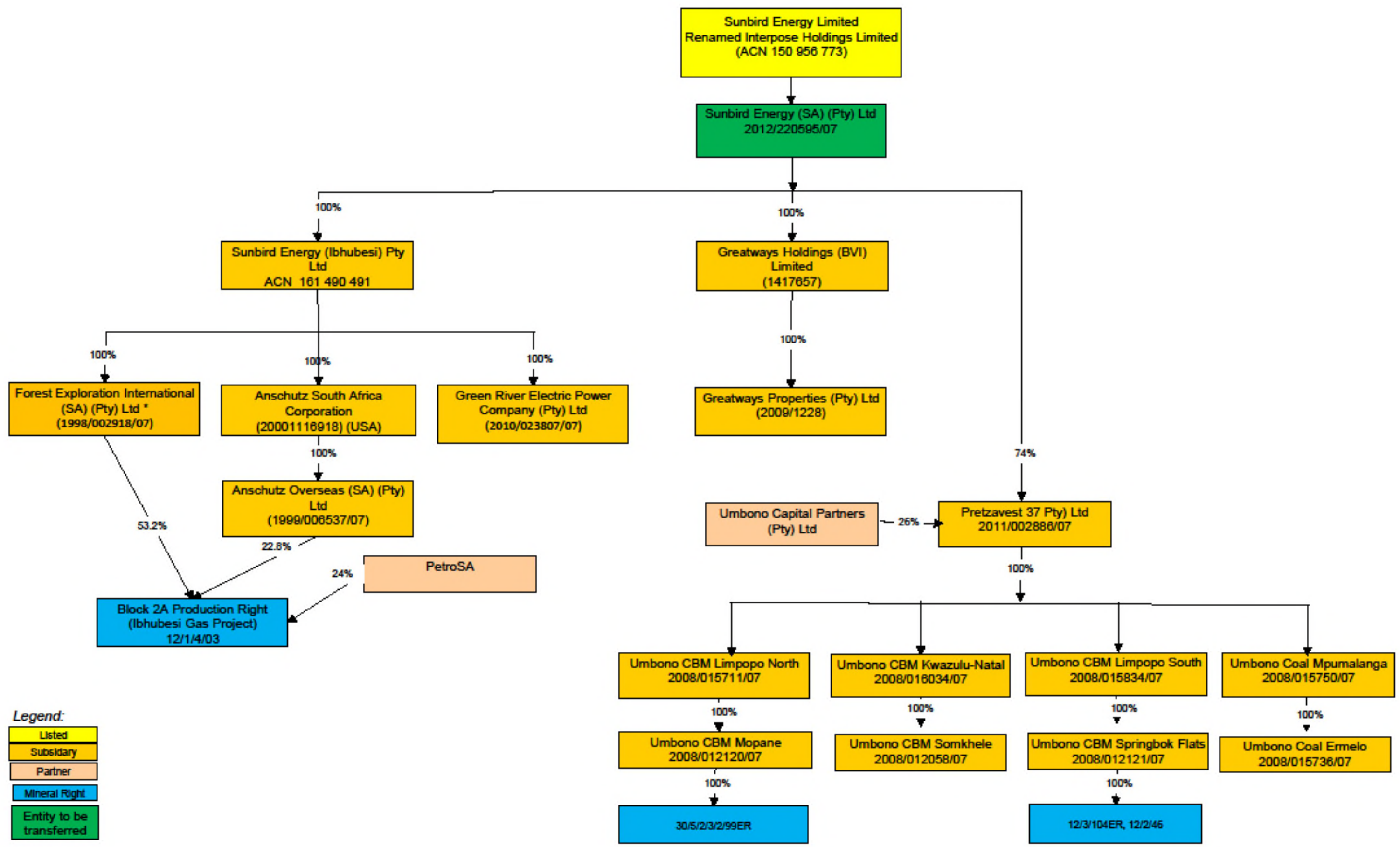
You must sign this form as follows in the spaces provided:

Joint Holding:	where the holding is in more than one name all of the holders must sign.
Power of Attorney:	if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.
Companies:	a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the Perth office of the Company (1st Floor, 50 Ord Street, West Perth, WA, 6005, or by post to PO Box 434, Perth, WA, 6872 or Facsimile (08) 9463 6630 if faxed from within Australia or +61 8 9463 6630 if faxed from outside Australia) not less than 48 hours prior to the time of commencement of the Meeting (WST).

Schedule 3 - Sunbird Group Corporate Structure



Schedule 4 - Pro Forma Statement of Financial Position

	as at 26/04/16 A$	Adjustments A$	Proforma A$
ASSETS			
Current assets			
Cash and cash equivalents	713,301	286,699	1,000,000
Trade and other receivable	229,489	- 206,436	23,053
Total current assets	**942,790**		**1,023,053**
Non-current assets			
Property, plant and equipment	20,338	- 5,136	15,202
Exploration and evaluation expenditure	3,222,561	- 3,222,561	0
Total non-current assets	**3,242,899**		**15,202**
Total assets	**4,185,689**		**1,038,255**
LIABILITIES			
Current liabilities			
Trade and other payable	-323,293	323,293	0
Borrowings	-4,412,963	4,412,963	0
Finance lease obligation	-1,732	1,732	0
Total current liabilities	**-4,737,988**		**0**
Non-current liabilities			
Finance lease obligation	-9,594	9,594	0
Total non-current liabilities	-9,594		0
Total liabilities	**-4,747,582**		**0**
Net assets	**-561,893**		**1,038,255**
EQUITY			
Share capital	-19,320,504	8,359,692	10,960,812
Reserves	-5,786,242	- 925,771	6,712,013
Accumulated loss	24,869,145	- 8,234,577	##########
Total equity attributable to owners of Sunbird Energy Limited	**-237,601**		**1,038,257**
Non-controlling interest	799,492	- 799,492	0
Total equity	**561,891**		**1,038,257**

Schedule 5 - Independent Expert's Report

SUNBIRD ENERGY LIMITED
Independent Expert's Report

The Transaction is not fair but reasonable

27 April 2016

Financial Services Guide

27 April 2016

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 (‘**we**’ or ‘**us**’ or ‘**ours**’ as appropriate) has been engaged by Sunbird Energy Limited (**‘Sunbird’**) to provide an independent expert’s report on the proposal for Sunbird to dispose of its mineral assets to its major shareholder, Salt Mineral Investments Limited. You will be provided with a copy of our report as a retail client because you are a shareholder of Sunbird.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (‘**FSG**’). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive
We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately $25,000.

Other Assignments
BDO Corporate Finance (WA) Pty Ltd has previously prepared an Independent Expert Report for Sunbird in October 2014 relating to the proposal for Sunbird to issue shares to Vandasia Investments Ltd. The fees charged for this engagement totalled $28,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

BDO Audit (WA) Pty Ltd is the appointed auditor of Sunbird. We do not consider that this impacts on our independence in accordance with the requirements of Regulatory Guide 112 'Independence of Experts'. We have completed a conflict search of BDO affiliated organisations within Australia. This conflict search incorporates all Partners, Directors and Managers of BDO affiliated organisations. We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter.

Remuneration or other benefits received by our employees
All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Sunbird for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals
We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution
Internal complaints resolution process
As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme
A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('**FOS**'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter.

Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details
You may contact us using the details set out on page 1 of the accompanying report.

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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

27 April 2016

The Directors
Sunbird Energy Limited
1st Floor, 50 Ord Street
West Perth WA 6005

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 18 April 2016, Sunbird Energy Limited (**'Sunbird**' or '**the Company**') announced that the Company had executed a conditional agreement for the sale of all of Sunbird's non-cash assets with a private, black-owned South African company comprised of a consortium ('**African Consortium**') of major shareholders and debtholders of Sunbird led by Umbono Capital Pty Ltd ('**Umbono**') and including Salt Minerals Investments Limited ('**Salt**') ('**the Transaction**'). The Transaction will be affected by the transfer of the following subsidiaries:

- 100% of its shares in Pretzavest 37 (Pty) Ltd ('**Pretzavest**');
- 100% of its shares in Greatway Holdings (BVI) Ltd ('**Greatway**');
- 100% of its shares in Sunbird Energy (Ibhubesi) Pty Ltd ('**Sunbird Ibhubesi**'); and
- 100% of its shares in Sunbird Energy (SA) Pty Ltd ('**SEA**').

To implement the Transaction, Sunbird will transfer all shares in Pretzavest, Greatway and Sunbird Ibhubesi to SEA. The African Consortium will incorporate a wholly owned subsidiary, Sunbird Energy Holdings Pty Ltd ('**Purchaser**').

All assets and liabilities held in these subsidiaries will be transferred to the Purchaser, including the Company's interest in the Ibhubesi Gas Project and its portfolio of Coal Bed Methane projects. All loans associated with the subsidiaries will also be transferred to the Purchaser.

In consideration for the Transaction, the Purchaser will pay Sunbird an amount of approximately $1.0 million and members of the African Consortium will sell back to Sunbird the 55 million Sunbird shares which Salt (and its related parties) hold. It is anticipated that Sunbird will change its name following completion of the Transaction.

We understand that the Transaction is subject to the non-associated shareholders of Sunbird ('**Shareholders**') approval which is to be sought under Australian Securities Exchange ('**ASX**') Listing Rule 10.1 as members of the African Consortium are substantial shareholders of Sunbird and the potential value of the assets to be disposed are considered to be greater than 5% of the equity interest of the Company.

2. Summary and Opinion

2.1 Purpose of the report

The Board of Sunbird have requested that BDO Corporate Finance (WA) Pty Ltd ('**BDO**') prepare an independent expert's report ('**our Report**') to express an opinion as to whether or not the Transaction is fair and reasonable to the Shareholders of Sunbird.

Our Report is prepared pursuant to ASX Listing Rule 10.1 and is to be included in the Notice of Meeting for Sunbird in order to assist the Shareholders in their decision whether to approve the Transaction.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('**ASIC**') Regulatory Guide 111 'Content of Expert's Reports' ('**RG 111**') and Regulatory Guide 112 'Independence of Experts' ('**RG 112**').

In arriving at our opinion, we have assessed the terms of the Transaction as outlined in the body of this Report. We have considered:

- How the value of a Sunbird share prior to the Transaction compares to the value of a Sunbird share following the Transaction;
- The likelihood of a superior alternative offer being available to Sunbird;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Transaction; and
- The position of Shareholders should the Transaction not proceed.

2.3 Opinion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is not fair but reasonable to Shareholders.

In our opinion, the Transaction is not fair because the value of a Sunbird share prior to the Transaction is higher than the value of a Sunbird share following the Transaction. However, we consider the Transaction to be reasonable because the advantages of the Transaction to Shareholders are greater than the disadvantages. In particular:

- The Transaction will strengthen the Company's balance sheet by removing all outstanding debt and providing the Company with cash to be used for general working capital purposes;
- The Transaction releases the Company from significant contingent payments relating to the Ibhubesi Gas Project;
- The Transaction positions the Company to pursue alternate opportunities that may provide Shareholders with an opportunity to earn greater returns then those that may be generated by the current natural gas focus; and
- The Transaction provides the Company with the opportunity to exit a subdued natural gas industry.

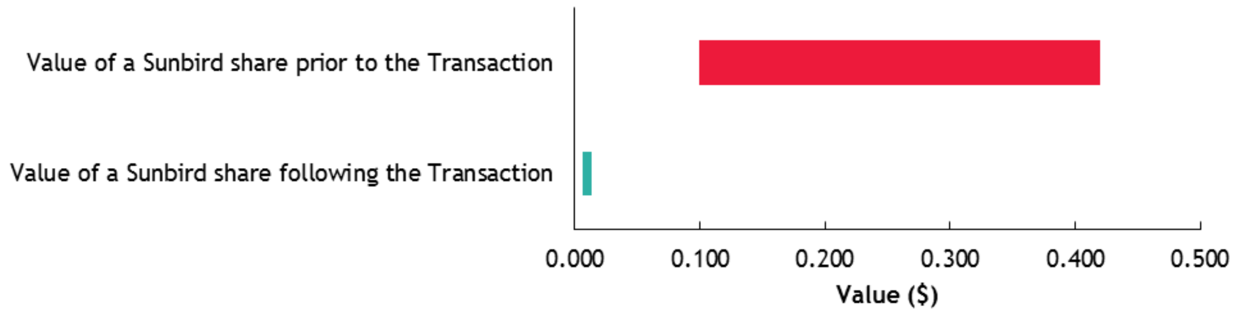
2.4 Fairness

In Section 11 of this Report, we determined that the value of a Sunbird share prior to the Transaction compares to the value of a Sunbird share following the Transaction, as detailed below.

	Ref	Low $	Preferred $	High $
Value of a Sunbird share prior to the Transaction	9	0.100	0.156	0.420
Value of a Sunbird share following the Transaction	10	0.010	0.010	0.010

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, the Transaction is not fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in Section 12 of this Report, in terms of both

- advantages and disadvantages of the Transaction; and
- other considerations, including the position of Shareholders if the Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Transaction is approved is more advantageous than the position if the Transaction is not approved. Accordingly, in the absence of any other relevant information, we believe that the Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	**Advantages**	**Section**	**Disadvantages**
12.1.1	The Transaction strengthens the Company's balance sheet	12.2.1	The Transaction is not fair
12.1.2	The Transaction releases the Company from further contingent payments relating to the Ibhubesi Gas Project	12.2.2	The Company will no longer hold any petroleum assets
12.1.3	The Transaction positions the Company to pursue alternate opportunities	12.2.3	Potential suspension of the Company's shares

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
12.1.4	The Transaction provides the Company with the opportunity to exit a subdued natural gas industry		

Other key matters we have considered include:

Section	Description
12.3	Alternative offers
12.4	Practical level of control
12.5	Consequences of not approving the Transaction

3. Scope of the Report

3.1 Purpose of the Report

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity at the date of the last audited accounts. Based on the reviewed accounts as at 31 December 2015, Sunbird was in a net liability position. Therefore, we consider that the assets proposed to be disposed of under the terms of the Transaction are greater than the 5% equity interest of Sunbird as at 31 December 2015.

ASX Listing Rule 10.1 applies where the vendor or acquirer of the relevant assets is a related party of the listed entity. Salt is considered a substantial shareholder, holding approximately 30.09% of the share capital of Sunbird prior to the Transaction.

Listing Rule 10.10.2 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded in respect of the transaction non-associated shareholders.

Accordingly, an independent experts' report is required for the Transaction. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of Sunbird.

3.2 Regulatory guidance

Neither the ASX Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that, where an expert assesses whether a related party transaction is 'fair and reasonable' for the purposes of ASX Listing Rule 10.1, this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal.

We do not consider the Transaction to be a control transaction. As such, we have used RG 111 as a guide for our analysis but have considered the Transaction as if it were not a control transaction.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. In the case of Sunbird, the subsidiaries being disposed of are the subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. RG 111 states that when considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. However, as stated in Section 3.2 we do not consider that the Transaction is a control transaction. As such, we have not included a premium for control when considering the value of a Sunbird share prior to of following the Transaction.

RG 111 states that when consideration is in the form of scrip then the expert should consider this value on a minority interest basis.

Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of a Sunbird share prior to the Transaction and the value of a Sunbird share following the Transaction (fairness – see Section 11 'Is the Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness – see Section 12 'Is the Transaction Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('**APES 225**').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Transaction

4.1 Details of the Transaction

On 18 April 2016, Sunbird announced that the Company had executed a conditional agreement for the sale of all of Sunbird's non-cash assets with a private, black-owned South African company comprised of a consortium of major shareholders and debtholders of Sunbird led by Umbono and including Salt. The subsidiaries that will be transferred are as follows:

- 100% of its shares in Pretzavest 37 (Pty) Ltd;
- 100% of its shares in Greatway Holdings (BVI) Ltd;
- 100% of its shares in Sunbird Energy (Ibhubesi) Pty Ltd; and
- 100% of its shares in Sunbird Energy (SA) Pty Ltd.

To implement the Transaction, Sunbird will transfer all shares in Pretzavest, Greatway and Sunbird Ibhubesi to SEA. Salt will incorporate a wholly owned subsidiary, the Purchaser.

A number of agreements have been entered into to effect the Transaction, these are as follows:

i. Buyback Agreement

Under the Buyback Agreement, Sunbird will buy back 55 million of its shares from the African Consortium ('**Buyback Shares**'). The African Consortium includes Salt, Vandasia Investments Limited, the lenders who have provided loan facilities to Sunbird and other African parties that may be introduced to effect the Transaction.

ii. Deeds of Assignment and Release

Sunbird has previously entered into four loan agreements as follows:

(a) The loan deed between Sunbird, Sunbird Ibhubesi and Geluk Investments Pty Ltd dated 6 August 2015;

(b) The loan deed between Sunbird, Sunbird Ibhubesi and Allan Mackintosh dated 6 August 2015;

(c) The loan deed between Sunbird, Sunbird Ibhubesi and Brian Glover dated 6 August 2015; and

(d) The loan deed between Sunbird, Sunbird Ibhubesi and Umbono dated 7 August 2015.

(together referred to as the '**Loan Agreements**')

Following completion of the Transaction, Sunbird unconditionally, irrevocably and absolutely assigns to the Purchaser, and the Purchaser acquires and accepts the assignment of Sunbird's rights, title, obligations and interests under each of the Loan Agreements.

iii. Share Sale Agreement

Sunbird agrees to sell, and the Purchaser agrees to purchase, 100% of the shares in SEA for the purchase price of approximately $1.0 million .

4.2 The Company following the Transaction

As a result of the Transaction the following key assets and liabilities will be disposed of by Sunbird:

- The Company's 76% working interest in the Ibhubesi Gas Project;

- The Company's portfolio of Coal Bed Methane ('**CBM**') projects located in coal basins across South Africa; and
- All liabilities outstanding in relation to the Loan Agreements, which as at 25 April 2016 totalled approximately $4.96 million.

Following completion of the Transaction, Sunbird will consist of the following key items:

- Cash payable under the Share Sale Agreement, totalling approximately $1.0 million;
- A reduced outstanding share capital balance as a result of the Buyback Agreement; and
- A new name.

4.3 Conditions Precedent

Both Sunbird and the Purchaser agree that completion of the Transaction is conditional on the satisfaction of the following conditions precedent:

(a) Sunbird obtaining all necessary shareholder approvals for the Transaction, including the buyback of the Buyback Shares and the sale of shares in SEA, and for all other purposes;

(b) The internal restructure of Sunbird;

(c) Documentation to effect the changes to the Sunbird Board and its subsidiaries;

(d) All requisite Australian regulatory approvals, including those required from ASX and the ASIC, having been obtained;

(e) All documents required to have been lodged with ASX and ASIC having been lodged; and

(f) Execution of each of the Transaction documents having occurred.

5. Profile of Sunbird Energy Limited

5.1 History

Sunbird obtained official admittance onto the ASX on 19 January 2012. Sunbird is a gas explorer and developer focused on developing assets located in South Africa. The Company's flagship project is the Ibhubesi Gas Project, located 360 km northwest of Cape Town, in which Sunbird holds a 76% operating interest. The Company also has a portfolio of CBM projects located in coal basins in South Africa and Botswana.

The Company's board of directors comprises:

- Mr Kerwin Rana (Executive Chairman – interim Chief Executive);
- Mr Marcus Gracey (Executive Director)
- Mr Dorian Wrigley (Non-Executive Director);
- Mr Gabriel Chiappini (Non-Executive Director); and
- Mr Richard Barker (Company Secretary).

On 17 June 2014, Sunbird successfully completed the acquisition of its 76% operating interest in the Ibhubesi Gas Project. This was purchased for a cash consideration of $US2.5 million and additional incentive payments from the vendors, Forest Oil Corporation, the Anschutz Overseas Corporation and

Forest Oil Netherlands B.V (‘**the Vendors**’). The Company gained its controlling interest in the Ibhubesi Gas Project through the acquisition of Forest Exploration International (SA) Pty Ltd (‘**Forest SA**’), Anschutz South Africa Corporation (‘**Anschutz**’) and Green River Electric Power Company Pty Ltd (‘**GREPCo**’). Forest SA and Anschutz hold 53.2% and 23.8% working interest in the Ibhubesi Gas Project, respectively.

On 29 July 2015, Sunbird announced that the Company had received an indicative non-binding proposal from Glendal Power & Industries Pty Ltd (‘**Glendal**’) to undertake a potential takeover bid of all of the shares of Sunbird at an offer price of $0.18 per share. The proposal was subject to a number of conditions including due diligence, third party financing arrangements and Glendal achieving a minimum relevant interest in at least 51% of all Sunbird shares on issue.

On 7 October 2014, the Company completed a private placement of 20,367,127 fully paid ordinary shares to Vandasia for an aggregate subscription amount of US$5 million. Vandasia increased its percentage interest in Sunbird to 14.90% upon the completion of the capital raise.

On 10 August 2015, Sunbird successfully completed a $4 million debt reconstruction and financing package with Umbono along with sophisticated South African investors who already have shown support for the Company. The package was made up of $2.5 million of refinanced current debt and $1.5 million cash for working capital.

On 17 December 2015, Sunbird was informed that Glendal withdrew their potential takeover bid of all the Sunbird shares.

5.2 The Ibhubesi Gas Project

The Ibhubesi Gas Project is located in offshore petroleum Block 2A (‘**the Block**’) off the west coast of South Africa. Sunbird holds a 76% operating interest in the Ibhubesi Gas Project and the remaining 24% interest in the Block is held by Petroleum, Oil and Gas Corporation of South Africa (SOC) Ltd (‘**PetroSA**’), the national oil company of South Africa. The Ibhubesi Project represents the largest undeveloped gas discovery in South Africa and includes a production license covering 5,000km^2 and 2P reserves of 540 billion cubic feet (‘**BCF**’). The Ibhubesi Gas Project, located in the Orange Basin which is prospective for gas, is adjacent to several other gas interests held by high profile companies.

On 24 December 2013 Sunbird announced that it had entered into a Memorandum of Understanding (‘**MoU**’) with the South African State owned power utility, Eskom Holdings (SOC) Ltd (‘**Eskom**’), to jointly investigate gas supply from Ibhubesi to Eskom’s 1,300MW Ankerlig Power Station. Eskom intends to convert its existing high cost diesel feed stock with the supply of natural gas.

We note that the execution of a Gas Sales Agreement will trigger a contingent liability of $US5.0 million payable to the Vendors. In addition, a further $US10.0 million will be payable to the Vendors upon a final investment decision being made or first gas sales being achieved.

On 11 March 2014, the Company announced a prospective resource for Block 2A of its Ibhubesi Gas Project. The prospective resource assessment was completed following a review of available drilling and seismic data. The resources were independently certified by MHA and indicated significant exploration potential with a best estimate gross prospective resource of 7.8 trillion cubic feet.

On 18 March 2015, Sunbird entered a non-binding Gas Sales Agreement Term Sheet with Eskom for the supply of gas to the Ankerling Power Station for the Ibhubesi Gas Project. Having completed this step towards the commercialisation of the Ibhubesi Gas Project, Sunbird was focussed on progressing the non-binding Gas Sales Agreement Term Sheet to a fully termed and binding GSA in conjunction with PetroSA and Eskom.

Refer Appendix 3 for further information on the Ibhubesi Gas Project.

5.3 Coal Bed Methane Projects

The Company also has CBM projects located in South Africa and Botswana. This includes the Ermelo project, Mopane project, Somkhele project, Springbok Flats project and the Kasane project.

In the year ended 30 June 2015, Sunbird impaired the carrying value of the CBM projects to nil.

5.4 Historical Consolidated Statement of Financial Position

Historical Consolidated Statement of Financial Position	Reviewed as at 31-Dec-15 $	Audited as at 30-Jun-15 $	Audited as at 30-Jun-14 $
CURRENT ASSETS			
Cash and cash equivalents	713,301	690,654	373,043
Trade and other receivables	229,489	212,990	867,839
TOTAL CURRENT ASSETS	942,790	903,644	1,240,882
NON CURRENT ASSETS			
Property, plant and equipment	20,338	33,468	56,577
Exploration and evaluation expenditure	3,222,561	3,888,289	3,754,489
TOTAL NON CURRENT ASSETS	3,242,899	3,921,757	3,811,066
TOTAL ASSETS	4,185,689	4,825,401	5,051,948
CURRENT LIABILITIES			
Trade and other payables	323,293	517,637	1,787,337
Borrowings	4,412,963	2,321,456	2,484,763
Finance lease obligation	1,732	6,177	5,234
TOTAL CURRENT LIABILITES	4,737,988	2,845,270	4,277,334
NON CURRENT LIABILITIES			
Finance lease obligation	9,594	11,576	17,138
TOTAL NON CURRENT LIABILITIES	9,594	11,576	17,138
TOTAL LIABILITIES	4,747,582	2,856,846	4,294,472
NET ASSETS	**(561,893)**	**1,968,555**	**757,476**
EQUITY			
Share capital	19,320,504	19,320,504	14,338,035
Reserves	5,786,242	6,913,307	4,768,949
Accumulated losses	(24,869,147)	(23,356,561)	(17,585,323)
Total equity attributable to owners of Sunbird Energy Ltd	**237,599**	**2,877,250**	**1,521,661**
Non-controlling interest	(799,492)	(908,695)	(764,185)
TOTAL EQUITY	**(561,893)**	**1,968,555**	**757,476**

Source: Reviewed financial statements for the half year ended 31 December 2015 and the years ended 30 June 2015 and 30 June 2014.

Commentary on Historical Consolidated Statement of Financial Position

We note the following in relation to Sunbird's Historical Consolidated Statements of Financial Position:

- The auditor's review report in the financial statements for the half year ended 31 December 2015 included an emphasis of matter noting that the ability of the Company to continue as a going concern is dependent upon further financing through capital raising, debt and asset transaction.
- As at 31 December 2015, cash and cash equivalents increased to approximately $0.71 million as a result of further drawdowns from the loan facilities in place under the Loan Agreements to finance its current operating activities.
- Exploration and evaluation expenditure decreased to approximately $3.22 million as at 31 December 2015 as a result of foreign currency translation. During this period an amount of $0.56 million was spent on exploration expenditure (an amount of $0.18 million was recovered from its JV partner) however the full amount was expensed to the statement of profit or loss and other comprehensive income. In the year ended 30 June 2015, Sunbird impaired the carrying value of the CBM projects to nil.
- Current borrowings as at 31 December 2015 increased to approximately $4.41 million. During the half year the Company refinanced its loan facilities.
- The loan facility in place with Umbono had a total amount of approximately $1.30 million drawn down, leaving approximately $1.44 million available to the Company. Interest on the amount of the facility used is 20% per annum and the loan is repayable on or before 31 December 2016. Subject to shareholder approval, at the election of Umbono, the outstanding amount may be converted from debt to equity in the Company.
- The new loan facilities in place had a total amount of approximately $3.11 million, leaving no further drawdowns available to the Company. Interest on the amount of the facility used is 20% per annum and the loans are repayable on or before 31 December 2016. Subject to shareholder approval, at the election of the lenders, the outstanding amount may be converted from debt to equity in the Company.
- On 17 February 2016, the Company finalised a loan facility agreement with Musa Capital, a South African based private equity firm. The facility has a principle amount of $0.5 million with interest payable on any drawdowns at a rate of 20% per annum. The repayment date is 31 December 2017 however the lender, at its sole election, can convert any outstanding debt to equity at $0.12 per share or the higher of the subscription price per share under any capital raising exercise and $0.01 per share. At the date of this Report no funds have been drawn down under this loan facility agreement.
- Share capital increased from approximately $14.34 million as at 30 June 2014 to approximately $19.32 million as at 31 December 2015. The majority of this increase was a result of a share issue undertaken during October 2014 to Vandasia which raised a total of US$5 million.
- The non-controlling interest relates to the Company's subsidiary, Pretzavest 37 Pty Ltd. The Company holds a 74% interest in this subsidiary and the remaining 26% is classed as a non-controlling interest.
- Sunbird has contingent liabilities at 31 December 2015 of $186,385 in respect to restoration and rehabilitation bonds held by the Petroleum Agency South Africa.

  In addition, conditional on the Ibhubesi Gas Project achieving certain project milestones and commercial development success, the following enhancement payments are also payable to the Vendors:

- US$5 million on execution of a Gas Sales Agreement; and
- US$10 million on Final Investment Decision or First Gas Sales.

The following enhancement payment is also payable to Forest Oil Corporation and the Anschutz Overseas Corporation from Block produced gas sales achieved:

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

These liabilities have not been brought to account in the Consolidated Statement of Financial Position outlined above 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 Vendors.

5.5 Historical Consolidated Statement of Profit or Loss and Other Comprehensive Income

Historical Consolidated Statement of Profit or Loss and Other Comprehensive Income	Reviewed for the half year ended 31-Dec-15 $	Audited for the year ended 30-Jun-15 $	Audited for the year ended 30-Jun-14 $
Interest revenue	9,303	42,504	34,563
Exploration expenses	(374,878)	(2,174,636)	(5,213,925)
Corporate costs	(653,397)	(986,182)	(450,184)
Professional fees	(97,026)	(254,663)	(515,741)
Directors and executive fees	(48,333)	(165,000)	(236,002)
Share-based payment expense	(24,154)	(1,631,210)	(4,092,600)
Impairment of E&E	-	(34,461)	(752,749)
Finance costs	(376,331)	(704,888)	(92,503)
Loss before income tax	**(1,564,816)**	**(5,908,536)**	**(11,319,141)**
Income tax expense	-	-	-
Loss from continuing operations after income tax	**(1,564,816)**	**(5,908,536)**	**(11,319,141)**
Loss for the period attributable to:			
Members of the parent entity	(1,519,796)	(5,771,238)	(10,984,239)
Non-controlling interest	(45,018)	(137,298)	(334,902)
Total loss from continuing operations	**(1,564,814)**	**(5,908,536)**	**(11,319,141)**
Other comprehensive income			
Items that may be reclassified subsequently as profit and loss:			
Foreign currency translation - members of the parent entity	(1,151,219)	168,147	(50,674)
Foreign currency translation - non-controlling interest	154,221	(7,212)	-
Total other comprehensive loss for the period	**(996,998)**	**160,935**	**(50,674)**
Total comprehensive loss for the period attributable to:			
Members of the parent entity	(2,671,015)	(5,603,091)	(11,034,913)
Non-controlling interest	109,203	(144,510)	(334,902)
Loss for the period attributable to owners of the parent	**(2,561,812)**	**(5,747,601)**	**(11,369,815)**

Source: Reviewed financial statements for the half year ended 31 December 2015 and the years ended 30 June 2015 and 30 June 2014.

Commentary on Historical Consolidated Statement of Profit or Loss and Other Comprehensive Income

We note the following in relation to Sunbird's Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income:

- The Company incurred approximately $0.56 million in exploration expenditure for the six month period ended 31 December 2015. An amount of approximately $0.18 million was recovered from its JV partner totalling net exploration costs of approximately $0.37 million.
- Corporate costs totalled approximately $0.65 million for the six month period ended 31 December 2015. The majority of this balance is made up of fees paid to consultants during the period of approximately $0.49 million.
- Finance costs relate to the accrued interest expenses on the loan facilities in place.

5.6 Capital Structure

The share structure of Sunbird as at 22 April 2016 is outlined below:

	Number
Total ordinary shares on issue	138,992,127
Top 20 shareholders	98,644,850
Top 20 shareholders - % of shares on issue	70.97%

Source: Share registry

The range of ordinary shares held by shareholders as at 22 April 2016 is outlined below:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	10	1,008	0.00%
1,001 - 5,000	26	80,188	0.06%
5,001 - 10,000	47	429,749	0.31%
10,001 - 100,000	227	8,982,555	6.46%
100,001 - and over	123	129,498,627	93.17%
Total	**433**	**138,992,127**	**100.00%**

Source: Share registry

The ordinary shares held by the most significant shareholders as at 22 April 2016 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Salt Minerals Investments Limited	41,818,584	30.09%
Vandasia Investments Limited	20,367,127	14.65%
Mycatmax Pty Ltd	7,852,250	5.65%
Investment Holdings Pty Ltd	4,625,000	3.33%
Subtotal	74,662,961	53.72%
Others	64,329,166	46.28%
Total ordinary shares on issue	**138,992,127**	**100.00%**

Source: Share registry

6. Economic analysis

Global

Throughout 2015 global economic activity continue to be subdued. While many advanced economies have recorded increased growth over the past year, the emerging market economies have found circumstances challenging for the fifth year in a row. Growth in advanced economies is expected to increase by around 2 percent in 2016 and hold steady in 2017.

Global inflation remains benign, supported by another drop in international oil prices. Monetary policies in the majority of advanced economies are projected to remain accommodative. Normalisation in the United States is expected to continue at a slow rate, but Japan and Europe are expected to ease down, with the Bank of England indicating that monetary policy tightening is still a long way off.

Growth in China has continued to evolve, but with imports and exports slowing down faster than expected, investment and manufacturing activity has weakened. Together with concerns regarding future performance of the Chinese economy, other economies are being affected through trade channels and weaker commodity prices, along with cumulative volatility in financial markets.

Monetary easing in the European area along with Japan is continuing as expected, while in late 2015 the U.S. Federal Reserve raised the federal funds rate from zero lower bound. As a whole, the financial conditions within advanced economies remain strong. The idea of an increase in policy interest rates in the U.S., along with financial volatility, raise concerns as to whether emerging market growth prospects have a direct relation to the tighter external financial circumstances.

Activity tends to be strong in the United States, supported by fair financial conditions and a strengthening housing and labour market. The strong US dollar is seeing an increase in manufacturing activity and lower oil prices are reducing the investment in mining structures and equipment.

Oil prices have declined considerably in the past three months represented by sustained increases in production by Organisation of the Petroleum Exporting Countries (‘**OPEC**’) members, as oil production continues to outweigh consumption. Futures markets suggest that there will only be a moderate increase in prices come the next couple of years. Prices of other key commodities have been on a declining trend.

Source: *www.imf.org IMF, World Economic Outlook Update, January 2016.*

South Africa

The South African inflation outlook has continued to decline significantly due to exchange rate and food price developments. The South African Rand (‘**the Rand**’) has declined considerably as a result of domestic and external developments, while the effect of the worsening drought on food prices is becoming more evident.

The inflation rate, as measured by the consumer price index (**‘CPI’**), measured 5.2% in December 2015, showing an increase from 4.8% in November 2015. The increase was in line with the market and South African Reserve Bank’s predictions. The goods market inflation rate increased to 4.6% from 3.8%, due to higher petrol and food prices. Inflation is now expected to average around 6.8% in 2016 and 7.0% in 2017. These rising revisions make up for the impact of the low international oil price assumption.

Over the two months ended January 2016, the exchange rate of the Rand has depreciated by 13.5% against the US dollar and 15.2% against the euro, thus adding to the decline in the inflation forecast. In early January 2016, the Rand reacted further to the concerns about the Chinese economy.

Statistics show the mining sector remains under pressure due to declining commodity prices and a decrease in demand. International oil prices have declined even further over the past two months. The global over supply and low prices are expected to remain for the short term, mostly due to the lifting of sanctions against Iran. Marginal producers are expected to reduce their production, which will see a moderate upward trend over the forecast period.

Source: *www.resbank.co.za Statement of Monetary Policy Committee: Issued by Lesetja Kganyago, Governor of South Africa Reserve Bank, 28 January 2016*

Australia

Over recent months the financial markets have exhibited high volatility due to uncertainty about the global economic outlook and the policy settings among the major jurisdictions. Less risk is being taken and funding conditions have tightened for emerging market sovereigns along with lesser-rated corporates. However funding costs for high-quality borrowers remain low.

Information would suggest that the growth of the non-mining sector of the economy strengthened throughout 2015 with a decrease in spending in mining investment. This is evident in improved labour market conditions.

The inflation rate remains low. With little growth in labour costs and inflation restrained elsewhere in the global economy, inflation in Australia is more than likely to remain at this level over the next year or two.

Source: www.rba.gov.au *Statement by Glenn Stevens, Governor: Monetary Policy Decision 1 March 2016*

7. Industry analysis

7.1 Overview on Natural Gas

Natural gas is a flammable mixture of hydrocarbon gases. It is comprised mainly of methane (CH_4), with varying levels of heavier hydrocarbons and other gases such as carbon dioxide. Gas is used to generate electricity and to power appliances such as heaters and stoves. It is also used in many industrial processes, including the production of fertilisers, glass, steel, plastics, paint, and fabrics.

There are two main types of natural gas produced:

- Conventional Gas: Gas that typically located in underground reservoirs and trapped in rock; and
- Unconventional Gas: Gas that is trapped in impermeable rock, which cannot migrate to a trap and form a conventional gas deposit.

7.2 Overview on Coal Bed Methane

Coal bed methane, also known as coal seam gas, is a form of natural gas that is typically extracted from coal seams at depths of 300-1,000 metres. It usually comprise of more than 95% pure methane. Coal bed methane was formed over 200 million years ago during coal formation and is contained in the fine structures of coal seams. Extraction of coal bed methane requires water extraction which reduces the pressure in the coal seam, allowing the methane to be released from the coal.

Similarly to conventional gas, coal bed methane is used in domestic households, industrial processes and for electricity generation.

The main difference between conventional gas and unconventional gas such as coal bed methane is the type of reservoir from which they are produced. Due to unconventional gas being located in impermeable structures, it is more difficult to extract than conventional gas.

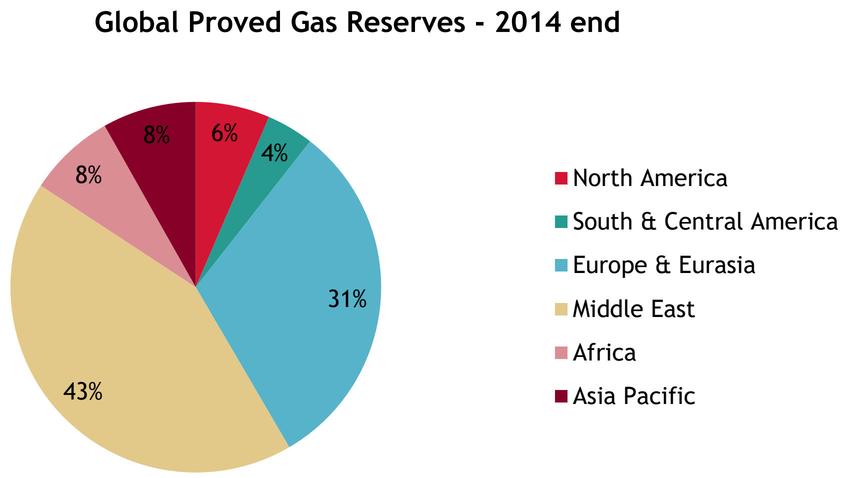
7.3 Liquefied natural gas

Liquefied natural gas (**'LNG'**) is natural gas that is stored to minus 161 Celsius, so that it becomes a liquid. Before that natural gas can be liquefied, impurities including carbon dioxide, sulphur compounds and heavier hydrocarbons must be removed. Once it has become liquefied, the methane takes up less space. As LNG occupies approximately 1/6000 the space of methane in its gaseous form, it can be exported in purpose-built tanker ships. Once delivered to a terminal, the liquid is then heated and turned back into gas.

As LNG is non-toxic and colourless, it is considered to be one of the safest and cleanest fuels available. When burned, LNG produces mostly carbon dioxide and water vapour.

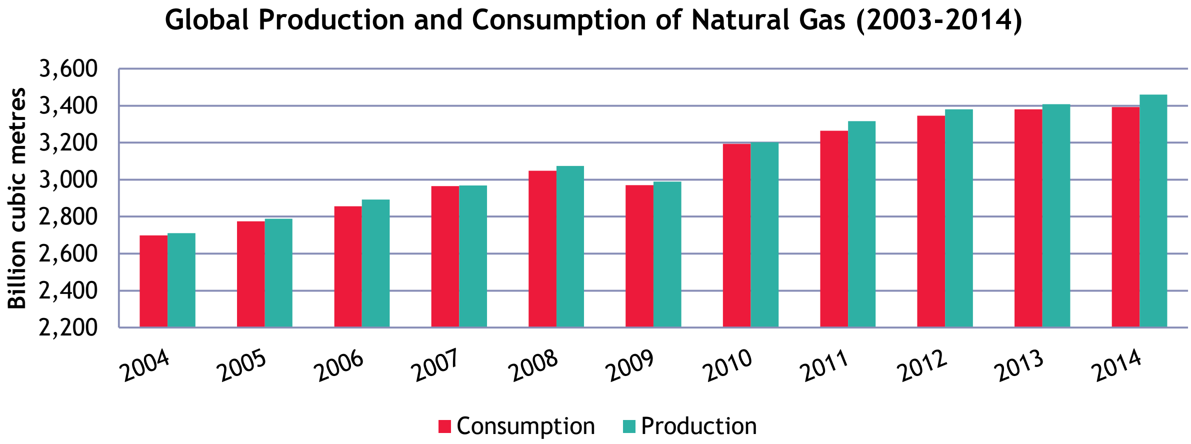
7.4 Global Gas Reserves

At the end of 2014, proved global gas reserves stood at 187.1 trillion cubic metres, which was a 19.55% increase on the reserves at the end of 2004. The Middle East, Europe and Eurasia are the biggest players collectively representing 74% of total proved gas reserves.



Source: BP Statistical Review of World Energy June 2015

7.5 Global Gas Production and Consumption



Source: BP Statistical Review of World Energy June 2015

As illustrated in the graph above, global production of gas has shown an upward trend and has exceeded global consumption. This is primarily due to natural gas being in a constant state of oversupply due to the difficulty faced by operators in reducing production. This is because ceasing production and shutting off wells runs the risk of losing the supply altogether.

In 2009, global production of gas contracted due to the global financial crisis resulting in an economic slowdown. As producers were unable to reduce production during the start of the recession in 2008, this resulted in gas producers accumulating large stockpiles of gas, leading to a fall in production in 2009.

In 2010, improvement in the global economy saw an increase in consumption and by the end of 2010, gas operators had exhausted their accumulated stockpiles. Since 2010, production of gas has continued to grow and outstrip consumption, with the increase primarily driven by the relative cost advantages of natural gas over coal for power generation.

In 2014, world natural gas production grew by only 1.6%. This is below the two year average of 2.5% and four times the growth rate of global consumption. North America was the only region that production growth rate was above average. The largest declines were seen in Russia and the Netherlands. Consumption growth, similar to production growth was below average in all regions excluding North America and the Middle East. Gas consumption in the European Union had the biggest decline in volume on record at 11.6%.

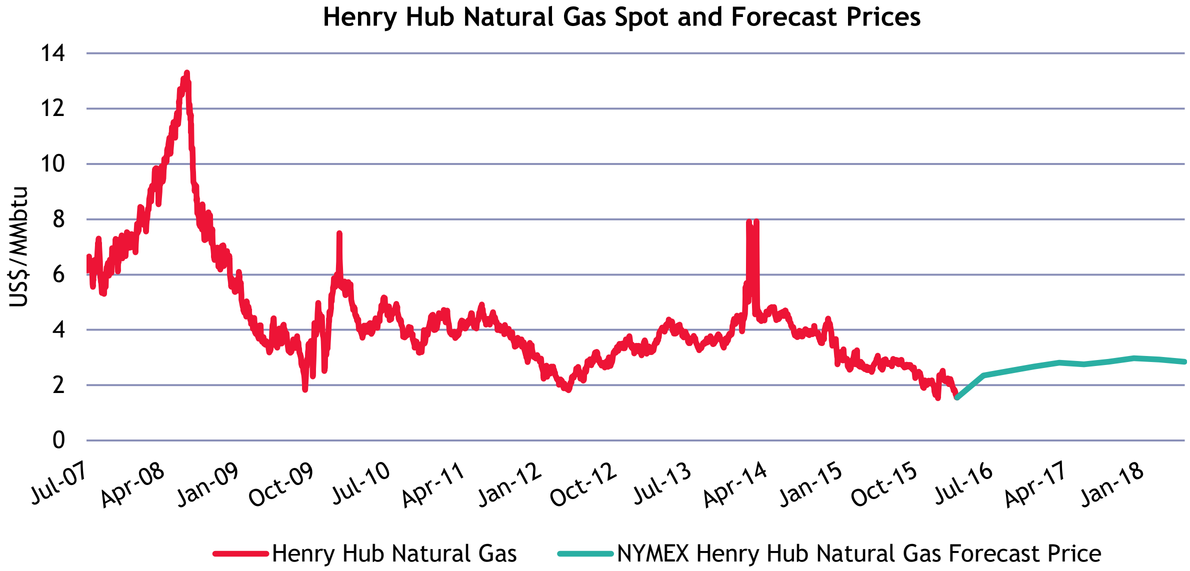
Source: BP Statistical Review of World Energy June 2015

7.6 Consumption and Production of Gas in South Africa

Compared to many areas in Africa, South Africa's offshore coast remains relatively unexplored. This is primarily due to the fact that South Africa's waters are quite deep, resulting in a more challenging route to extract the gas. As a result, South Africa has heavily relied on its large coal deposits to meet the majority of its energy needs, particularly in the electricity sector. Due to the limited exploration of natural gas offshore, South Africa imports its natural gas from Mozambique, with the small volume produced by South Africa consumed by the Mossel Bay GTL plant.

7.7 Prices of Natural Gas

Supply and demand factors are most influential in driving fluctuations in gas prices. The graph below highlights the dramatic change in gas prices at and around the time of the global financial crisis.



Source: Bloomberg

Prior to the financial crisis, natural gas prices were increasing, primarily driven by high oil prices along with stabilising gas reserves. The financial crisis of 2008 saw natural gas prices fall substantially and in 2009, prices dropped to US$1.82/MMbtu as a result of reduced demand and accumulated stockpiles. In 2011, the economy showed signs of recovery with growing demand for natural gas in Asia driving prices up. By 2012, the price of natural gas showed a relative downward trend and fell below US$2/MMbtu. The fall was a result of a mild winter experienced in the northern hemisphere.

In 2014 the price of natural gas increased considerably throughout the United States due to strong industrial and weather driven demand growth. Cold weather seemed to be a major factor in the increase in consumption despite high prices.

2016 has seen natural gas prices hit historic lows at many market locations around the globe. The Henry Hub spot price hit $1.59 in February, the lowest nominal price since 1998. This is thought to be due to a warm winter and continued high production of natural gas.

The current historic lows of natural gas prices has brought about the recent demise of large natural gas projects such as Woodside's Browse floating LNG project which has had development put on hold due to the current economic and market environment

7.8 Outlook

Over the next five years, especially 2017-18, rising output is expected to support increased revenue, due to world natural gas prices holding their ground and the world price of crude oil increases. Overcapacity may emerge in global energy markets due to producers investing in capacity in response to the increased demand and higher prices for energy commodities over recent years.

Over the long run shifts in global supply and demand are expected to restrict the growth in global commodity prices. IBIS world is predicting strong industry growth, with profits increasing somewhat by 2020-21. However, there is concern that the United States (a large producer of natural gas) is expected to increasingly participate in world trade, which will pose threat on the industry. If the United States started to export LNG, then the increase in global supply would most likely have a negative impact on the world price of natural gas. Higher cost of extracting oil and gas from deeper projects may also limit profit growth.

While demand for natural gas is expected to increase, supply increases will offset some of the rising demand. Previously, the supply of natural gas was heavily dependent on Middle Eastern and Russian reserves; however the discovery of natural gas in locations closer to the demand centres such as North America, Western and Eastern Europe, Africa, and North Asia will reduce the dependency. Furthermore, the introduction of advanced technologies such as the practice of hydraulic fracturing will result in the extraction of unconventional gas formations such as coal bed methane and shale gas become economically viable.

Sources: *IBISWorld, BP Statistical Review of World Energy June 2015, U.S Energy Information Administration.*

8. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('**FME**')
- Discounted cash flow ('**DCF**')
- Quoted market price basis ('**QMP**')
- Net asset value ('**NAV**')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

8.1 Value of a Sunbird share prior to the Transaction

In our assessment of the value of a Sunbird share prior to the Transaction we have chosen to employ the following methodologies:

- NAV on a going concern basis as our primary valuation methodology; and
- QMP approach as our secondary method as this represents the value that a Shareholder can receive for a share if sold on the market.

Methodologies adopted

We have chosen these methodologies for the following reasons:

- Sunbird's primary asset, the Ibhubesi Gas Project does not currently generate any income nor are there any historical profits that could be used to represent the future earnings, so the FME approach is not appropriate;

- Sunbird currently has no foreseeable future net cash inflows, so the application of the DCF valuation approach is not appropriate;
- Consequently, we have adopted the NAV approach as our primary valuation method. Sunbird's primary asset, the Ibhubesi Gas Project, is not a producing asset and no revenue or cash flows are currently generated by this asset.
- The QMP basis is a relevant methodology to consider because Sunbird shares are listed on the ASX. This reflects the value that a Shareholder will receive for a share sold on the market. This means there is a regulated and observable market where Sunbird shares can be traded. However, in order for the QMP method to be considered appropriate, the Company's shares should be liquid and the market should be fully informed for the Company's activities.

Technical Expert

In valuing Sunbird's interest in the Ibhubesi Gas Project, we have relied on the independent specialist valuation performed by RISC Operations Pty Ltd (**'RISC'**) in accordance with the Code of Technical Assessment of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2005 (**'the Valmin Code'**).

We are satisfied with the valuation methodologies adopted by RISC which we believe are in accordance with industry practices and compliant with the requirements of the Valmin Code. A copy of RISC's valuation report is attached in Appendix 3.

8.2 Value of a Sunbird share following the Transaction

In our assessment of the value of a Sunbird share following the Transaction, we have chosen to employ the following methodologies:

- Sum-of-parts method, as our primary method, which estimates the market value of a company by separately valuing each asset and liability of the Company. The value of each asset may be determined using different methods. The component parts are valued using the NAV method.

Methodologies adopted

We have employed the sum-of-parts method in estimating the fair market value of a Sunbird share following the Transaction by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the following:

- the value of cash paid to Sunbird under the Share Sale Agreement;
- the value of any other assets and liabilities that will remain in Sunbird following the Transaction (applying the cost approach under the NAV method);
- the reduction in the outstanding liabilities under the Loan Agreements to be transferred;
- the inclusion of any expenses incurred as a result of the Transaction;
- the resulting number of shares (including the reduction in shares on issue as a result of the Buyback Agreement) upon completion of the Transaction; and
- the net asset value per share for Sunbird following the Transaction.

No minority discount is required to be applied to the NAV of a Sunbird share following the Transaction as the Transaction is not deemed to be a control transaction as discussed in Section 3.2.

9. Valuation of Sunbird prior to the Transaction

9.1 Net Asset Value of a Sunbird share

The value of Sunbird's assets on a going concern basis is reflected in our valuation below:

	Note	Reviewed as at 31-Dec-15 $	Low value $	Preferred value $	High value $
CURRENT ASSETS					
Cash and cash equivalents	1	713,301	527,686	527,686	527,686
Trade and other receivables		229,489	229,489	229,489	229,489
TOTAL CURRENT ASSETS		942,790	757,175	757,175	757,175
NON CURRENT ASSETS					
Property, plant and equipment		20,338	20,338	20,338	20,338
Exploration and evaluation expenditure	2	3,222,561	18,351,029	26,215,756	62,917,814
TOTAL NON CURRENT ASSETS		3,242,899	18,371,367	26,236,094	62,938,152
TOTAL ASSETS		4,185,689	19,128,542	26,993,269	63,695,327
CURRENT LIABILITIES					
Trade and other payables		323,293	323,293	323,293	323,293
Borrowings	3	4,412,963	4,956,576	4,956,576	4,956,576
Finance lease obligation		1,732	1,732	1,732	1,732
TOTAL CURRENT LIABILITES		4,737,988	5,281,601	5,281,601	5,281,601
NON CURRENT LIABILITIES					
Finance lease obligation		9,594	9,594	9,594	9,594
TOTAL NON CURRENT LIABILITIES		9,594	9,594	9,594	9,594
TOTAL LIABILITIES		4,747,582	5,291,195	5,291,195	5,291,195
NET ASSETS		(561,893)	13,837,346	21,702,073	58,404,131
Shares on issue (Pre Transaction)	4		138,992,127	138,992,127	138,992,127
Value per share ($)			0.100	0.156	0.420

Source: BDO Analysis

We have been advised by management that there were no material changes in the consolidated statement of financial position since 31 December 2015 and assumed that the fair market value of the assets and liabilities is equal to the carrying values set out above, other than those adjustments outlined below.

The table above indicates the net asset value of a Sunbird share is between $0.100 and $0.420, with a preferred value of $0.156. The following adjustments were made to the net assets of Sunbird as at 31 December 2015 in arriving at our valuation.

Note 1: Cash and cash equivalents balance

Management has advised that as at the date of this report the total cash balance of Sunbird is $527,686. This includes the $445,000 received on 25 April 2016 (see Note 3 below).

Note 2: Valuation of Sunbird's interest in the Ibhubesi Gas Project

We have instructed RISC to provide an independent market valuation of Sunbird's interest in the Ibhubesi Gas Project and the CBM projects. RISC has reviewed the CBM projects and concluded that their value is immaterial.

RISC considered a number of different valuation methods when valuing Sunbird's interest in the Ibhubesi Gas Project, these included:

- Risk adjusted estimate of the terms of Sunbird's acquisition of its interest in the Ibhubesi Gas project from the Vendors;
- Notional farm-in terms by a potential farmee into the project; and
- Risk adjusted DCF of RISC's mid-case estimate of Sunbird's reserves.

We consider the methodologies used by RISC to be appropriate given the stage of development of this asset. The range of values for Sunbird's interest in the Ibhubesi Gas Project, as calculated by RISC, is set out below:

Sunbird Energy Limited Project Valuation - RISC Advisory Pty Ltd	Low value $'000	Preferred value $'000	High value $'000
Ibhubesi Gas Project - Sunbird net interest (US$m)	14.00	20.00	48.00
A$1:US$0.7629	0.763	0.763	0.763
Ibhubesi Gas Project - Sunbird net interest (A$m)	**18.35**	**26.22**	**62.92**

Source: Independent Valuation Report prepared by RISC Advisory Pty Ltd, Bloomberg

The table above indicates a range of values for the Company's interest in the Ibhubesi Gas Project of between $18.35 million and $62.92 million, with a preferred value of $26.22 million. For further information on RISC's valuation of the Sunbird's interest in the Ibhubesi Gas Project please refer to Appendix 3 of our Report.

Note that the AUD/USD exchange rate is calculated as the historical average for the month ended the date of this Report.

Note 3: Borrowings

As at 25 April 2016, the value of the all outstanding liabilities under the Loan Agreements is set out below:

Liabilities outstanding under the Loan Agreements	$
Loan Agreement with Geluk Investments Pty	1,349,057
Loan Agreement with Allan Mackintosh	1,130,901
Loan Agreement with Brian Glover	722,949
Loan Agreement with Umbono Capital Partners LCC	1,308,670
Loan Agreement with Musa Group (Pty) Ltd#	445,000
Total	**4,956,576**

Source: Sunbird management

#Note that Sunbird drew down an additional Loan Agreement with Musa Group (Pty) Ltd ('**Musa Loan Agreement**') on 25 April 2015 for approximately $445,000 for working capital requirements until completion of the Transaction. The terms of the Musa Loan Agreement are as follows:

- On completion of the Transaction, the loan is novated so that the Purchaser replaces the Company as the borrower under the Musa Loan Agreement and the Company will be released of all its obligations under the Musa Loan Agreement from that date;
- If the Transaction is not completed by 30 June 2016, an event of default is triggered under the Musa Loan Agreement that gives rise to a right for Musa Group (Pty) Ltd to demand repayment of the loan plus interest;
- Interest rate is 25%; and
- Repayment must be on the earlier of 31 December 2017 and the date on which the Ibhubesi Gas Project is fully funded and the decision is made to begin construction of project infrastructure.

Note 4: Number of shares

As at the date of our Report, Sunbird has 138,992,127 fully paid ordinary shares on issue.

9.2 Quoted market price for Sunbird shares

To provide a comparison to the valuation of Sunbird in Section 9.1, we have also assessed the quoted market price for a Sunbird share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

Therefore, we have included a premium for control to make our quoted market price directly comparable with the net asset valuation undertaken in Section 9.1.

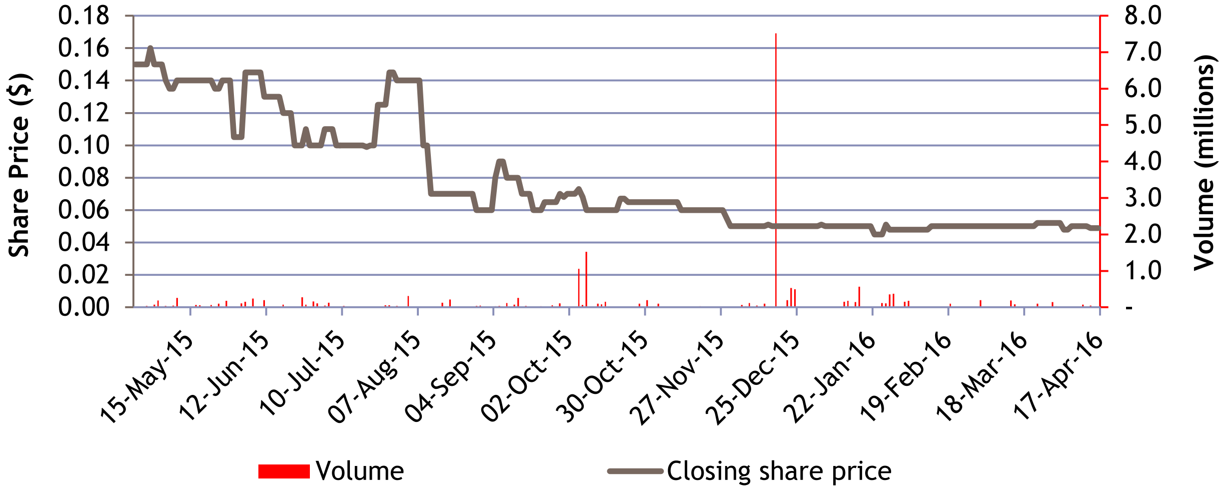
Our calculation of the quoted market price of a Sunbird share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a Sunbird share is based on the pricing prior to the announcement of the Transaction. This is because the value of a Sunbird share after the announcement may include the effects of any change in value as a result of the Transaction.

Information on the Transaction was announced on 18 April 2016 to the public. Therefore, the following chart provides a summary of the share price movement over the 12 months to 17 April 2016.

SNY share price and trading volume history



Source: Bloomberg and BDO analysis

The daily price of Sunbird shares from 17 April 2015 to 17 April 2016 has ranged from a low of $0.045 on 25 January 2016 to a high of $0.160 on 1 May 2015. The highest single day of trading over the past year was on 11 December 2015 where a total of 7,520,000 shares were traded. This was an unusually high quantity of volume for Sunbird, as there were very little shares traded over the entire period. The graph above shows an overall decline in the share price of Sunbird over the period.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement $ (movement)			Closing Share Price Three Days After Announcement $ (movement)		
01/02/2016	Quarterly Activities Report	0.048	►	0.0%	0.048	►	0.0%
01/02/2016	Quarterly Cashflow Report	0.048	►	0.0%	0.048	►	0.0%
17/12/2015	Indicative Proposal Withdrawn	0.050	▼	2.0%	0.050	►	0.0%
30/11/2015	Results of Meeting	0.060	►	0.0%	0.050	▼	16.7%
02/11/2015	Quarterly Activities and Cash Flow Report	0.065	►	0.0%	0.065	►	0.0%
30/10/2015	Annual Report to shareholders	0.065	►	0.0%	0.065	►	0.0%
30/10/2015	Notice of Annual General Meeting/Proxy Form	0.065	►	0.0%	0.065	►	0.0%
09/10/2015	Results of Meeting	0.060	▼	11.8%	0.060	►	0.0%
30/09/2015	Full Year Statutory Accounts	0.070	▲	7.7%	0.070	►	0.0%
09/09/2015	Notice of General Meeting/Proxy Form	0.090	►	0.0%	0.080	▼	11.1%
10/08/2015	Sunbird Announces A$6m Financing Package	0.140	►	0.0%	0.070	▼	50.0%
06/08/2015	Trading Halt	0.140	►	0%	0.100	▼	29%
31/07/2015	Quarterly Activities and Cash Flow Report	0.140	▼	3%	0.140	►	0%
29/07/2015	Sunbird Energy Financing Update	0.145	▲	16%	0.140	▼	3%
27/07/2015	Trading Halt	0.125	►	0%	0.145	▲	16%
30/04/2015	Quarterly Activities and Cashflow Report	0.150	►	0%	0.150	►	0%

Source: Bloomberg and BDO analysis

On 29 July 2015, the Company announced it had received an indicative non-binding proposal from Glendal to undertake a potential takeover bid of all Sunbirds shares. The proposal was subject to a number of conditions including due diligence, third party financing arrangements and Glendal achieving a minimum relevant interest in at least 51% of all Sunbird shares on issue. The proposal had an indicative cash consideration of $0.18 per share and potentially valued Sunbird at over $25 million, representing a 44 percent premium to the spot price and 53 percent premium to the 60-day VWAP, as at 24 July 2015. On the day of the announcement, the company's share price jumped up 16% to $0.145, but decrease by 3% to $0.140 three days following.

On 31 July 2015, the Company announced its quarterly activities and cash flow report, providing a summary of recent activities. The company announced the appointment of Mr Dorian Wrigley as a Non-executive director along with progress on the Gas Sales Agreement with Eskom. As a result, the share price dropped by 3% to $0.140 that day.

On 10 August 2015, the Company announced a $6m financing package. This entails $4m debt restructure (including $1.5m of additional cash to fund working capital requirements) along with the intention to undertake a 1 for 8 rights issue to raise $2 million, allowing Sunbird shareholders to participate in the financing of the Company. Sunbird announced the resignation of their Managing Director Will Barker and Executive Director Andrew Leibovitch, effective immediately. Given the resignations and compliance requirement to have two Australia directors on the board, the Company announced the appointment of Gabriel Chiappini to the board of Sunbird as a non-executive director. There was no change in the share price on the day of the announcement. Three days following the share price dropped by 50% to $0.070.

On 30 October 2015, the Company released its Annual Report. Sunbird impaired the carrying value of its CBM projects to nil. Sunbird also announced that the entity's operations continue to be subject to environmental regulations under the South African legislation and the board stated they are confident that they are in a position to manage this appropriately. The market responded positively to the report as the share price increased by 7.7% to $0.070 on the day of the announcement. There was no movement in the share price in the three days following.

On 2 November 2015, the Company released its quarterly activities and cash flow report. The report reiterated the past activities of Sunbird. This saw no change in the share price on the day of the announcement or the three days following.

On 17 December 2015, the Company announced the indicative proposal for Glendal to undertake a takeover of Sunbird had been withdrawn. The initial takeover bid was announced on 29 July 2015. Due to this the share price decreased by 2% to $0.050 on the day of the announcement.

On 1 February 2016, the Company released its quarterly reports. The Company announced that the final Environmental Impact Report is being prepared and will be released for final public comment in the first quarter of 2016, before being submitted for approval to the Department of Environmental Affairs. There was no impact on the share price on the day of the announcement or three days following.

To provide further analysis of the market prices for a Sunbird share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 17 March 2016.

Share Price per unit	17-Apr-16	10 Days	30 Days	60 Days	90 Days
Closing price	$0.049				
Volume weighted average price (VWAP)		$0.050	$0.050	$0.049	$0.050

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Transaction, to avoid the influence of any increase in price of Sunbird shares that has occurred since the Transaction was announced.

An analysis of the volume of trading in Sunbird shares for the twelve months to the date of this report is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	$0.049	$0.049	-	0.00%
10 Days	$0.048	$0.050	395,423	0.28%
30 Days	$0.048	$0.054	940,423	0.68%
60 Days	$0.045	$0.054	1,964,815	1.41%
90 Days	$0.045	$0.054	4,828,473	3.47%
180 Days	$0.045	$0.140	17,303,097	12.45%
1 Year	$0.045	$0.160	20,608,227	14.83%

Source: Bloomberg, BDO analysis

This table indicates that Sunbird's shares display a low level of liquidity, with 14.83% of the Company's current issued capital being traded in a twelve month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Sunbird, having 14.83% of the average issued capital traded over the past 12 months does not represent a deep market. Also note that approximately 7.5 million shares traded on 11 December 2015 which, if excluded, results in only 9.43% of the average issued capital traded over the past 12 months. There is a very low average of volume being traded throughout the entire period, along with some unexplained movements in this volume. These unexplained movements in volume would provide further support to indicate there is not a deep market for the shares of Sunbird.

Our assessment is that a range of values for Sunbird shares based on market pricing, after disregarding post announcement pricing, is between $0.045 and $0.055.

Control Premium

We have reviewed the control premiums paid by acquirers of companies listed on the ASX. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (AU$m)	Average Control Premium (%)
2015	33	702.29	27.16
2014	43	463.35	31.16
2013	43	177.79	43.36
2012	55	322.52	37.03
2011	67	766.18	48.45
2010	69	741.25	37.60
2009	64	328.15	46.22
2008	42	743.72	39.04
2007	84	1008.24	21.79
	Mean	**583.72**	**36.87**
	Median	**702.29**	**37.60**

Source: Bloomberg

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The data in the table above suggests that the average control premium from 2007 to 2014 has generally increased, with a drop off in 2015. 2011 saw the highest control premium over the past eight years of 48.45% due to ten transactions with premiums over 95%. The drop off in control premium over the past year could be put down to only 5 transactions having premiums in excess of 50%.

In the case of Sunbird, we have taken the following considerations into account;

- Sunbird's auditor issued an Emphasis of Matter paragraph in the reviewed financial report for the half year ended 31 December 2015. The auditor outlined the existence of a material uncertainty in relation to the Company's ability to continue as a going concern given the dependence upon the Company's ability to raise sufficient funds from various sources. The Company's current financial situation may impact the likely premium that an acquirer would pay to acquire the Company; and
- The current market capitalisation of Sunbird is considerably smaller than a number of the sample companies determined above, we note that larger transactions tended to have higher control premium.

Based on the data above we have come to the conclusion that an appropriate control premium to apply in our valuation of Sunbird's shares is between 20% and 30%.

Quoted market price including control premium

Applying a control premium to Sunbird's quoted market share price results in the following quoted market price value including a premium for control:

	Low $	Preferred $	High $
Quoted market price value	0.045	0.050	0.055
Control premium	20%	25%	30%
Quoted market price valuation including a premium for control	0.054	0.063	0.072

Source: BDO analysis

Therefore, our valuation of a Sunbird share based on the quoted market price method and including a premium for control is between $0.054 and $0.072, with a midpoint value of $0.063.

9.3 Assessment of a Sunbird share prior to the Transaction

The results of the valuations performed are summarised in the table below:

	Low $	Preferred $	High $
NAV methodology (Section 9.1)	0.100	0.156	0.420
QMP methodology (Section 9.2)	0.054	0.063	0.072

Source: BDO analysis

We consider the net asset value to be the most appropriate methodology, given that the core value of the Company lies in its interest in the Ibhubesi Gas Project. We have instructed an independent specialist to value this, which we have included in our net asset value. The net asset value also best represents the value that is attributable to shareholders as a whole.

We note that our NAV value is higher than the value obtained using the QMP methodology. We attribute this difference in value derived under the two methods to the following:

- The price of natural gas has not exhibited the same magnitude of decline which many other mineral resources have experienced over the last few years. The QMP valuation may have factored in the recent decline in commodity prices reflecting general market sentiment, and therefore does not fully reflect the potential value of Sunbird's interest in the Ibhubesi Gas Project.
- Under RG 111.69(d), the QMP methodology is considered appropriate where a liquid and active market exists for the securities. From our analysis of the QMP of a Sunbird share in section 9.2, there is not a deep market for the Company's shares with only 7.05% of its current issued capital being traded in the six months prior to the date of this report, excluding the 7.5 million shares traded on 11 December 2015. This suggests that the QMP method may not give the most accurate indication of value, therefore explaining part of the difference between the two methods; and

- Our NAV methodology includes an independent valuation report of Sunbird's interest in the Ibhubesi Gas Project performed by RISC. RISC has relied on a combination of valuation methods which reflect the current market value of Sunbird's interest. Note that the current market value is broadly defined as the probable price at which a willing buyer will buy from a willing seller when; both are not related parties; know the relevant facts; neither is under any compulsion to buy or sell; and all rights and benefit inherent in the item must have been included in the transfer. Therefore, the market value calculated by RISC does not incorporate the Company's current financial situation which may have an impact on the Company's decision to enter into a transaction.

Based on the results above we consider the value of a Sunbird share to be between $0.100 and $0.420, with a preferred value of $0.156.

10. Valuation of Sunbird following the Transaction

We employed the sum-of-parts method in estimating the fair market value of a Sunbird share following the Transaction by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the following:

- the value of cash paid to Sunbird under the Share Sale Agreement;
- the value of any other assets and liabilities that will remain in Sunbird following the Transaction (applying the cost approach under the NAV method);
- the reduction in the outstanding liabilities under the Loan Agreements to be transferred;
- the inclusion of any expenses incurred as a result of the Transaction;
- the resulting number of shares (including the reduction in shares on issue as a result of the Buyback Agreement) upon completion of the Transaction; and
- the net asset value per share for Sunbird following the Transaction.

No minority discount is required to be applied to the NAV of a Sunbird share following the Transaction as the Transaction is not deemed to be a control transaction as discussed in Section 3.2.

The value of a Sunbird share following the Transaction, using the sum-of-parts valuation methodology, is reflected below:

	Notes	Low value $	Preferred value $	High value $
NAV of Sunbird prior to the Transaction		13,837,346	21,702,073	58,404,131
Adjustments resulting from Transaction:				
Disposal of the Company's interest in the Ibhubesi Gas Project and CBM projects	1	(18,351,029)	(26,215,756)	(62,917,814)
Transfer of outstanding liabilities under the Loan Agreements	2	4,956,576	4,956,576	4,956,576
Transfer of other assets and liabilities of Sunbird	3	(442,894)	(442,894)	(442,894)
Cash received under the Share Sale Agreement	4	1,000,000	1,000,000	1,000,000
Expenses associated with the Transaction	5	(150,000)	(150,000)	(150,000)
NAV of Sunbird following the Transaction (control basis)		**850,000**	**850,000**	**850,000**
Number of shares on issue following the Transaction	6	83,992,127	83,992,127	83,992,127
Value of a Sunbird share following the Transaction (control basis)		**0.010**	**0.010**	**0.010**

Source: BDO analysis

Based on the above sum-of-parts valuation, the value of a share in Sunbird following the Transaction in all scenarios is $0.010.

Note 1: Disposal of the Company's interest in the Ibhubesi Gas Project and CBM projects

As part of the Transaction, Sunbird will transfer the ownership of its interest in the Ibhubesi Gas Project and the CBM projects to Salt.

As outlined in Section 9.1, the range of values for Sunbird's interest in the Ibhubesi Gas Project as determined by RISC is set out below:

Sunbird Energy Limited	Low value	Preferred value	High value
Project Valuation - RISC Advisory Pty Ltd	$'000	$'000	$'000
Ibhubesi Gas Project - Sunbird net interest (US$m)	14.00	20.00	48.00
A$1:US$0.7629	0.763	0.763	0.763
Ibhubesi Gas Project - Sunbird net interest (A$m)	**18.35**	**26.22**	**62.92**

Source: Independent Valuation Report prepared by RISC Operations Pty Ltd, Bloomberg

The table above indicates a range of values for the Company's interest in the Ibhubesi Gas Project of between $18.35 million and $62.92 million, with a preferred value of $26.22 million. For further information on RISC's valuation of the Sunbird's interest in the Ibhubesi Gas Project please refer to Appendix 3 of our Report.

Note that the AUD/USD exchange rate is calculated as the 30-day average as at the date of this Report.

As outlined in Section 5.3, the Company impaired the carrying value of the CBM projects to nil in the year ended 30 June 2015.

Note 2: Transfer of outstanding liabilities under the Loan Agreements

As part of the Transaction, Sunbird will transfer ownership of all outstanding liabilities under the Loan Agreements. A summary of the outstanding liabilities under the Loan Agreements is outlined below.

Liabilities outstanding under the Loan Agreements	$
Loan Agreement with Geluk Investments Pty	1,349,057
Loan Agreement with Allan Mackintosh	1,130,901
Loan Agreement with Brian Glover	722,949
Loan Agreement with Umbono Capital Partners LCC	1,308,670
Loan Agreement with Musa Group (Pty) Ltd#	445,000
Total	**4,956,576**

Source: Sunbird management

#See Section 9.1 for details and terms of the Loan Agreement with Musa Group (Pty) Ltd

Note 3: Transfer of other assets and liabilities

As part of the Transaction, Sunbird will transfer the remaining assets and liabilities (held in the subsidiaries to be transferred) to Salt. A summary of the remaining assets and liabilities is outlined in the table below:

Other assets and liabilities of Sunbird	$
Cash and cash equivalents	527,686
Trade and other receivables	229,489
Property, plant and equipment	20,338
Trade and other payables	(323,293)
Current finance lease obligation	(1,732)
Non-current finance lease obligation	(9,594)
	442,894

Source: Statement of Consolidated Financial Position, Section 9.1

The value of each item in the table above is taken from the adjusted Sunbird Statement of Financial Position as at the date of this report.

Note 4: Cash received under the Share Sale Agreement

In consideration under the Share Sale Agreement, Salt will pay Sunbird cash consideration of approximately $1.0 million.

Note 5: Expenses associated with the Transaction

Sunbird management has advised that expenses associated with the Transaction will total approximately $150,000.

Note 6: Number of shares on issue following the Transaction

The number of shares on issue following the Transaction is shown below:

Shares on issue following the Transaction	Number
Shares on issue prior to the Transaction	138,992,127
Shares to be purchased back under the Buyback Agreement	(55,000,000)
Total shares on issue following the Transaction	**83,992,127**

Source: BDO analysis

Under the Buyback Agreement, Sunbird will buy back 55 million of its shares from the African Consortium.

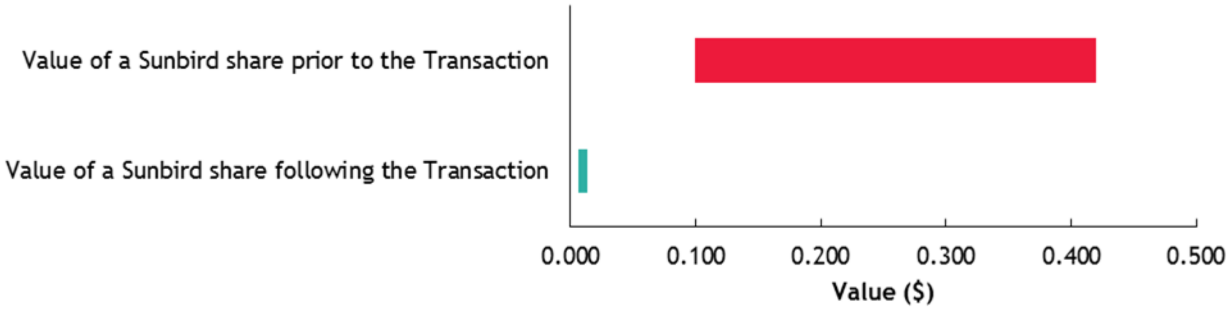
11. Is the Transaction fair?

The value of a Sunbird share prior to the Transaction compares to the value of a Sunbird share following the Transaction, as detailed below.

	Ref	Low $	Preferred $	High $
Value of a Sunbird share prior to the Transaction	9	0.100	0.156	0.420
Value of a Sunbird share following the Transaction	10	0.010	0.010	0.010

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, the Transaction is not fair for Shareholders.

12. Is the Transaction reasonable?

12.1 Advantages of approving the Transaction

We have considered the following advantages when assessing whether the Transaction is reasonable.

12.1.1. The Transaction strengthens the Company's balance sheet

If the Transaction is approved, the Purchaser will assume all liabilities due under the Loan Agreements. As at 30 June 2015, the Company had current borrowings of approximately $2.32 million which increased to $4.41 million as at 31 December 2015, and $4.96 million as at the date of this Report.

On 10 August 2015, the Company announced that it had successfully negotiated a debt reconstruction and financing package with Umbono Capital Partners LLC and a consortium of sophisticated South African Investors. This package consisted of $2.5 million of refinanced current debt plus new cash for working capital of $1.5 million. These loans attract interest at 20% per annum and are repayable at the earlier of 31 December 2016 or a final investment decision on the Ibhubesi Gas Project. The refinanced loans are also convertible to shares, in whole or part, during the period of the loan at the election of the lenders at a rate of $0.12 per share, or any lower price at which the Company raises equity during the loan period, with a minimum floor conversion price of $0.01. Conversion is subject to Shareholder approval, as required. The loans are also secured against Sunbird's interest in the shares of its wholly owned subsidiary, Ibhubesi, which holds an indirect participating interest of 22.8% in the South African Block 2A Production Right which incorporates the Ibhubesi Gas Project. At the date of this Report, outstanding borrowings totalled $4.96 million.

We note that the lenders are unlikely to convert their outstanding liabilities at the current conversion price as a result of the Company's current share price, being $0.05 as at 8 March 2016. As at 31 December 2015, the Company had cash and cash equivalents totalling approximately $0.71 million. Therefore, with the cash available as at 31 December 2015, the Company could not satisfy the repayment of the outstanding loans. Unless the Company can renegotiate the repayment terms of the debt, which would likely be on less favourable terms, or raise sufficient funds to repay the debt, or sell the Ibhubesi Gas Project to raise funds, the Company could become insolvent.

The auditor's review report included in the financial statements for the half year ended 31 December 2015 also included an emphasis of matter, indicating that the ability of the Company to continue as a going concern is dependent upon further financing through capital raising, debt and asset transactions.

If the Transaction is approved, the Company will become debt free and be released from all obligations under the Loan Agreements.

12.1.2. The Transaction releases the Company from further contingent payments relating to the Ibhubesi Gas Project

Under the agreement in place, in regard to the Ibhubesi Gas Project, conditional on the Company 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 US$5 million payable on execution of a gas sales Agreement; and
- A total of US$10 million payable on a Final Investment Decision or First Gas Sales.

Further, 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 amounts are not included as liabilities in the half year financial statements as at 31 December 2015 as the requirement to make these payments only arises upon the occurrence of the above milestones.

The Company also holds contingent liabilities in respect to the restoration and rehabilitation bonds held by the Petroleum Agency South Africa.

If the Transaction is approved, the Company will be released from any further contingent payments relating to the Ibhubesi Gas Project.

12.1.3. The Transaction positions the Company to pursue alternate opportunities

If the Transaction is approved, the Company will be in a position to pursue other investment opportunities with the following key changes to the Company:

- The Company will be debt free and released from any future liabilities associated with the Ibhubesi Gas Project;
- The Company will receive a capital injection of $1.5 million allowing it to meet its short to medium term working capital requirements; and
- The removal of a major shareholder who has the potential to impact any change in direction of the Company as a result of the shares they hold.

Management advise that if the Transaction is approved they will pursue alternate investment opportunities. These alternate investment opportunities may provide Shareholders with an opportunity to earn greater returns than those that may be generated by the current natural gas industry exposure.

12.1.4. The Transaction provides the Company with the opportunity to exit a subdued natural gas industry

As discussed in Section 7 of this Report, natural gas prices have recently hit historic lows at many market locations around the world. The Henry Hub spot price fell to US$1.59 in February 2016, the lowest nominal price since 1998 and lower than the price floor hit following the global financial crisis in 2009. Among other things, the lower price is thought to be caused by the continued high production of natural gas. Although the forecast price reflects a gradual increase in the years to come as the demand for natural gas increases, supply increases are expected to offset some of this rising demand.

Although the forecast gas price is expected to rise over the longer term, the current financial situation of Sunbird may not allow the Company to wait for natural gas prices to increase to a higher level, at which point Sunbird could raise funds in order to progress the development of the Ibhubesi Gas Project.

The Transaction provides Shareholders the opportunity to exit the currently subdued natural gas market and provides an opportunity to pursue alternate investment opportunities.

12.2 Disadvantages of approving the Transaction

If the Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

12.2.1. The Transaction is not fair

As set out in Section 11, the Transaction is not fair. RG 111 states that an offer is reasonable if it is fair. In this instance, the Transaction is not fair.

Under RG111.57, a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. The comparison, required to be made under RG 111.57, assumes a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

Our fairness assessment, as set out in Section 11, has been performed in line with RG 111.57, which assumes Sunbird is a knowledgeable and willing, but not anxious, Seller. Therefore, our fairness assessment does not take into account other factors which may lead to a sale at a lower price. These are discussed as part of our reasonableness assessment.

12.2.2. The Company will no longer hold any petroleum assets

If Shareholders approve the Transaction the Company will effectively become an ASX listed shell as it will no longer hold its main undertaking, the Ibhubesi Gas Project, or its other CBM projects.

Management advise that following the Transaction the Company intends to explore new investment opportunities. Regardless of whether Sunbird continues to operate as a shell or acquires a different business or project, it will alter the risk profile of Shareholders' investments. There may be some Shareholders who have invested in the Company as a result of its gas assets and this change in direction of the Company may not suit Shareholders' risk preferences.

12.2.3. Potential suspension of the Company's shares

If the Transaction is approved, the Company's shares may be suspended from trading in the event a substantial undertaking is not acquired within six months of the disposal of the Company's interest in the Ibhubesi Gas project. As such, Shareholders may not be able to dispose of their shares in the Company.

12.3 Alternative Proposals

We are unaware of any alternative proposal that might offer the Shareholders of Sunbird a premium over the value ascribed to, resulting from the Transaction.

Since the acquisition of the Ibhubesi Gas Project in 2012, Sunbird has been in discussions with a number of potential funders, however none of these negotiations proceeded past draft terms sheets and due diligence.

12.4 Practical Level of Control

As discussed in Section 3.2, the Transaction is not considered a control transaction. However, if the Transaction is approved, Sunbird will buy back 55 million of its shares from the Salt (including any shares from the African Consortium). This represents a total of 30.09% of its shares on issue. Following the Transaction, no shareholder will hold greater than 20% of Sunbird's issued capital.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter.

If the Transaction is approved, the effect of this will be to remove Sunbird's largest shareholder resulting in no individual shareholder being able to pass or block special resolutions or general resolutions.

12.5 Consequences of not Approving the Transaction

If the Transaction is not approved, we consider that the following will be the likely key consequences for the Company;

- The loan amounts provided will need to be repaid or converted, subject to shareholder approval, prior to 31 December 2016 under the terms of the Loan Agreements. The Company has stated that it expects to repay the loan amounts provided under the Loan Agreements 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. Therefore, the Company will have to source funds in the short term to repay the outstanding loan and interest amounts; and
- The Company will retain its interest in the Ibhubesi Gas Project. As outlined in the valuation of the Ibhubesi Gas Project performed by RISC, attached as Appendix 3, RISC has estimated US$1,652 million in total capital cost for Phase 1 (excluding US$19 million in pre FID costs and US$6 million per annum in ongoing maintenance costs) and US$927 million for Phase 2. These represent significant capital costs for a Company which has a current market capitalisation of approximately $7 million. The Company will therefore have to pursue significant funding opportunities to progress the Ibhubesi Gas Project.

13. Conclusion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is not fair but reasonable to the Shareholders of Sunbird.

14. Sources of information

This Report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this Report;
- Reviewed financial statements for Sunbird Energy Ltd for the half year ended 31 December 2015;
- Audited financial statements of Sunbird Energy Ltd for the years ended 30 June 2015 and 30 June 2014;
- Signed Share Sale and Purchase Agreement between Sunbird Energy Ltd and Sunbird Energy Holdings Pty Ltd;
- Independent Valuation Report of the Ibhubesi Gas Project dated 22 March 2016 performed by RISC Operations Pty Ltd;
- Share registry information of Sunbird Energy Ltd;
- Information in the public domain; and
- Discussions with Directors and Management of Sunbird Energy Ltd.

15. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of $25,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Sunbird in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Sunbird, including the non provision of material information, in relation to the preparation of this Report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Sunbird and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Sunbird and their respective associates.

The provision of our services is not considered a threat to our independence as auditors under Professional Statement APES 110 – Professional Independence. The services provided have no material impact on the financial report of Sunbird.

A draft of this report was provided to Sunbird and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

16. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 18 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

17. Disclaimers and consents

This report has been prepared at the request of Sunbird for inclusion in the Notice of Meeting which will be sent to all Sunbird Shareholders. Sunbird engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposal for Sunbird to dispose of its mineral assets to its major shareholder, Salt Mineral Investments Limited.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this Report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Sunbird.

BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Sunbird, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon an independent valuation of the Company's interest in the Ibhubesi Gas Project.

The valuer engaged for the mineral asset valuation, RISC Operations Pty Ltd, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Sherif Andrawes	**Adam Myers**
Director	Director

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 (Cth)
African Consortium	A consortium of the major shareholders and debt holders of the Company that includes Salt, Vandasia Investments Limited and other African parties that may be introduced to effect the Transaction
Anschutz	Anschutz South Africa Corporation
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
BCF	Billion cubic feet
The Block	Offshore petroleum Block 2A off the west coast of South Africa
Buyback Shares	Under the Buyback Agreement, Sunbird will buy back 55 million of its shares from the African Consortium, which includes Salt.
CBM	Coal Bed Methane
The Company	Sunbird Energy Limited
CPI	Consumer price index
Corporations Act	The Corporations Act 2001 (Cth)
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Eskom	Eskom Holdings (SOC) Ltd
FME	Future Maintainable Earnings
Forest SA	Forest Exploration International (SA) Pty Ltd

Reference	Definition
Glendal	Glendal Power & Industries Pty Ltd
Greatway	Greatway Holdings (BVI) Ltd
GREPCo	Green River Electric Power Company Pty Ltd
LNG	Liquefied natural gas
Loan Agreements	Sunbird has previously entered into four loan agreements as follows: (a) The loan deed between Sunbird, Sunbird Ibhubesi and Geluk Investments Pty Ltd dated 6 August 2015; (b) The loan deed between Sunbird, Sunbird Ibhubesi and Allan Mackintosh dated 6 August 2015; (c) The loan deed between Sunbird, Sunbird Ibhubesi and Brian Glover dated 6 August 2015; and (d) The loan deed between Sunbird, Sunbird Ibhubesi and Umbono dated 7 August 2015.
MHA	MHA Petroleum Consultants
MoU	Memorandum of Understanding
Musa Loan Agreement	Loan Agreement entered into with Musa Group (Pty) Ltd on 25 April 2016
NAV	Net Asset Value
OPEC	Organisation of the Petroleum Exporting Countries
PetroSA	Petroleum, Oil and Gas Corporation of South Africa (SOC) Ltd
Pretzavest	Pretzavest 37 (Pty) Ltd
Purchaser	Sunbird Energy Holdings Pty Ltd
QMP	Quoted market price
The Rand	South African Rand
RBA	Reserve Bank of Australia
Our Report	This Independent Expert's Report prepared by BDO
RG 111	Content of expert reports (March 2011)

Reference	Definition
RG 112	Independence of experts (March 2011)
Salt	Salt Mineral Investments Limited
SEA	Sunbird Energy (SA) Pty Ltd
Shareholders	Shareholders of Sunbird excluding those shareholders of Sunbird that agree to sell their shares back to the Sunbird under the Buyback Agreement and their associates.
Sunbird	Sunbird Energy Limited
Sunbird Ibhubesi	Sunbird Energy (Ibhubesi) Pty Ltd
The Transaction	The proposal to transfer ownership of a number of Sunbird's subsidiary companies to Salt in consideration for $1 million and the buyback of 55 million Sunbird ordinary shares currently held by members of the African Consortium. The subsidiaries to be transferred to the Purchaser are outlined below: • 100% of its shares in Pretzavest 37 (Pty) Ltd; • 100% of its shares in Greatway Holdings (BVI) Ltd; • 100% of its shares in Sunbird Energy (Ibhubesi) Pty Ltd; and • 100% of its shares in Sunbird Energy (SA) Pty Ltd.
Umbono	Umbono Capital Partners LCC
Valmin Code	The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
The Vendors	Forest Oil Corporation, the Anschutz Overseas Corporation and Forest Oil Netherlands B.V
VWAP	Volume Weighted Average Price

For permission requests, write to BDO Corporate Finance (WA) Pty Ltd, at the address below:

The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (‘**EBIT**’) or earnings before interest, tax, depreciation and amortisation (‘**EBITDA**’). The capitalisation rate or ‘earnings multiple’ is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows (‘DCF’)*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

Appendix 3 – Independent Valuation Report

Independent Technical Specialist Report

Sunbird Energy – Ibhubesi Gas Project

March 2016

15.0175

decisions with confidence

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The Directors
Sunbird Energy Ltd
Level1, 50 Ord St
West Perth WA 6005

Mr Sherif Andrawes
BDO Corporate Finance (WA) Pty Ltd
38 Station St
Subiaco WA 6008

Dear Sirs,

INDEPENDENT SPECIALIST'S REPORT ON SUNBIRD ENERGY'S IBHUBESI GAS PROJECT

1. Introduction

Sunbird Energy Ltd ("SNY") announced a transaction which includes a cash consideration and an assumption of debt as well as a proposed share buy-back which will involve the sale and transfer of SNY's interests in the Ibhubesi Gas Project to Salt Mineral Investments Limited ("Transaction"), which requires approval by shareholders. SNY has appointed BDO Corporate Finance (WA) Pty Ltd ("BDO Corporate Finance") as the Independent Expert to provide an opinion on the Transaction to shareholders.

To assist BDO Corporate Finance in preparing its valuation of the transaction, SNY engaged RISC Operations Pty Ltd (RISC) to act as an independent specialist, as defined in the Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, as amended (the VALMIN Code), and to prepare an Independent Technical Specialist Report (ITSR).

RISC's role in this engagement is to provide BDO Corporate Finance with an independent opinion on the market valuation of the Sunbird's interest in the Ibhubesi Gas project and exploration assets, located in Block 2A in the Orange Basin, offshore South Africa. An assessment of other petroleum properties held by SNY has not been included in our terms of reference.

SNY has made available to RISC a data set of technical information including geological, geophysical, petrophysical, engineering, production and operational data and reports and a financial model. RISC has also had meetings and discussions with SNY's technical and management personnel. In carrying out this review, RISC has relied on the information received from SNY and information in the public domain.

To assess reserves and resources, RISC has used the Petroleum Resources Management System published by the Society of Petroleum Engineers / World Petroleum Council / American Association of Petroleum Geologists / Society of Petroleum Evaluation Engineers (SPE/WPC/AAPG/APEE) in March 2007 (SPE PRMS).

This document comprises the ITSR. It documents our review of the Ibhubesi Gas Project petroleum reserves, resources and associated development schedules, production and cost forecasts and project economics. We have audited the estimates provided by SNY and made such adjustments that in our judgment were necessary to provide a reasonable assessment and reflect current information. This report also provides an opinion on the fair market value of SNY's interest in the Ibhubesi Gas Project and exploration potential within Block 2A.

2. Summary

2.1. Overview

SNY has a 76% interest in the Ibhubesi Gas Project located in Block 2A in the Orange Basin, offshore South Africa (Figure 2-1) and is the operator. The other 24% is held by South Africa's national oil company Petroleum Oil and Gas Corporation of South Africa (Pty) Ltd ("PetroSA"). SNY's interests are held by wholly owned subsidiaries Forest Exploration International (SA) Proprietary Limited ("Forest") and Anschutz Overseas (SA) Proprietary Limited ("Anschutz"). Sunbird, through its ownership of Forest is the operator of Block 2A.

Block 2A has an area of 4,999 km2 and the production rights were granted on 26 August 2009 for a term of thirty years, expiring on 25 August 2039. RISC has sighted and relied upon the legal due diligence report prepared by Zenia Smith Notaries and Lawyers, 29 October 2014 in relation to the tenement.

The reservoirs are located approximately 380km north of Cape Town, 70km offshore in 250m of water. A total of 11 wells have been drilled with 7 gas discoveries. The project area has 1,770 km2 of 3D seismic coverage. The objective reservoirs are Cretaceous aged fluvial syn-rift and post-rift sediments with the trapping predominantly stratigraphic in nature and comprise incised valley fill, prograding wedge, basin floor fans and channel fill.

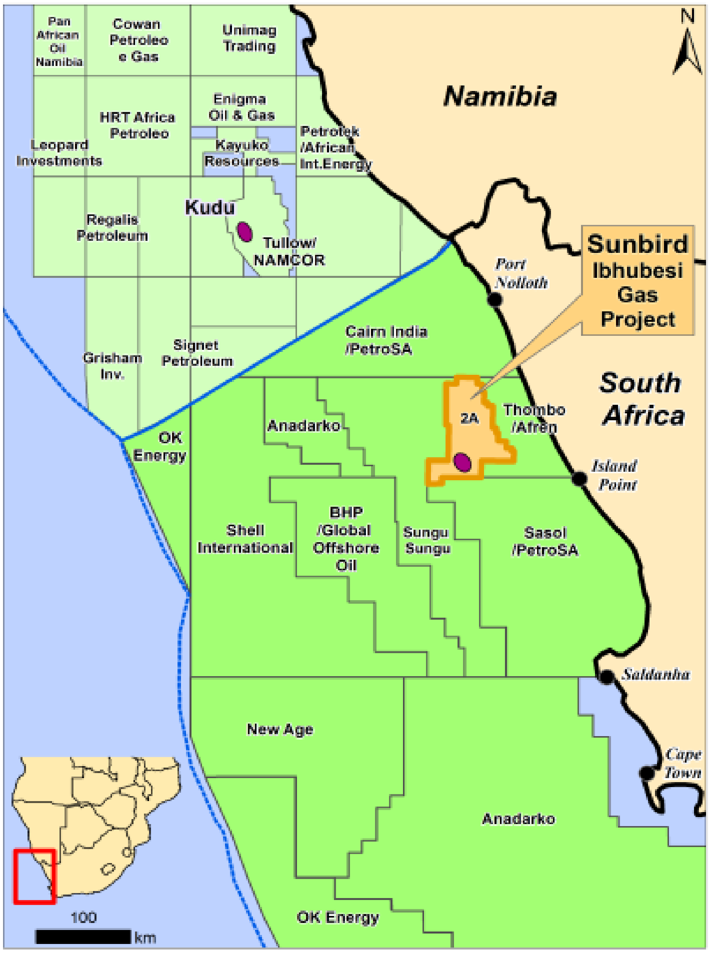

Figure 2-1 Location map Ibhubesi Gas Project (Sunbird, 2014)

Seismic relative acoustic impedance data (RAI) have been used to define the extent of the geobodies. The data is reasonably reliable to differentiate sand/shale lithology, however the seismic data cannot differentiate sand thickness under about 30m, variation in reservoir quality or discriminate between gas and water. Although the reservoirs being utilised for the proposed project have been penetrated by wells and the presence of commercially producible gas has been proven, there is considerable uncertainty in the location of fluid contacts, lateral variation in reservoir properties such as porosity, thickness and reservoir continuity away from well control. RISC believes that gas fields in the Nile Delta region provide a reasonable producing analogue and has used this to provide a test of reasonableness of SNY's well recovery estimates.

2.2. Project Description

The Ibhubesi gas project involves supply of approximately 30 Bcf p.a. to the 1,350 MW Ankerlig Power Station, north of Cape Town. A non-binding term sheet signed with Eskom, the owner of the power station and negotiations for a binding gas sales and purchase agreement (GSA) are in progress. The term sheet identifies indicative price ranges of $12.5-15/GJ.

SNY completed a feasibility study and announced the initial booking of gas reserves in 2013. The field development plan was completed in December 2014 and SNY advises that final submission of the EIA is imminent. The project plan involves 2 Phases:

Phase 1

- Drilling and completion of 5-9 subsea wells tied back to a floating production, storage and offloading unit (FPSO)
- Construction of a 400km x 14" predominantly subsea gas pipeline to the Ankerlig Power Station
- Production of approximately 30 Bcf p.a. commencing after 2019

Phase 2

- Drilling and completion of a further 5-10 subsea wells tied back to the FPSO commencing 3 years after first gas production
- Plateau extension and continuation of production for approximately 20 years.

RISC's estimate of gross production in the Phase 1 scenarios is approximately 200 bcf of sales gas and 2 MMbbl condensate with a further 270 bcf and 3 MMbbl of condensate in Phase 2 (Figure 2-2). The gas is low in inert content and typically has condensate to gas ratios (CGR's) of 2-23 bbl/MMscf.

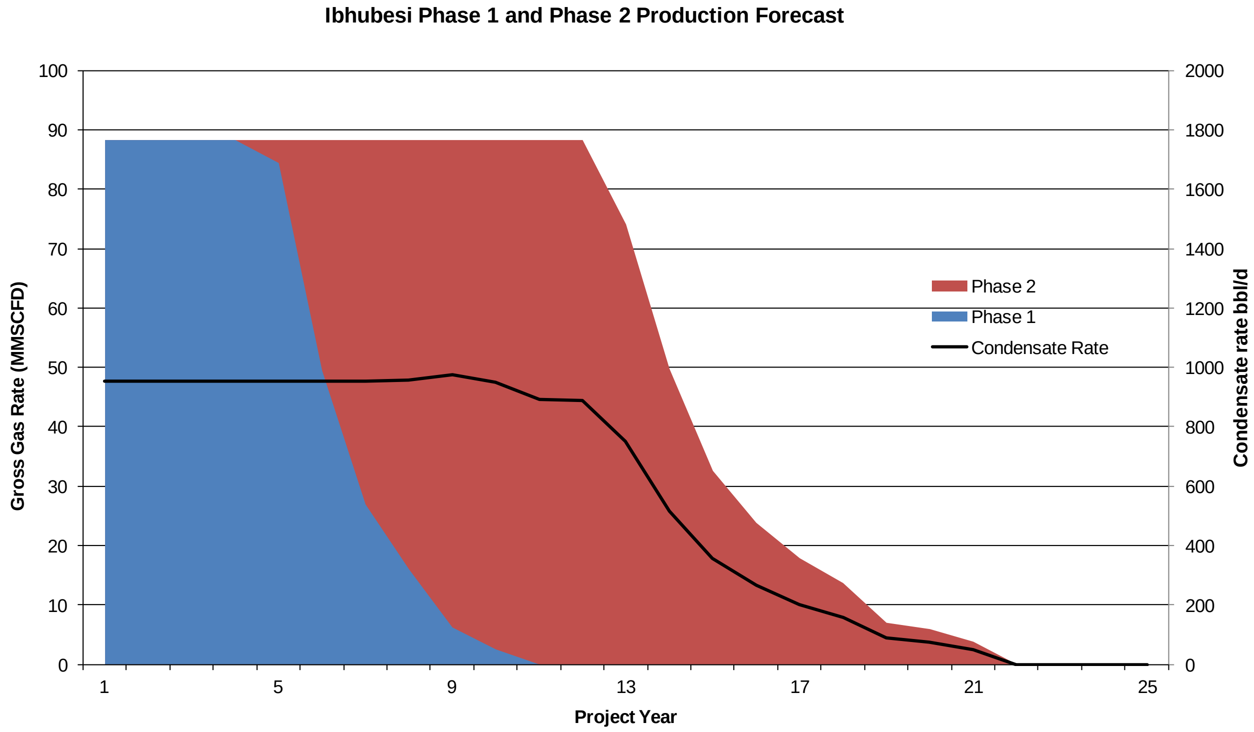

Figure 2-2 Phase 1 and Phase 2 Production (RISC)

RISC's estimate of the gross development costs for Phase 1 are approximately US$2 billion with a further US$1.2 billion for Phase 2 assuming a total of 16 wells and a purchased FPSO with first gas in 2019. A summary of the development scenarios used for the valuation is shown in Table 2-1.

Table 2-1 Ibhubesi Gas Project Key Metrics

Scenario[1]	1st Gas	Devt Wells	Gas Prod Bcfe[2]	Capex US$m	Opex US$m
RISC Phase 1	2021	7	209	2,028[3]	550[3]
RISC Phase 1+2	2024	16	499	3,196[3]	1223[3]

1. All production and costs 100% project values real terms 1 October 2014 excluding abandonment costs and FPSO residual value.
2. 6000 scf/bbl
3. Assumes purchased FPSO

Details of the costs and production profiles associated with the development and production of these resources are included in our report.

2.3. Valuation

The Ibhubesi Gas Project is presently being progressed by SNY and its Joint Venture Partner. However it has not reached a level of maturity that it can be valued solely using the discounted cashflow (DCF) methodology. The main risk factors that need to be considered in the valuation are:

- **Funding:** based on their estimates, SNY may have to fund approximately US$180m in equity assuming 60/40 debt/equity[1]. The equity funding is much greater than their current market capitalisation of approximately A$7 million.

  To date SNY has failed to secure significant funding relative to their estimated requirements from external partners to progress development of the IGP. Expected funding from Vandasia Investments Limited did not progress from Stage 1 (US$5 million) to Stage 2 due to failure to meet conditions precedent.

  There are risks that future potential partners may take a more conservative view than SNY and they may discount the value accordingly. There are therefore risks of potential delay in securing funding or a chance that the funding may not eventuate in a foreseeable time frame.
- **Final Investment Decision:** There is potential for cost growth during FEED which may affect the project viability based on the Phase 1 reserves. This may require a higher gas price than the market could support or alternatively require additional delineation drilling to add to the Phase 1 reserves base. There are therefore risks that the Phase 1 reserves hurdle is not achieved or costs cannot be sufficiently reduced which causes delay to the implementation of the project.
- **Gas Market:** The main threat is that the gas prices required to achieve an acceptable return on the investment for the project approaches the point where alternative sources such as LNG import becomes a viable competing option at around $15/Mcf, which could eventuate with cost growth and/or reserve downsides. Mitigating this risk is that the potential buyer of the gas is the public electricity utility, Eskom.
- SNY has advised that there are several national strategic objectives that Eskom would consider when assessing the attraction of purchasing gas from the Ibhubesi Gas Project against competing imported fuels such as LNG, even at the expense of the higher priced indigenous source. Amongst these national strategic objectives are; securing a fuel source that is not subject to geopolitical risk; encouraging the investment and development of domestic infrastructure, including the creation of local jobs; achieving a hedge against forex movements in its fuel costs by ensuring that a proportion of the gas contract price is specified in South African Rands.
- **Government approvals:** The environmental plan for the wells and subsea elements of field development have been approved and the production rights have been granted. Additional approvals are being sought for the FPSO, subsea pipeline and onshore gas plant. There may be potential for delays in other statutory approvals but other than this, we do not believe there are any credible risks to Government approvals.

RISC has therefore used three methods to value SNY's interest in the asset:

- Risked estimate of the terms of SNY's acquisition of its interest in the asset from Forest and Anschutz.
- Notional farm-in terms by a potential farmee into the asset
- Risked discounted cash flow (DCF) analysis of RISC's mid-case estimate of SNY's reserves.

[1] Sunbird Energy Corporate Presentation, May 2014

The results from these approaches are presented below.

2.3.1. SNY Transaction Value

The components of the transaction are summarized in the table below. Several of these are conditional milestone payments. The table includes the estimated present values (PV) of these payments and RISC's estimates of the probabilities (risk factors) that they will be achieved, in order to derive a risked estimate of the transaction value.

Table 2-2 Value of SNY's interest in Ibhubesi Gas Project based on transaction value

Transaction Component	Nominal Value of Payment US$ million	PV_{10} of Payment US$ million	Assessed Risk Factor (Probability of Occurrence)	Risked Value US$ million
Unconditional payment	2.5	2.5	1.0	2.5
Conditional payments				
▪ FID	10	9		
▪ GSA	5	5		
▪ Phase 1+2 Sales enhancement fee	120	42		
Risked value		56	0.25	14
Past costs since acquisition	3.2	3.2	1	3.2
Total value US$ million				**20**

2.3.2. Notional Farm-in terms

In our experience, farm-in terms typically attract promote factors of 1:1 to 3:1 with potentially reimbursement of past costs and/or bonus payments. The promote factors refer to the share of a farmor's costs that a farmee might carry. A promote factor of 1:1 implies that the farmee will only pay for its acquired interest share of specified future costs; while a 2:1 promote indicates that the farmee will pay in addition to its acquired interest share of costs, an equal amount of the farmor's costs. The market value, therefore to the farmor, is the value of the share of its costs that are being carried by the farmee.

In RISC's opinion, given the magnitude of the development costs associated with the project and SNY's ability to fund these costs, RISC considers that a notional farm-in to SNY's Block 2A interests would attract a farm-in promote in the range of 1.25:1 to 1.5:1 on a proportion of future costs to FID. This would have the outcome of reducing SNY's 76% interest to 15%, leaving 61% for the farmee in the low case, and 25% (SNY) and 51% with the farmee in the high case. The farmee would typically want control and operatorship of the project.

The costs have been estimated based on a carry of future development costs or a notional one or two well appraisal program. Table 2-3 below summarises the value estimates of SNY's interest in the block based on a promote for future costs.

Table 2-3 Value of SNY's interest in Ibhubesi Gas Project based on notional farm-in terms

Activity	Low		High	
	Gross Expenditures, US$ million	Net Expenditures, US$ million	Gross Expenditures, US$ million	Net Expenditures, US$ million
Past costs	1.3	1	4	3
Carry on future costs	51	39	102	78
Costs to FID	20	15	20	15
Total	72	55	126	96
Farmee interest earned (%)		61%		51%
Promote		1.25		1.5
Nominal Value Farmee's share ($ million)		55		96
Premium value of SNY interest (US$ million)		**14**		**48**

2.3.3. Risked DCF Analysis

The results of RISC's unrisked DCF analysis of SNY's share of ungeared cashflows are summarized in Table 2-4. The analysis has been based on three gas price scenarios. The gross capex, opex and gas price assumptions used for each reserves scenario are also listed in the table. The discount rate range used is based on BDO Corporate Finance's advice.

Table 2-4 Unrisked NPVs of SNY's interest in Ibhubesi Gas Project

Development Scenario	Resources	Gross capex	Gross lifecycle opex	SNY ungeared / unrisked NPV US$ million		
	Bcfe	US$ million		NPV 8.5	NPV 9.75	NPV 11
Price Scenario 1:	Phase 1 Gas Price of US$12.5/GJ, based on lower range of GSA Term Sheet Phase 2 Gas Price of US$12.5/GJ for incremental volumes					
RISC Phase 1	209	1,812	468	-67	-106	-140
RISC Phase 1 & 2	499	2,855	1,040	397	278	178
Price Scenario 2:	Phase 1 Gas Price of US$15/GJ, based on upper range of GSA Term Sheet Phase 2 Gas Price of US$10/GJ for incremental volumes					
RISC Phase 1	209	1,812	468	149	92	42
RISC Phase 1 & 2	499	2,855	1,040	564	439	332
Price Scenario 3:	Phase 1 Gas Price of US$15/GJ Phase 2 Gas Price of US$12.5/GJ for incremental volumes					
RISC Phase 1	209	1,812	468	149	92	42
RISC Phase 1 & 2	499	2,855	1,040	656	515	394

Our assessment is that the value of the project is uncertain at the current stage of maturity of the project. Consequently, it is RISC’s view that a buyer will be cautious about paying for value that may not be delivered until the project is further de-risked. This will require firming up project costs through Front End Engineering Design to ensure the robustness of the Phase 1 development, negotiations with Eskom to finalise the gas price and securing funding.

Based on the risk factors discussed above, RISC has determined a composite risk factor that it has applied to its DCF scenario values in order to obtain a risked estimate of value. The risk factor is an adjustment to the technical values derived in the DCF analysis. As such, from a valuation perspective, the risk factor acts to adjust for potential delays, cost and price uncertainty as well as accounting for the probability that a risked variable may not eventuate. These risked values are summarised in Table 2-5.

Table 2-5 Value of SNY interest in Ibhubesi Gas Project from risked DCF analysis

Gas Price Scenario	Risk Factor	RISC Phase 1		RISC Phase 1 + Phase 2	
		SNY risked NPV 9.75, US$ million	SNY risked NPV 11, US$ million	SNY risked NPV 9.75, US$ million	SNY risked NPV 11, US$ million
Phase 1 US$ 12.50/GJ; Phase 2 $12.50/GJ	0.25	0.0	0	70	45
Phase 1 US$ 15/GJ; Phase 2 $10/GJ	0.25	23	11	110	83
Phase 1 US$ 15/GJ; Phase 2 $12.5/GJ	0.20	18	8	103	79
1. No value ascribed for a negative NPV.					

2.3.4. Ibhubesi Gas Project Valuation: SNY Net interest

RISC has assessed the fair market value of SNY's interests in the Ibhubesi Gas Project using a combination of methods including: estimating the components of SNY’s original acquisition transaction, farmin promotes and risk adjusted net present value (NPV), the basis of which is included in our report. Our estimates are shown in Table 2-6.

Table 2-6 Ibhubesi Gas Project Valuation: SNY Net interest

	Fair Market Value US$ million SNY Net interest		
	Low	Mid	High
Transaction Value		20	
Notional Farm-in	14		48
TOTAL – Preferred Range	**14**	**20**	**48**
1. The values ascribed in this table relate only to the Ibhubesi Gas Project.			

3. Terms of reference

BDO Corporate Finance has requested that RISC to carry out the following scope of work:

To review for reasonableness the cost and production assumptions to be used in the valuation of the Ibhubesi Gas Project by:

- Reviewing the field development plan and associated reserves and resources estimates and the range of uncertainty attributable to the estimates.
- Reviewing the status of any internal and external approvals
- Reviewing engineering, procurement, construction, well construction and maintenance contracts associated with the project to form a view on the maturity of the project and the extent to which costs are contractually defined.
- Review future production and associated capital, operating costs, schedule and uncertainty in these parameters for the project.
- Reviewing sales and transportation agreements or term sheets to form a view on product pricing, terms and conditions
- Reviewing the project fiscal terms and royalty agreements (tax opening balances for the discounted cash flow analysis will be provided by BDO)
- Review the Company's financial model and make adjustments in our judgment are necessary
- Undertake a discounted cash flow analysis using the reviewed Company financial model with an appropriate range of sensitivities.
- Review the independent exploration prospective resource reports and form a view on the materiality of the exploration potential. If material, then include in the fair market value.
- Estimate the range of fair market value of the Company's interest in the Project taking into account recent relevant transaction data; discounted cash flow results, market factors and project risks.

4. Basis of assessment

The data and information used in the preparation of this report were provided by SNY and supplemented by public domain information. RISC has relied upon the information provided and has undertaken the evaluation on the basis of a review and audit of existing interpretations and assessments as supplied making adjustments that in our judgment were necessary.

RISC has reviewed the reserves/resources in accordance with the Society of Petroleum Engineers internationally recognised Petroleum Resources Management System (SPE-PRMS)[2].

RISC has also been requested to provide an opinion on the fair market value of the Ibhubesi Gas. We have carried out our valuation in accordance with the VALMIN code[3].

Unless otherwise stated, all costs and values are in US$ real terms with a reference date of 1 March 2016 (RT2014).

4.1. Valuation

The valuation is based on the concept of 'fair market value' (Value) as defined by the VALMIN Code.

The VALMIN Code defines Value as the amount of money (or the cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the VALMIN Code for which the Mineral or Petroleum Asset or Security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an "arm's length" transaction, with each party acting knowledgeably, prudently and without compulsion.

A range of oil and gas industry accepted practices in relation to petroleum properties has been considered to determine value, which are described below.

4.1.1. Comparable Transaction Metrics

The Value of exploration properties can be estimated using recent comparable transactions. Such transactions may provide relevant metrics such as Value per unit of reserves, contingent or prospective resources, price paid per unit area of the permit or % interest. The VALMIN Code advises Value must also take into account risk and premium or discount relating to market, strategic or other considerations.

4.1.2. Farm-in Promotion Factors

An estimate of Value can be based on an estimation of the share of future costs likely to be borne by a reasonable farmee under prevailing market conditions. A premium or promotion factor may be paid by the farmee. The promotion factor is defined as the ratio of the proportion of the activity being paid for and the amount of equity being earned.

The nominal permit value is defined as the amount spent by the farmee divided by the interest earned. The premium value for the permit is the difference between the nominal value and the equity share of the cost of the activity divided by the equity interest being earned.

The premium or promotion factor will be dependent upon the perceived prospectivity of the property, competition and general market conditions. The premium value is equivalent to the farmee paying the farmor a cash amount in return for the acquisition of the interest in the permit and is the fair market value.

[2] SPE/WPC/AAPG/SPEE 2007 Petroleum Resources Management System

[3] Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2005 Edition

Farm-in transactions may have several stages. For example, a farmee may acquire an initial interest by committing to a future cost in the first stage of the transaction, but has an option to acquire an additional interest or interests in return to committing to funding a further work programme or programmes.

Farm-in agreements can also include re-imbursement of past costs and bonus payments once certain milestones are achieved, for example declaration of commerciality, or achieving threshold reserves volumes. Depending on their conditionality, such future payments may contribute to Value. However, they may need to be adjusted for the time value of money and probability of occurring.

4.1.3. Work Program

The costs of a future work program may also be used to estimate Value. The work program valuation relies on the assumption that unless there is evidence to the contrary the permit is worth what a company will spend on it. This method is relevant for permits in the early stages of exploration and for expenditure which is firmly committed as part of a venture budget or as agreed with the government as a condition of holding the permit. There may need to be an adjustment for risk and the time value of money.

4.1.4. Net Present Value

The net present value (NPV) is estimated by carrying out a discounted cash flow (DCF) analysis involving forecasting the future revenue (from production and prices), costs and taxes and royalties to arrive at a net cash flow (NCF) to which the interest holder is entitled. Each future year's NCF is reduced by a discount rate. The discount rate is intended to account for the time value opportunity cost of money. Typically, the discount rate is estimated using the capital asset pricing model (CAPM) and the weighted average cost of capital (WACC) which factors in the cost of debt, equity and the return expected by diversified investors in equities, however the discount rate can also incorporate specific risks. The sum of these discounted annual cash flows over the life of the project is called the NPV.

The DCF methodology is particularly appropriate for well defined oil and gas projects where reserves are depleted over time and significant capital expenditure is required. However often these projections carry considerable uncertainty and risks. There may also be market and strategic factors which need to be considered and hence the technical NPV estimates may need further adjustment to reflect the fair market value.

4.1.5. Expected Monetary Value (EMV)

EMV is the risked NPV of a prospect. EMV is calculated as the success case NPV times the probability of success less the NPV of failure multiplied by the probability of failure. The NPV may be estimated using DCF methods. The EMV method provides a more representative estimate of Value in areas with a statistically significant number of mature prospects within proven commercial hydrocarbon provinces where the chance of success and volumes can be assessed with a reasonable degree of predictability.

The EMV valuation can also be used as a relative measure for ranking exploration prospects within a portfolio to make drilling decisions, assessing commercial potential and to demonstrate the commercial attractiveness of a permit, which may influence a buyer or seller.

5. Ibhubesi Gas Project

5.1. Block 2A Overview

SNY has a 76% interest in the Ibhubesi Gas Project located in Block 2A in the Orange Basin, offshore South Africa (Figure 5-1). The other 24% is held by South Africa's national oil company Petroleum Oil and Gas Corporation of South Africa (Pty) Ltd ("PetroSA"). SNY's interests are held by wholly owned subsidiaries Forest Exploration International (SA) Proprietary Limited ("Forest") and Anschutz Overseas (SA) Proprietary Limited ("Anschutz"). Sunbird, through its ownership of Forest, is the operator.

Block 2A has an area of 4,999 km2 and the production rights were granted on 26 August 2009 for a term of thirty years, expiring on 25 August 2039.

The Ibhubesi Gas Project is located in the Orange Basin approximately 380km north of Cape Town, 70km offshore in 250m of water. A total of 11 wells have been drilled with 7 gas discoveries. The reservoir depth varies from around 3000m to 3400m.

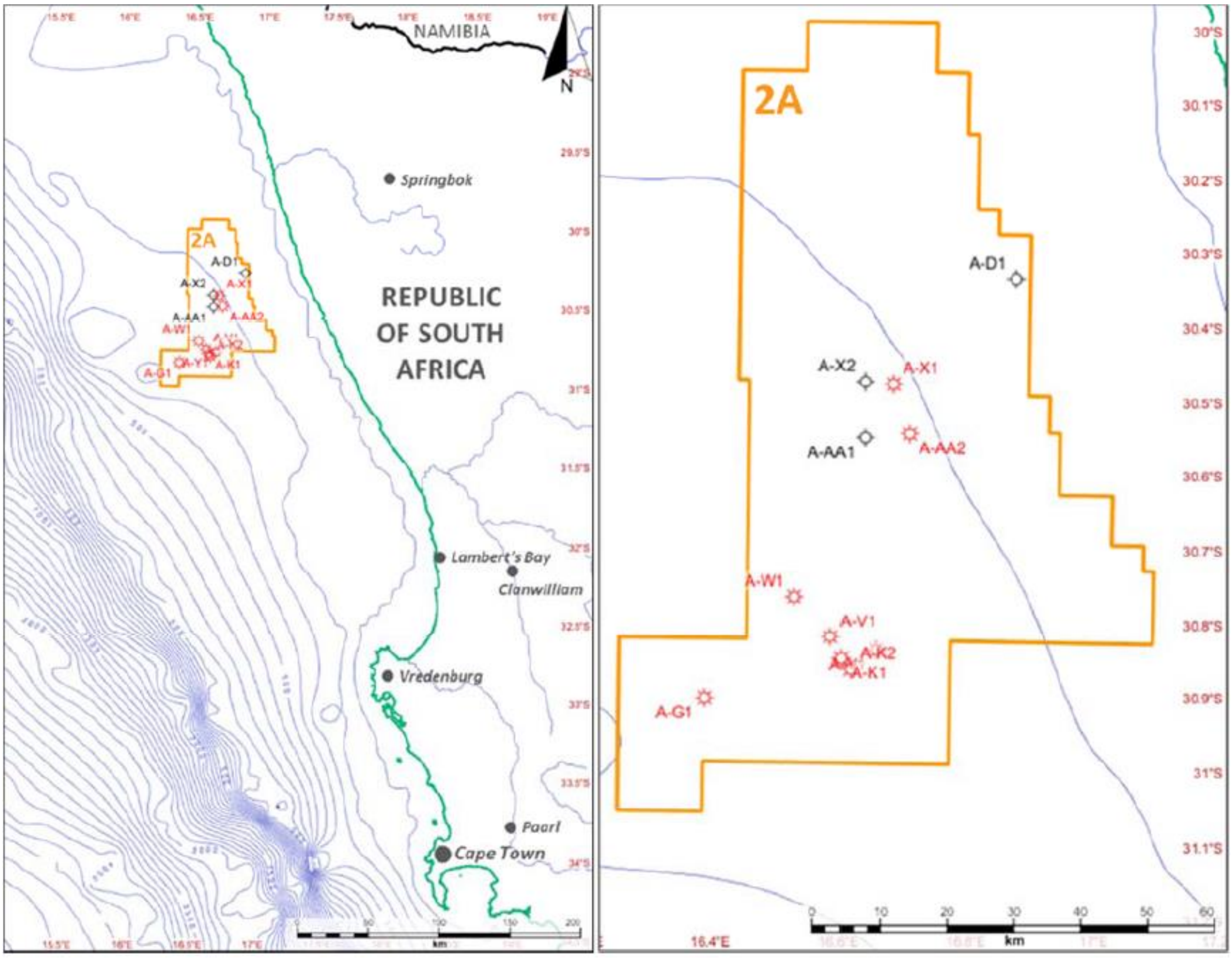

Figure 5-1 Inhubesi Gas Field and Well Location Map (Sunbird, 2014)

5.2. Geological Setting

The sedimentary sequence within the Orange Basin is predominantly post-rift, and consists of over 7km of siliciclastic aeolian, fluvial, fluviodeltaic and marine facies ranging in age from Hauterivian to Tertiary. Basement to the Orange Basin is of Pre-Cambrian or Palaeozoic age, with the Syn- and Post-rift sedimentary sequence resting unconformably above. To date 30 exploratory wells have been drilled in the shallow water (less than 750m depth) shelf area, with the Kudu and Ibhubesi gas discoveries being the most significant finds.

The objective reservoirs in Ibhubesi are Cretaceous aged fluvial syn-rift and post-rift sediments with the trapping predominantly stratigraphic in nature. Based on a sequence stratigraphic analysis by SNY's independent reserves certifier, MHA Petroleum Consultants LLC (MHA), they are assessed to comprise incised valley fill, prograding wedge, basin floor fans and channel fill (Figure 5-2).

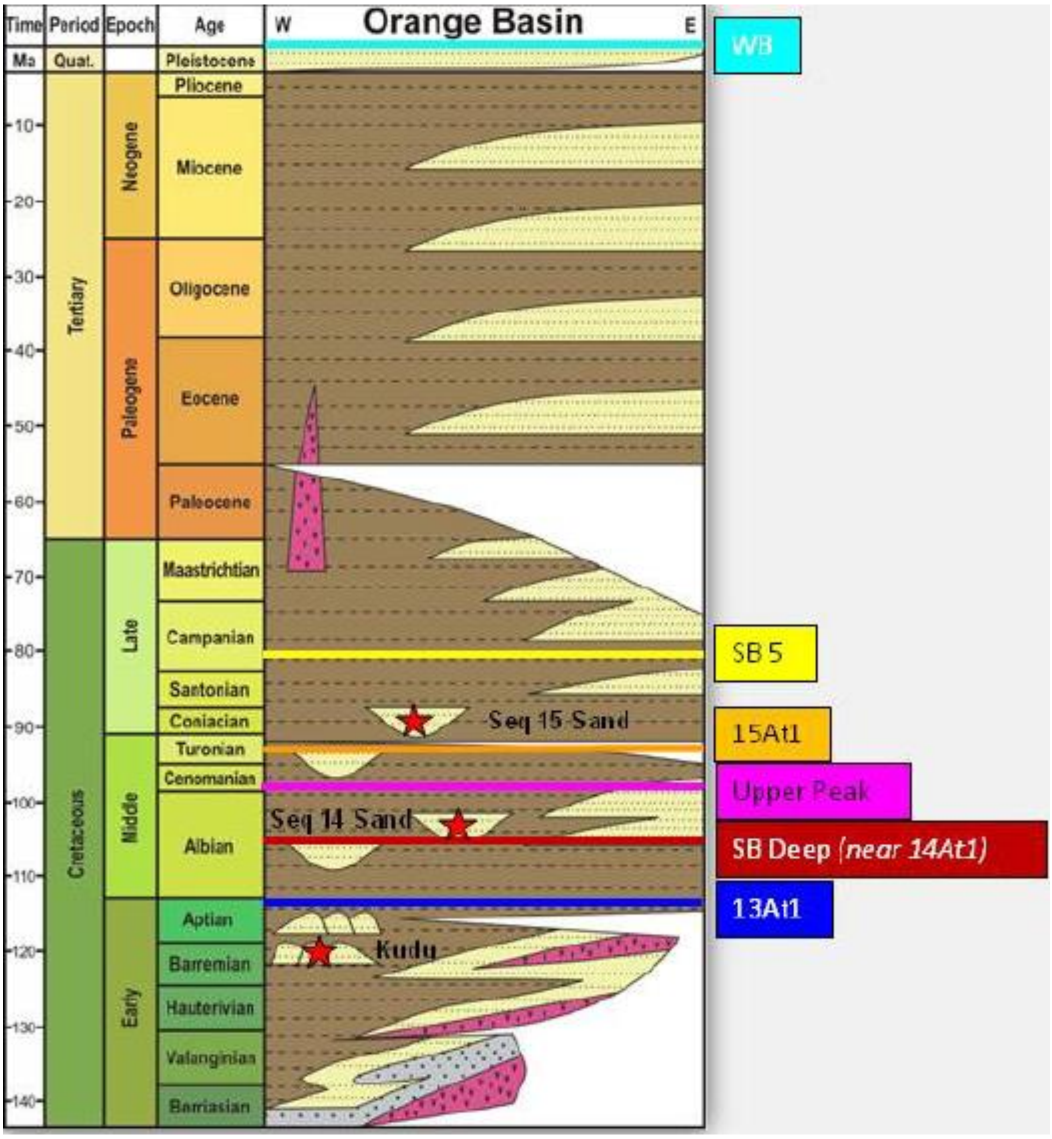

Figure 5-2 Stratigraphic Column (MHA, 2014)

The major tectonic phases which have contributed to the petroleum system are:

- Late Jurassic rifting associated with the rifting of the South American and African continents which initiate several graben and half-grabens along the SW margin of the present day African continent. During this period, the basin filled with lacustrine and terrigenous sequences from nearby uplifted Pre-Cambrian or Paleozoic basement rocks. Volcanic emplacement of dykes also occurred between 138-126 Ma;
- continued rifting and emplacement of oceanic crustal rocks throughout the Barremian through to the onset of drift in the Early Aptian (117.5 Ma) saw anoxic/shallow sea conditions when marine transitional source rocks were deposited.
- the main phase of continental drift in the Early Albian (112 Ma) with uplift and erosion on the margins of the Orange Basin. This was followed by subsidence through to the Turonian. Over 5500m of sediments were deposited in the Orange Basin depocenter between 112 Ma and the end of the Cretaceous at 65 Ma.
- Uplift and erosion at the end of the Cretaceous. Post Cretaceous 300-1500m of sediments were deposited on the shelf and shelf break

The main features of the depocentre are shown in cross section in Figure 5-3.

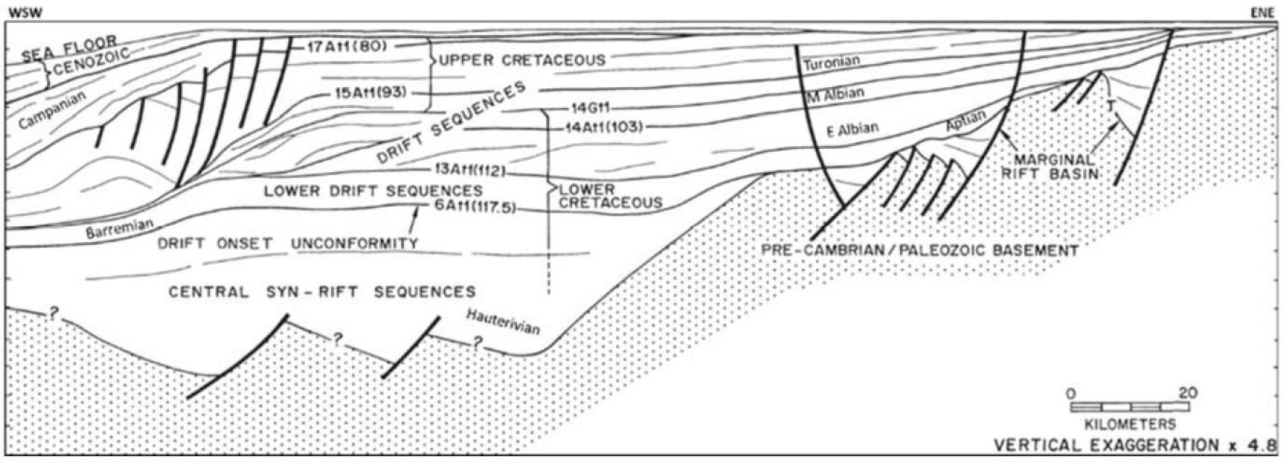

Figure 5-3 Schematic WSW-ENE tectonic-stratigraphic section near Ibhubesi field (SNY, 2014)

5.3. Well Results

A total of 11 wells have been drilled in Block 2A, with 7 wells encountering gas. The discovery well A-K1 was drilled in 1986-7 and tested gas and condensate. There have been a total of 4 wells tested and discoveries determined in the remaining 3 wells from RFT/MDT and log data (Table 5-1).

A total of 9 DST's have been carried out, with 8 successful tests. The wells have tested gas at rates from 13-30 MMscf/d with condensate to gas ratios of 2-23 bbl/MMscf (

Table 5-2).

The petrophysical summary of the wells is shown in Table 5-3.

Table 5-1 Wells drilled in Block 2A (SNY, 2014)

Well #	Year	Status	Comments
A-D1	1981	Dry Hole	Minor residual hydrocarbon shows
A-K1	1986-1987	Plugged and abandoned	Discovery, tested with gas and condensate flow
A-G1	1988	Plugged and abandoned	Discovery from RFT/MDT data, not tested
A-K2	2000	Temporarily abandoned	Discovery, tested with gas and condensate flow
A-Y1	2001	Temporarily abandoned	Discovery, tested with gas and condensate flow
A-V1Z1	2001	Temporarily abandoned	Discovery from RFT/MDT data and log analysis, not tested
A-W1	2001	Plugged and abandoned	Minor oil and gas shows, recent petrophysics indicates no pay in main reservoir, (possible immoveable HC's), gas present in small stray sand
A-X1	2003	Temporarily abandoned	Discovery, tested with gas/condensate flow
A-AA1	2003	Dry Hole	No hydrocarbons
A-AA2	2003	Plugged and abandoned	Discovery from RFT/MDT data, not tested
A-X2	2004	Dry Hole	No hydrocarbons

Table 5-2 Ibhubesi Well Test Summary (MHA, 2014)

Well Name	A-K1			A-K2	A-Y1			A-X1
DST #	2A	3	4	1	1	2	3	1
Sand	Bt1	Et1	Jt1	Et1	Stray	Et1 Lwr	Et1 Upr	Nemean
Interval (mbKB)	3354-3371	3275-3287	3231-3241	3239-3250	3336-3340	3215-3220	3198-3212	3063-3092
Gross Interval (m)	17	12	10	11	4	5	14	29
Qg (MMSCFD)	13.5	23.60	15.80	27.00	14.8	28.5	28.4	29.8
Q_{cond}(bbl/d)	82	155	158	636	70	650	650	373
Q_w(bbl/d)	114	60	32	87	36	40	63	N/A
CGR (Bbl/MMSCF)	6.1	6.6	10.0	23.6	4.7	22.8	22.9	12.5
WGR (Bbl/MMSCF)	8.4	2.5	2.0	3.2	2.4	2.9	2.2	N/A
Permeability (md)	102.4	8.4	144.9	250	15	440	400	N/A

Table 5-3 Block 2A Petrophysical Summary (MHA, 2013)

Well	Sand	Top	Base	Gross m	Net m	NTG	Porosity %	Sw %
A-X1	Nemean	3059.3	3100.0	40.7	11.7	29%	17.6	38.2
A-Y1	14Et1	3198.57	3201.31	2.7	2.7	100%	20.1	36.1
A-Y1	14Et1	3205.58	3210.15	4.6	4.6	100%	20.1	35.4
A-Y1	14Et1	3215.64	3222	6.4	6.4	100%	21.8	35.3
A-Y1	14Dt1	3330.25	3339.54	9.29	2.2	25%	16.0	29.6
A-K2	14Et1	3238.5	3250.84	12.3	12.3	100%	20.6	20.0
A-K2	14Et1	3255.57	3257.25	1.7	1.7	100%	16.7	52.8
A-K1	14Et1	3273.71	3293	19.3	10.6	55%	16.9	46.2
A-K1	14Jt1	3219.32	3222.65	3.3	2.3	69%	14.3	45.0
A-K1	14Jt1	3230.73	3233.5	2.8	2.8	100%	17.0	51.6
A-K1	14Bt1	3353.79	3361	7.2	6.8	95%	21.5	48.4
A-AA2	Ngonyama	2957	2958.22	1.2	1.2	100%	21.9	58.0
A-AA2	Ngonyama	2960.35	2964.01	3.7	3.7	100%	20.5	56.0
A-V1	14At1	3420	3434	14.0	14.0	100%	19.8	22.9
A-V1	14Ft1	3319	3324	5.0	2.0	40%	19.2	50.6
A-G1	14Lt1	3369.6	3377.18	7.6	7.6	100%	13.3	45.0
A-G1	14Lt1	3392.3	3403.4	11.1	11.1	100%	17.5	48.5

5.4. Seismic data and mapping

The seismic interpretation and mapping has been based upon 1,770 km^2 of 3D seismic data (Figure 5-4). The 3D seismic data base is a merge of 3 individual surveys, the 1999 and 2002 Shelf 3D's (1,173 km^2) and the 2011 OB113D survey (711 km^2).

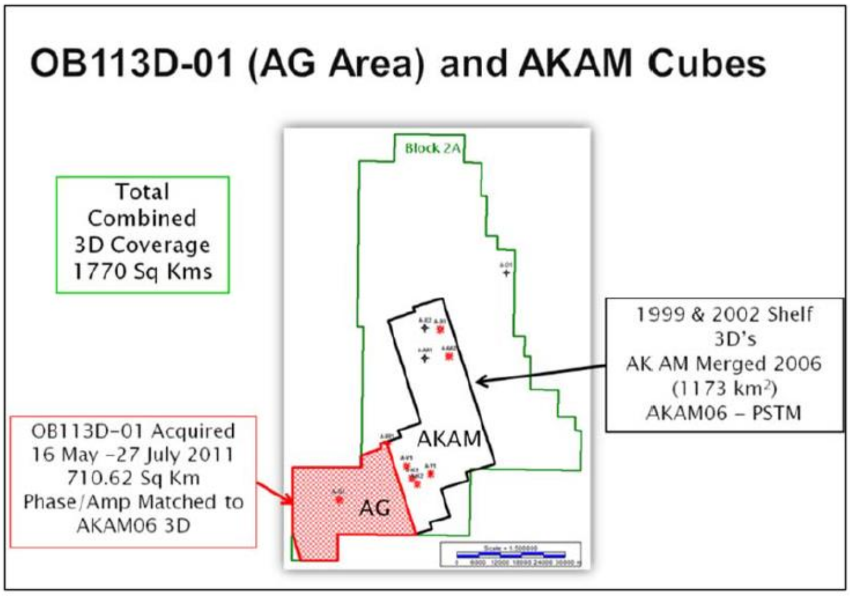

Figure 5-4 3D Seismic Locations (MHA, 2014)

The primary method used to define the Ibhubesi gas field prospects and gas discoveries was the mapping of amplitude derived geological sand bodies considered to represent the reservoir (geobodies) from a Relative Acoustic Impedance (RAI) data set. This data was helpful in defining high porosity sands but in this instance is not able to be used as a direct hydrocarbon indicator – that is it cannot confirm the presence of gas.

In order to tie the geobodies to the wells, synthetic seismic responses were generated at the wells and then tied to the pre-stack time migration (PSTM) data and the RAI data set. It was observed that at the A-G1 well the 14Lt1 sand has a weak response from the top of the sand and that the RAI data does show the sand body. This was observed in other well locations and so it was concluded that the RAI data set was an indicator of the sand bodies but it was not able to accurately pick the top of the sand.

The resolution of the seismic data was evaluated to determine if the seismic data could be used to determine the net pay thickness in the reservoir bodies. The data show that the resolution of the seismic data is no better than 30m and was unable to discriminate a thickness of between 15m and 35m. It was therefore concluded that the seismic response cannot be used to determine net pay sand thickness unless the sand thickness is greater than 30m.

The lateral extent of the geobodies is influenced by the choice of the lower amplitude range extracted from the RAI data. The following figures shows the geobody extraction from two lower amplitude ranges cases;

1. 0.2 and lower amplitudes (Figure 5-5)
2. 0.1 and lower amplitudes (Figure 5-6)

The data extraction shows that it is critical to determine which lower amplitude range should be used to determine the extent of the geobody. In order to have better confidence in the areal extent of the geobodies a well calibration would need to be applied to check the thickness of the sand at the well (vertical section) and the thickness shown by the extraction.

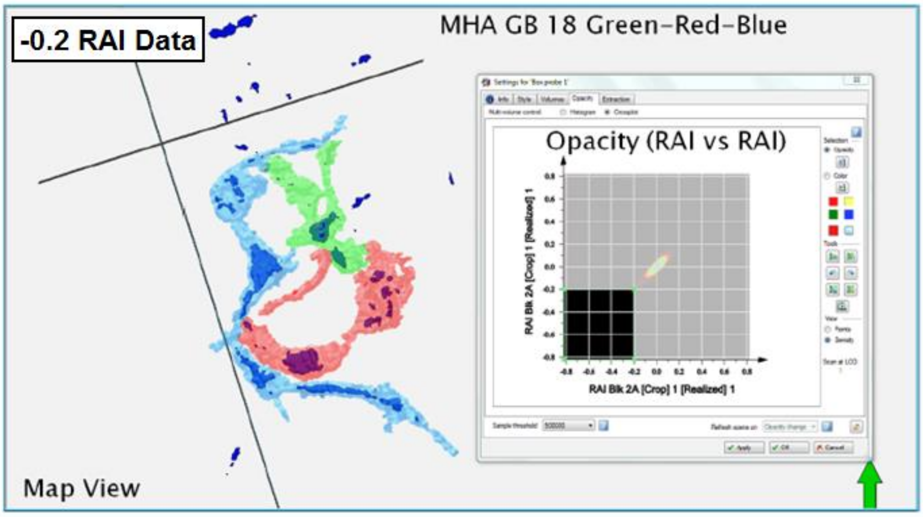

Figure 5-5 Geobody extraction from RAI cube with -0.2 and lower amplitudes (MHA, 2014)

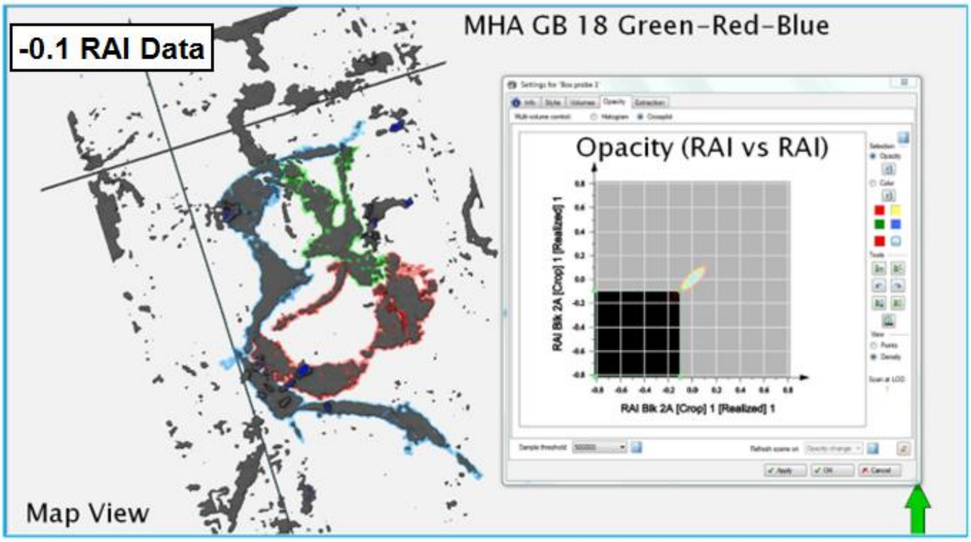

Figure 5-6 Geobody extraction from RAI cube with -0.1 and lower amplitudes (MHA, 2014)

In summary, RISC believes that the RAI method is reasonable, however we believe more could be done to assist in quantification of the uncertainty in its use to estimate GIIP. This issue is discussed later in this report.

5.5. Geological modelling

RISC was provided with three static modelling projects. These models were examined to determine reservoir parameters and confirm that they were the same models as used in the dynamic modelling. We are satisfied that the static models are accurately represented in the dynamic models.

Seven geobodies have been considered for Phase 1 and Phase 2 of the development project. These are named as follows:

GB55
GB46
GB18 Blue
GB18 Green
GB32, 33 and
AG

The top depth map of the geobodies and well locations are shown in Figure 5-7, Figure 5-8.

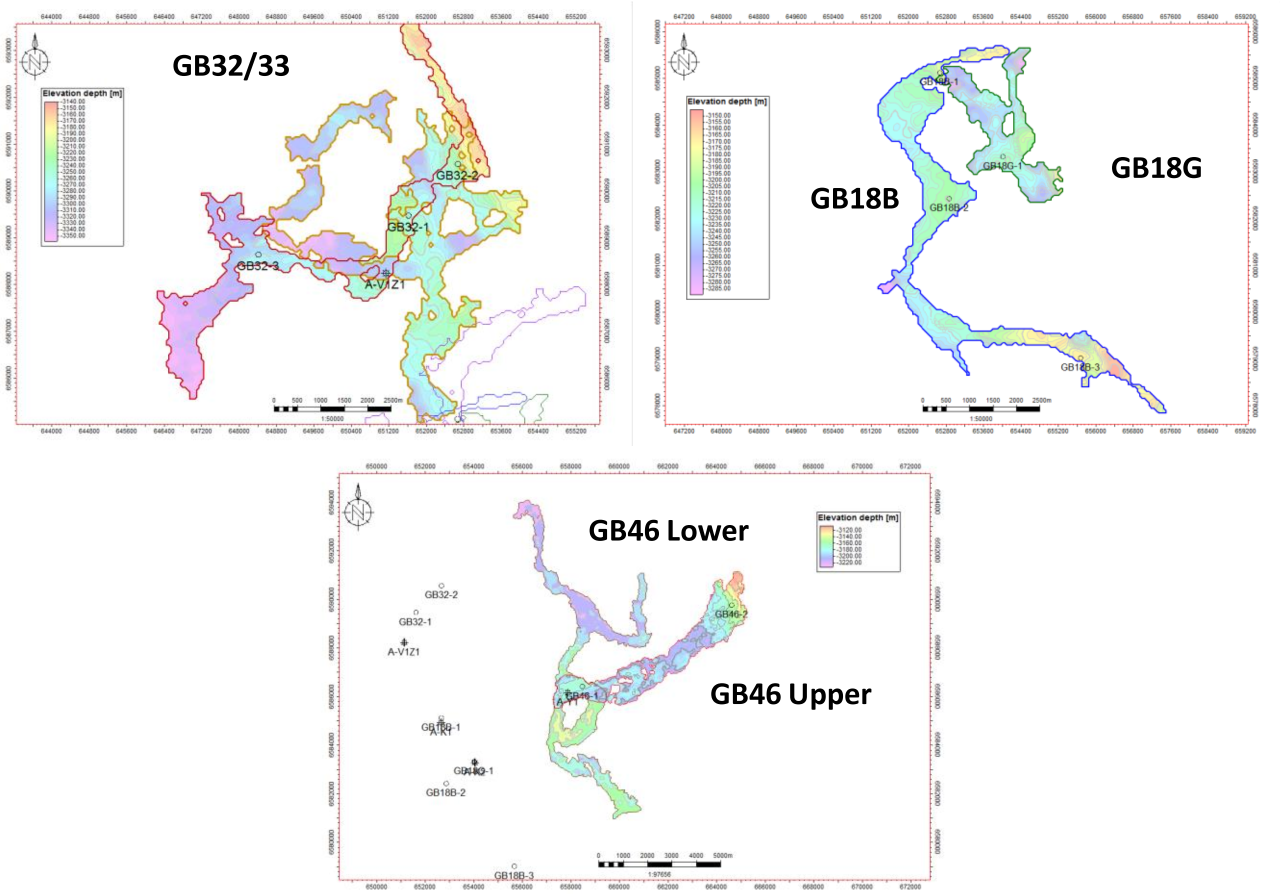

Figure 5-7 Top depth map of Geobodies GB32/22, GB18B, GB18G and GB46 with well locations

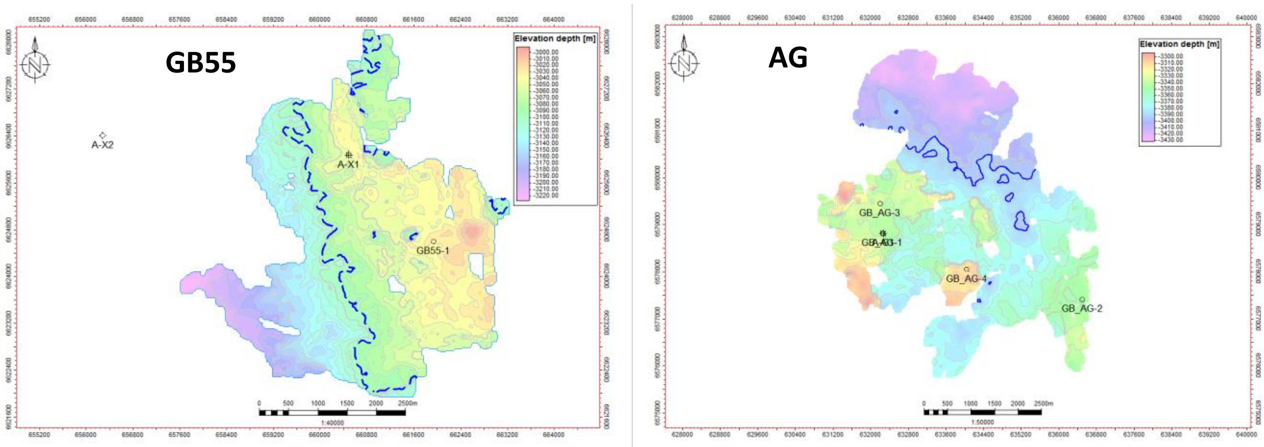

Figure 5-8 Top depth map of Geobodies GB55 and AG with well locations

The size and position of all the Ibhubesi gas field models have been derived from a seismic attribute, "Relative Acoustic Impedance" (RAI) which emphasize lithologic changes. MHA analysis showed that low RAI values conform to the high-porosity sands in the discovery wells but that the RAI attribute is not a direct hydrocarbon indicator (DHI).

To extract the geobodies MHA set the attribute range to tie with the well sand thickness and used these settings to extrapolate the position of the geobody at and away from the well control, as almost all geobodies are below tuning thickness of about 30 meters in this area. To build the geobodies the thickness throughout the model is taken as equal to the well thickness resulting in uniformly thick reservoirs throughout the length and breadth of the geobodies. The resulting geobodies are then used in conjunction with the facies and porosity modelling.

The approach taken by MHA is to use the "gas down-to" depths as seen in wells in the Low case (unless there is a fluid contact available from pressure or log data). The High case assumes the geobody is filled and the best estimate case is generally mid-way between the two. This approach is reasonable as the sands are stratigraphically trapped. However we note that assuming the geobody is only filled to the "gas down-to" could be very conservative ie a P100 case and equally assuming it is filled may be optimistic (P0 case) as there may be potential leak paths.

The volumetric parameters from the models have been back calculated and it was not possible to match the parameters with those reported in the preliminary FDP as serving as the basis of the reserves volumes, although the parameters from the static models are roughly within the same range as those from the FDP.

In summary, we consider that the modelling process could be improved if uncertainty in lateral extent of the geobody and variations to input parameters such as thickness, saturation, porosity and permeability were considered. Further, we believe that the approach to facies modelling may be potentially optimistic.

5.6. Dynamic modelling

The static models have been imported into reservoir simulation models. The simulation models have been reviewed.

The model gridding is quite fine, with typically 25 to 50m areal dimensions and 0.5-1m vertical cells which is more than adequate to represent any geological variation which may be present.

Relative permeability was estimated using Corey functions, with end points matched to the log data and appears reasonable.

Dry gas PVT has been used. SNY advise that retrograde behaviour does not exist over the range of conditions anticipated in the development life and hence this simplification is reasonable.

We note that there are adjustments to the permeability of these models presumably to match well performance, however the basis for these adjustments was not sighted in documents provided to us. The multipliers are in the range 1.1-2.6 and are not considered large.

Skin and non-Darcy flow have not been used, which may result in optimistic productivity.

The wells are controlled by bottom hole pressure which is set to 800 psi and does not include the tubing and flowline network and FPSO arrival pressures. The resulting initial well potential, plateau duration and abandonment pressures should only therefore be considered screening level approximations. SNY plan to incorporate tubing and pipeline networks in future work to improve the accuracy of the well forecasts.

5.7. Phase 1 and Phase 2 resources and production forecasts

MHA in 2013 independently assessed the GIIP and recoverable volumes that form the basis for the initial reserves booking by SNY in June 2013[4]. Since then MHA has carried out further seismic, static and dynamic modelling work which forms the basis for SNY's draft development plan[5].

[4] Independent Certification of 540 Bcf 2P Reserves for the Ibhubesi Gas Project, SNY Announcement 4 June 2013
[5] Ibhubesi Gas Project Initial Field Development Plan, December 2014

The simulation models have been used, in conjunction with the current view of the Phase 1 and 2 preliminary development plan to estimate in-place and recoverable gas.

Although the quantification of uncertainty in the resource estimates could be improved, in aggregate, we consider the Phase 1 and Phase 2 in-place estimates as reasonable for the purposes of valuing the project at this point in time.

5.7.1. Resource Estimates

The deterministically derived in-place and recoverable gas estimates used by SNY are shown in Table 5-5.

RISC has tested the reasonableness of the recovery per well against Nile Delta analogues. The analogue reservoir thickness and permeability is generally better than the Ibhubesi reservoirs, and therefore provide a reasonable upper bound.

The analogue data shows recoveries per well for fluvial channel/braided stream incised valley systems of typically 10-65 bcf/well which can be correlated with reservoir thickness. These show that the estimated recoveries for a single well are in the main reasonable compared to the analogue with the exception of GB55 and AG. GB55 and AG have a more lobate or fan like nature. GB55 is interpreted to be channels which are ponded and would be expected to be reasonably well connected. However the analogue data shows that for systems similar to GB55 and AG, additional wells would be necessary. To arrive at a recovery per well consistent with the analogue data, we have estimated the Phase 1 and Phase 2 development well count for each geobody is shown below.

Table 5-4 RISC Phase and Phase 2 Development Well Count

Sand Body	Phase1	Phase 1+2
GB55	1	3
GB46	2	2
GB18Blue	1	3
GB18Green	1	1
GB32/33	2	3
GBAG	-	4
Total	**7**	**16**

Table 5-5 Ibhubesi Gas Project Phase 1 and Phase 2 Resources (Ibhubesi Initial FDP, December 2014)

Sand Name	Deterministic Phase 1 Low Estimate			Deterministic Phase 1+ 2 Best Estimate			Deterministic Phase 1+2 High Estimate		
	GIIP(Bcf)	EUR (Bcf)	RF %	GIIP(Bcf)	EUR (Bcf)	RF %	GIIP(Bcf)	EUR (Bcf)	RF %
GB-55	78.1	61.5	78.8%	182.2	145.1	79.6%	329.1	260.8	79.2%
GB-46	44.1	33.9	77.0%	76.4	53.8	70.4%	138.7	103.7	74.8%
Gb-18 Blue	39.8	17.0	42.7%	56.8	41.8	73.6%	104.3	77.0	73.8%
GB-18 Green	49.2	39.5	80.3%	49.2	39.5	80.3%	49.2	39.5	80.3%
GB32/33	66.5	40.3	60.6%	102.5	66.3	64.7%	147.6	99.6	67.5%
AG	n/a	n/a	n/a	120.2	89.9	74.8%	274.4	201.9	73.6%
Total	**277.6**	**192.2**	**69.2%**	**587.3**	**436.4**	**74.3%**	**1043.3**	**782.5**	**75.0%**

RISC has constructed a reservoir material balance using the deterministically derived Low and Best case GIIP including tubing and flow line network models to predict flow rates and plateau duration. We have adopted the 88.3 MMscf/d gross gas plateau production and the target gas rates for each geobody assumed by SNY in their FDP. We also allowed the well rates to increase from their target rates to remain on plateau as long as possible.

We have assumed 4" flowlines except in the case of the GB55 well, which is some 38 km from the planned FPSO and will require a 6" flow line. Booster compression (3 MPa inlet pressure) will be required at start up to achieve the desired flow rate.

RISC's Phase 1 and Phase 2 recoveries and production forecasts are shown in Table 5-6, Figure 5-9 and Figure 5-10.

Table 5-6 RISC Phase 1 and Phase 2 Recoverable Gas and Condensate

Geobody	Phase 1 Recovery Bcf	Phase 1+2 Recovery Bcf
GB55	61.5	149.9
GB46	37.8	58.9
GB18 Blue	16.8	44.4
GB18 Green	40.4	40.4
GB32/33	40.3	76.8
GBAG	-	100.1
Total Gas Bcf	**196.8**	**470.5**
Total Condensate MMbbl	**2.1**	**5.0**

Ibhubesi Phase 1 Production Forecast

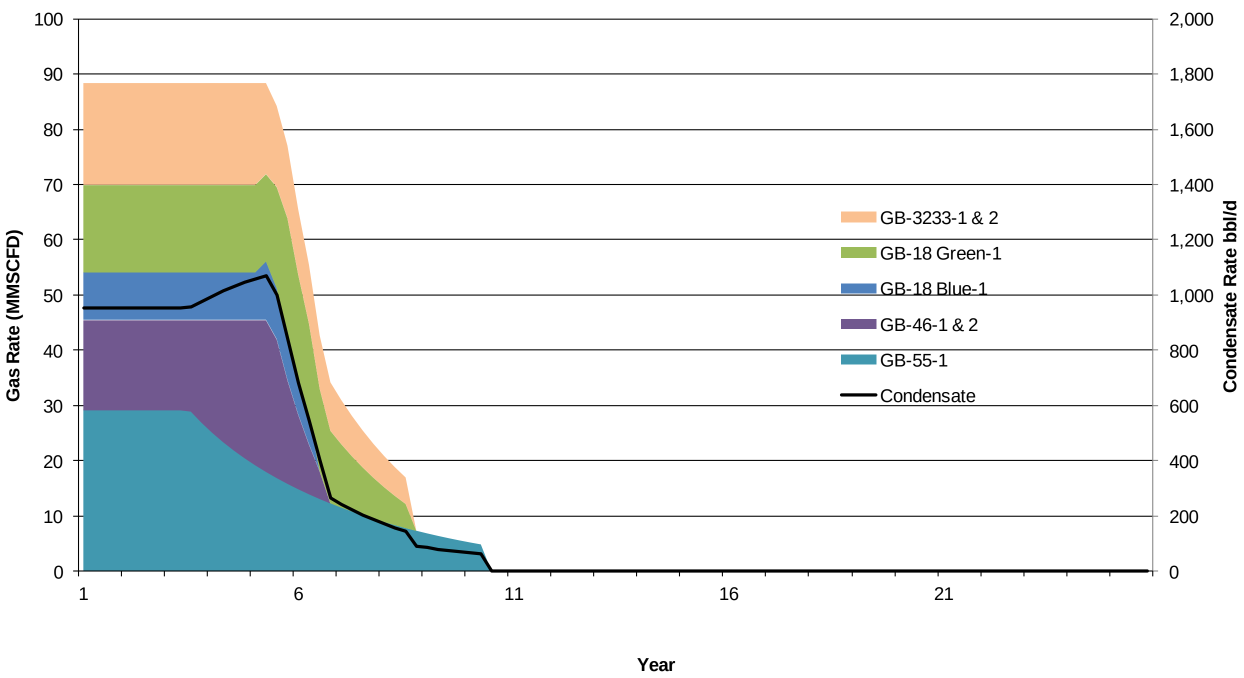

Figure 5-9 RISC Phase 1 Production Forecast

Ibhubesi Phase 1 + 2 Production Forecast

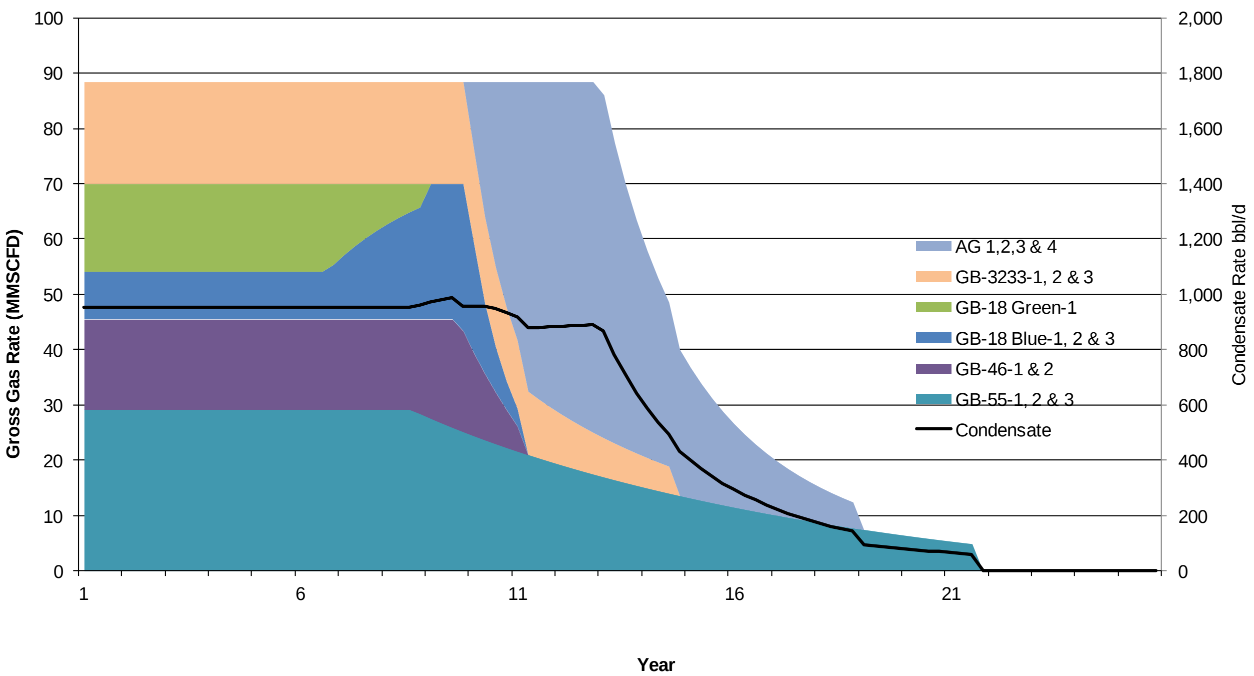

Figure 5-10 RISC Phase 1 +2 Production Forecast

5.8. Contingent Resource Estimates

In addition to the resources which are planned for development in Phase 1 and Phase 2, there are additional contingent resources estimated by MHA in 2013/2014 (Table 5-7).

Table 5-7 Block 2A Gross Contingent Resource Estimates (SNY, 2013)

1C (Bcf)	2C (Bcf)	3C (Bcf)
50	96	241

The contingent resources have a value to the project as a known back up to reserves that may be needed to backfill production towards the end of field life.

5.9. Prospective Resource Estimates

In addition to the reserves and contingent resources there are additional prospective resources estimated by MHA in 2013/2014 (Table 5-8 and Table 5-9) and Jordon and Pay 2015 (Table 5-10).

Table 5-8 Block 2A gross Prospective Resource Estimates (MHA, 2014)

Play (Prospect number)	Low (Bcf)	Best (Bcf)	High (Bcf)
3D Area Prospects (9)	248.7	413.8	614.9
2D Area Prospects (49)	4,111.6	6,609.1	8,797.1
Kudu Prospects (1)	148.6	760.5	3,892.6
Total Prospects (59)	**4,508.9**	**7,783.4**	**13,304.3**

The previous 64% success rate in drilling the RAI geobodies in the 3D area of Block 2A supports the view that further drilling of the geobody prospects is likely to meet with success. MHA has been conservative on the reservoir thicknesses assigned to these prospects which has resulted in a Deterministic Most Likely range of 30-60 Bcf for each the 9 prospects in the 3D area. There is overlap of the geobodies in three cases where two geobodies could be tested with one well creating a more economically robust exploration drilling proposition.

Table 5-9 Block 2A 3D Area gross Prospective Resource Estimates (MHA, 2014) and estimated value (RISC)

Prospect	Recoverable Prospective Resource (Bcf)			Gpos	Dry hole cost	Dry hole cost AT	NPV at 1.0$/Mcf	Best Case EMV
Geobody	Low	Best	High	%	US$m	US$m	US$m	US$m
68 & 69	15	74	162	50%	45	19.8	74	27
37 & 38	23	111	244	50%	45	19.8	111	46
2	11	51	118	50%	45	19.8	51	16
41	5	28	64	49%	45	19.8	28	3
72 &74	16	80	171	40%	45	19.8	80	20
AG B_1	5	29	67	40%	45	19.8	29	0

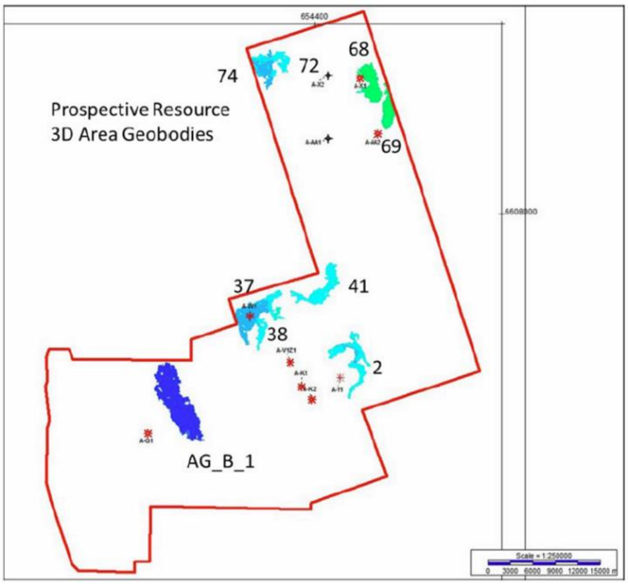

Figure 5-11 3D Prospects Location Map (MHA, 2014)

In a report by Jordan and Pay 2015 on the exploration potential of Block 2A, sixteen prospects were identified in the 3D area including a number at deeper stratigraphic levels of the Mid- Albian and Aptian to Lower Albian. Input parameters were more optimistic resulting in larger, more economic volumes in equivalent prospects to those mapped by MHA (Table 5-10).

Outside the 3D area Jordon and Pay documented twelve leads some of which were significantly larger with lower Gpos which require 3D prior to drilling which will inevitably reduce their size. Three of these leads have also been tabulated below with an estimated dry hole cost of $55 million which includes a $10M uplift for 3D seismic acquisition. All are economic given the metrics used below.

Table 5-10 Block 2A 3D Area gross Prospective Resource Estimates (Jordan and Pay 2015) and estimated value (RISC)

Prospect	2D/3D	Prospective Rec Resource (Bcf)			Gpos	Risked Best Case Resource (Bcf)	Dry hole cost US$m	Dry hole cost AT US$m	NPV $m at 1.0$/Mcf	Best Case EMV US$m
		Low	Best	High						
Galjoen (equiv. to AG)	3D	56	220	522	39%	86	45	19.8	260	89
Geobody 60/68 (68 & 69)	3D	98	144	207	50%	72	45	19.8	149	65
Geobody 41 (41)	3D	26	51	92	49%	25	45	19.8	56	17
Wildcat	2D	77	320	722	34%	109	55	24.2	363	107
Leopard	2D	27	101	292	34%	34	55	24.2	135	30
Cheetah	2D	94	358	920	34%	122	55	24.2	446	136

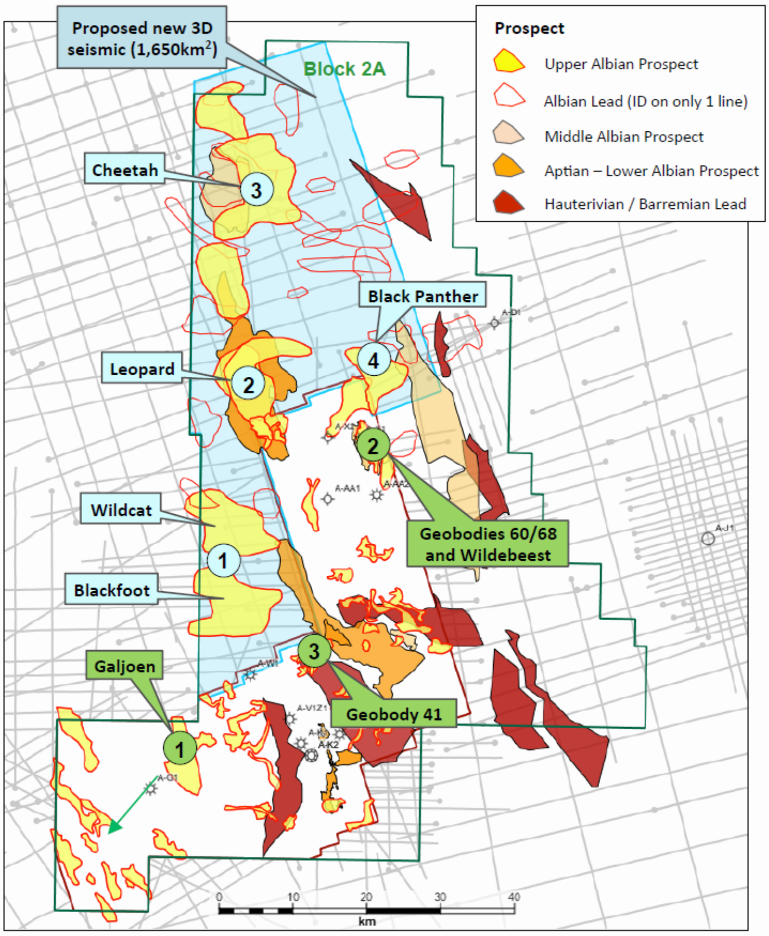

Figure 5-12 2D & 3D Prospects Location Map (Jordon & Pay, 2015)

RISC believes that there is value in the exploration portfolio given the high chance of success within the 3D area and the large number of prospects to follow up on (primarily as a result of the large area designated as a production license). There is a 100% uplift on recovery of exploration costs against corporate tax which significantly adds to the value to the prospect inventory. Outside the 3D area Jordon and Pay recommended acquiring 1650 km^2 of new 3D to cover the main leads identified. They also recommend drilling Galjoen, Geobodies 60 & 68 and Geobody 41. A work program to achieve this would cost an estimated $17M for the 3D, and $45M per well (Total Gross $152M) and would be chasing a risked prospective resource of 448 Bcf based on these six prospects and leads. An extra 448 Bcf would have a significant impact on the development plan for greater Ibhubesi gas field.

While RISC believes that in the current market, exploration value would be deemed insignificant compared to the value of the Ibhubesi gas project, individual prospects have a positive value and the 30 year term on Block 2A makes an attractive proposition for a potential farminee to be able increase the overall value of the development either upfront or in the future by carrying out an exploration program.

5.10. Development Project

The Ibhubesi gas field is planned to be developed with subsea wells drilled from multiple drill centers into multiple different geobodies. The different well streams will be gathered using subsea flowlines to a single manifold located beneath a gas processing FPSO. The produced gas will be dried and condensate will be separated and stabilised on the FPSO. Dry sales gas will then be exported through a 400km subsea pipeline to the Ankerlig power station.

The power station is planning to use the gas for power generation 16 hrs/day, 5 days a week. The FPSO export schedule will be for continuous 24 hrs/day, 7 days a week production at a rate that will match the power stations requirement over a 7 day period. This rate is approximately 90 MMscfd. The difference between the production and consumption schedules will be addressed by using the export gas pipeline's line pack capacity. Effectively the gas pipeline pressure will rise when the power station is not taking gas and the FPSO is still exporting gas, then when the power station is taking gas (at a rate higher than the FPSO is exporting) the pipeline pressure will fall. This approach is not expected to create any difficulties for either the exporter or user of gas and the only infrastructure requirements are for: a gas export pipeline with a high pressure rating (26 MPa) and a pressure letdown and gas heating station at the exit of the pipeline to ensure consistent gas pressure and temperature into the power station.

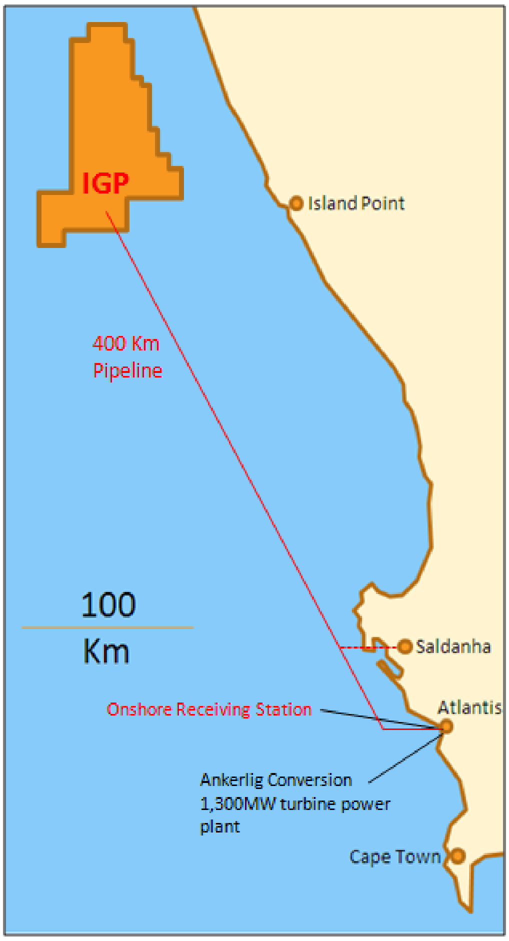

Figure 5-13 Gas Project Location Map (SNY, 2014)

5.10.1. Development Wells

Development well design for each of the geobodies is similar. Vertical wells with simple completions and perforated liners in the reservoir sands are the selected design. The wells will be drilled from semi-submersible drilling rig and each Phase 1 well is expected to take about 50 days to drill and complete. A table summarising the planned Phase 1 drilling activity is shown below.

Table 5-11 Phase 1 Drilling Summary

Well Name	Drilled MD (m)	Total D&C duration (d)
GB55-1	3,300	48
GB16G-1	3,430	52
GB18B-1	3,700	57
GB46-1	3,400	52
GB46-2	3,400	52
GB3233-1	3,721	55
GB3233-2	3,392	52
Total	24,343	368

The figure below shows the preliminary Phase 1 and some Phase 2 well locations.

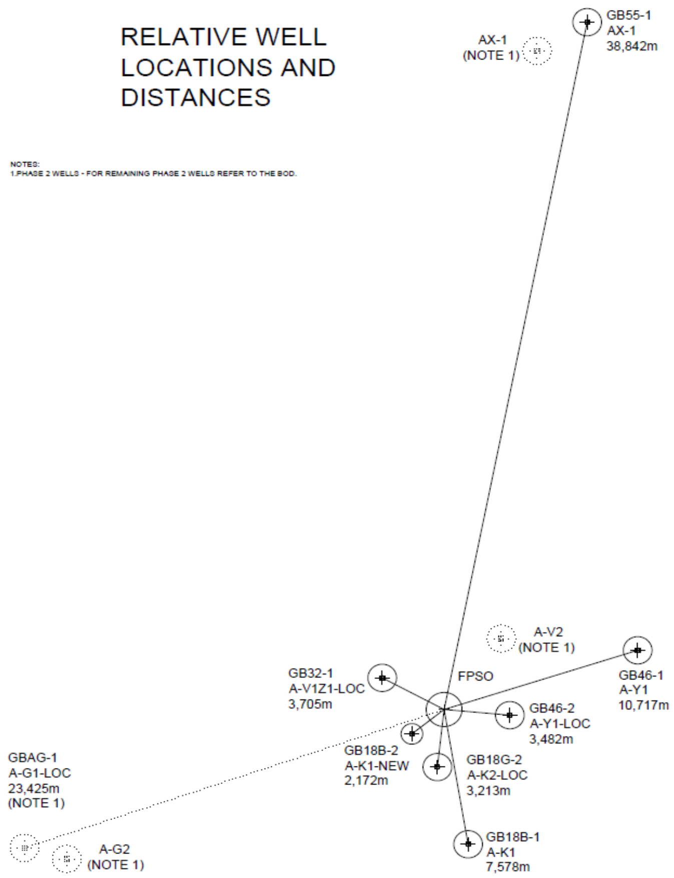

Figure 5-14 Ibhubesi Phase 1 and Phase 2 well locations (SNY, 2014)

The drilling schedule for both Phase 1 and Phase 2 assumed by RISC is outlined below.

Table 5-12 Drilling Schedule and Cost Summary

Activity	Year	Wells
Drilling 7 Phase 1 wells	2017/18	GB3233-1, GB3233-2, GB18B-1, GB46-1, GB46-2, GB18G-1, GB55-1
Drilling 2 Phase 2 wells	2020	GB55-2, GB55-3
Drilling 3 Phase 2 wells	2022	GB18B-2, GB18B-3, GB3233-3
Drilling 2 AG delineation wells	2025	GBAG-1, GBAG-2
Complete AG delineation wells as producers	2027	GBAG-1, GBAG-2
Drill 2 Phase 2 wells	2029	GBAG-3, GBAG-4

5.10.2. Subsea Infrastructure

The subsea infrastructure has been designed to gather all of the wellstreams into a single manifold with dual production risers leading from the manifold to the FPSO. A schematic showing the subsea design is below.

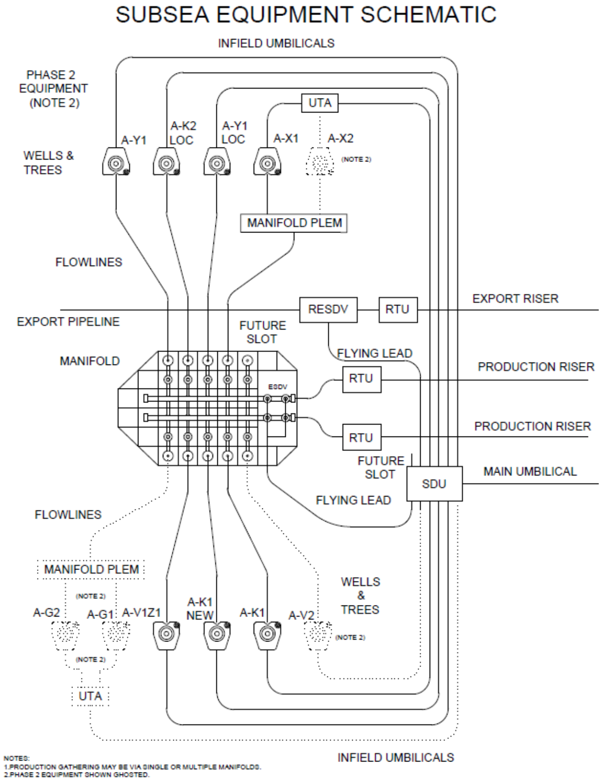

Figure 5-15 Ibhubesi Subsea Infrastructure Schematic (SNY, 2014)

We have altered the design in two ways from what is proposed by SNY. Firstly the two flowlines connecting the GBAG and the GB55 wells (23.5 km and 40 km long respectively) have been increased from 4" to 6" in diameter to ensure the production rates can be maintained on plateau as reservoir pressure falls. Secondly we have added 2 new wells in the GB55 reservoir Phase 2 for a total of 16 wells over the project life.

5.10.3. FPSO

A basic gas/condensate handling FPSO is proposed for the Ibhubesi development. A schematic showing the proposed process scheme for the FPSO is shown below.

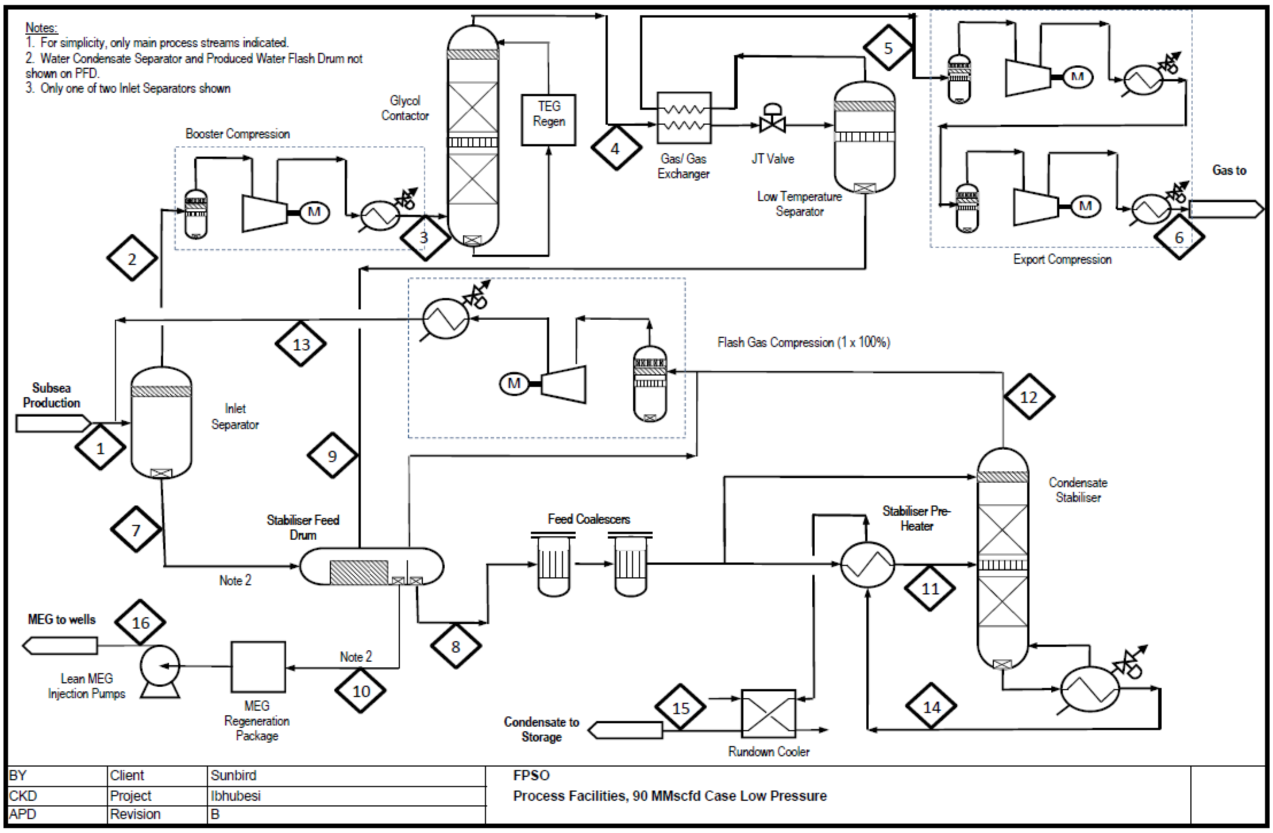

Figure 5-16 FPSO Process Schematic (SNY, 2014)

5.10.4. Booster compression

RISC's production modeling shows that booster compression to allow 3 MPa inlet pressures will be required on the GB55 well to enable the designed flow rate to be achieved with a 6" flow line installed. We have assumed booster compression from 1st gas.

5.10.5. Export Pipeline

The sales gas export pipeline is a 400km, 14", predominantly subsea pipeline linking the FPSO to the onshore gas receiving station.

5.10.6. Onshore Gas Receiving Station

The onshore gas receiving station will be used to heat and expand the gas exiting the export pipeline from the FPSO. This is done to ensure a constant gas pressure and temperature at the inlet of the power station regardless of the pressure in the export pipeline (which will vary widely due to the differences in operating schedules of the gas supplier and gas user).

5.11. Cost Summary

RISC has reviewed the Sunbird cost estimates for the development plan outlined in the FDP. The cost estimate is detailed in a 2013 report from Wood Group Kenny (WGK). In general we found the cost estimate to be reasonable and supportable with good alignment to both industry benchmarks and internal RISC tools. The only exception to this statement is with the subsea pipeline costs. RISC believes that the subsea pipeline costs detailed by WGK were overly optimistic and are not aligned with other similar subsea pipeline cost benchmarks from the West African region in the 2010-13 period.

To compile a cost estimate for this report we have adjusted the 2013 Wood Group Kenny cost estimate to align well numbers and phasing with our updated field development plan. We have also adjusted the subsea pipeline costs upwards by approximately 20%. We have then applied an escalation factor of -15% to account for the change in oil and gas cost bases since 2013. It is well known that cost indices for the upstream sector are closely correlated with oil prices. Since 2013 the oil price has fallen by over 60% and upstream capital and operating costs have fallen by between 10% and 20%.

5.11.1. Capital Costs

RISC is estimating a total capital cost the Phase 1 of the project of US$1,652 million excluding US$19m in pre-FID costs and US$6m p.a. of ongoing maintenance capital costs. The incremental capital cost associated with the 9 Phase 2 wells is estimated to be US$927 million. A chart showing the annual spend profile is shown below.

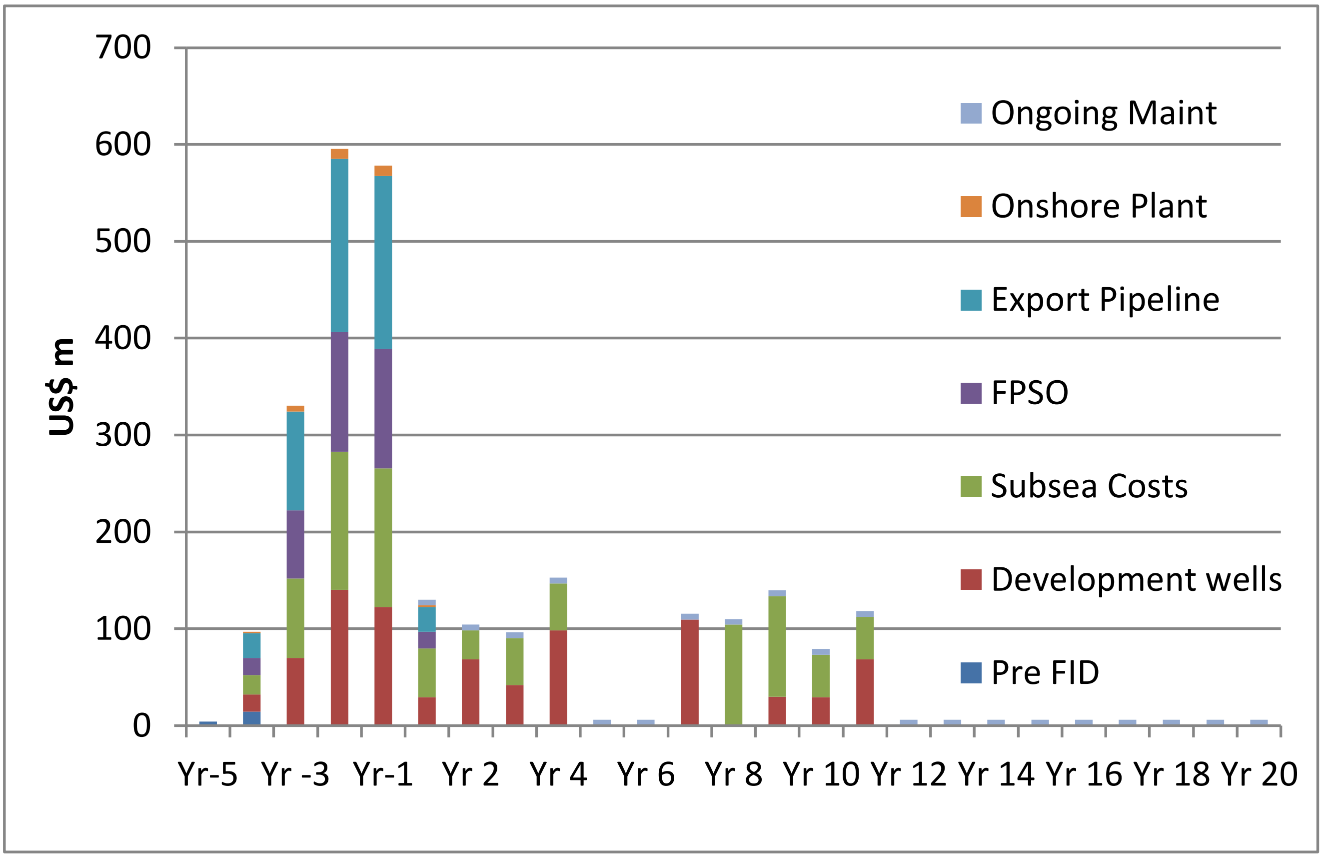

Figure 5-17 Capital Cost Annual Spend Profile (RISC analysis)

5.11.2. Operating Costs

RISC has estimated operating costs for the project of US$52 million per annum. This is composed of the following components:

- FPSO operating and maintenance costs of US$100,000 per day
- Subsea inspection and maintenance costs of $8.1 million p.a.
- Export pipeline inspection and maintenance costs of US$5.1 million p.a.
- Onshore gas receiving station operating and maintenance costs of US$1.5 million p.a.

The annual spend profile for the operating costs is summarised in the chart below.

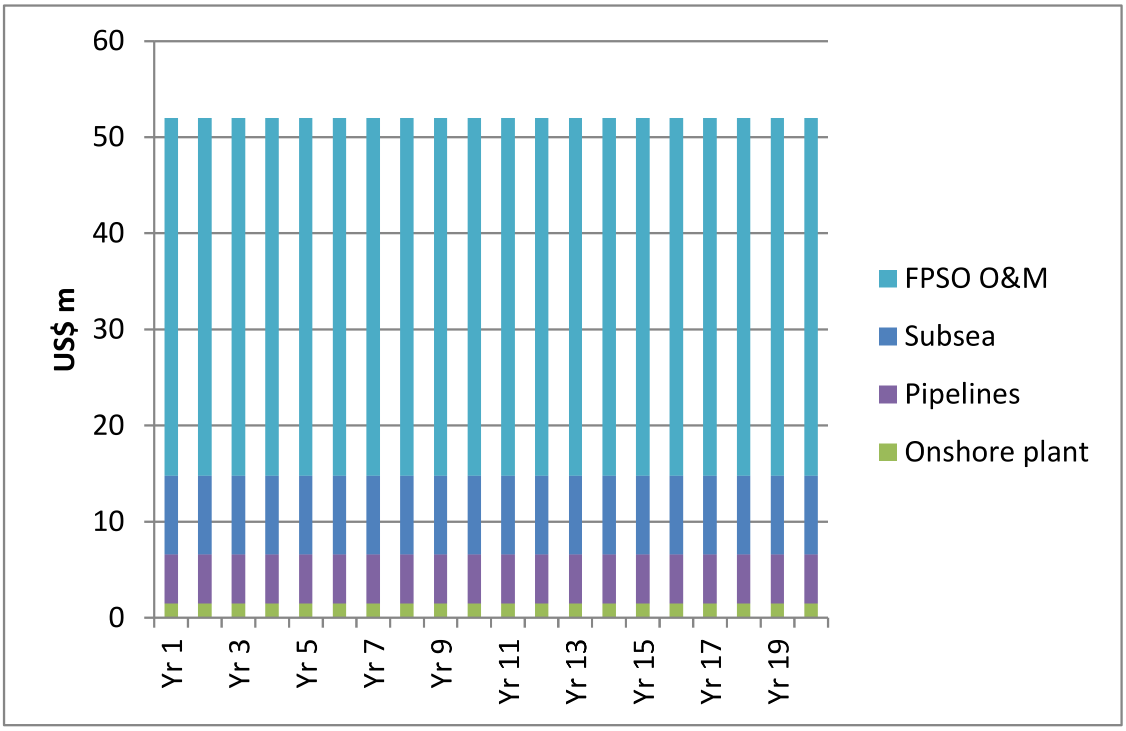

Figure 5-18 Operating Cost Annual Spend Profile (RISC analysis)

5.11.3. Abandonment Costs

The abandonment philosophy adopted by RISC for the project is as follows; all wells plugged and abandoned with well heads recovered, all subsea infrastructure and pipelines flushed and made safe to remain in-situ, demolition and removal of the onshore receiving station, FPSO moorings dropped and left in-situ, FPSO sailed to nearest port for decontamination and salvage.

We have estimated abandonment costs for the project of:

- US$5 million per well
- US$14.4 million for Phase 1 subsea infrastructure
- US$15.96 million for Phase 2 subsea infrastructure
- US$6 million for the export pipeline
- US$5.25 million for the onshore gas receiving station
- US$100m in salvage value after decontamination for the FPSO if Phase 2 does not go ahead
- No salvage value for the FPSO after decontamination if Phase 2 does go ahead

The total abandonment cost for Phase 1 is a revenue of US$39.3 million after salvage of the FPSO. The total abandonment cost after Phase 2 is US$121.6 million.

6. Commercial

6.1. Production Right

SNY was granted production rights by Petroleum Agency SA covering block 2A executed on 26 August 2009 for a period of thirty years.

6.2. Gas Market

State owned South African power utility Eskom owns the Ankerlig 1,320MW Open Cycle Gas Turbine (OCGT) Power Station located approximately 50km north of Cape Town that is current utilizing diesel as a fuel source. Eskom has undertaken to convert the fuel source to natural gas.

Eskom is currently seeking to secure gas supply and has entered into a MoU with SNY for the development and supply of gas from the Ibhubesi Gas Project. Eskom is seeking an initial gas supply profile to Ankerlig for 5 gas turbines requiring 30 Bcf pa. This volume is to be delivered during operations 5 days a week, 16 hours per day.

6.3. Gas Price

SNY has executed a Gas Sales Agreement (GSA) Term Sheet[6] with Eskom which details an indicative price range of ZAR 125 – 150/GJ / USD12.5 – 15/GJ based on generating a commercially acceptable ungeared real rate of return to allow for project financing. The term sheet does not discuss gas prices in Phase 2.

6.3.1. Diesel Equivalent Gas Price

Given the current oil prices of circa US$30/bbl and considering Ibhubesi gas would replace diesel fueling Eskom's Ankerlig power station, RISC has considered a diesel equivalent gas price.

The South African domestic diesel prices depend on a number of factors:

- A "Basic Fuel Price" (BFP) reflecting the landed price of internationally source diesel
- Fuel Tax as determined by the Minister of Finance
- Customs & Excise
- Further levies and taxes apply to retail fuel prices

RISC is unaware whether domestic factors would apply to a wholesale state user such as Eskom and for this analysis considers a diesel equivalent gas price based on the BFP only. Figure 6-1 below shows the BFP and Brent price to be strongly correlated as expected.

[6] GSA Term Sheet Executed_Sunbird - 3 September 2014_.pdf

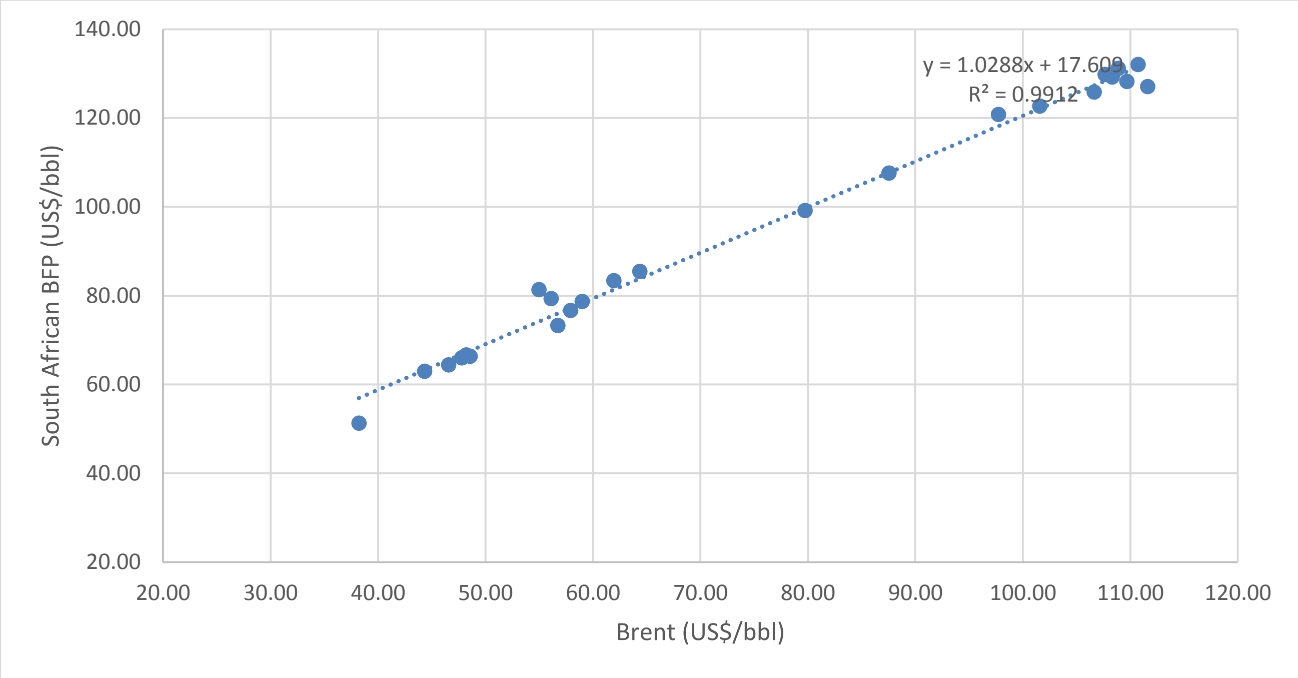

Figure 6-1 Correlation of South African Diesel "Basic fuel Price" and average dated Brent Prices[7]

A diesel equivalent gas price is calculated based on the equivalent energy content and allowing for the thermal efficiency of gas compared to diesel[8].

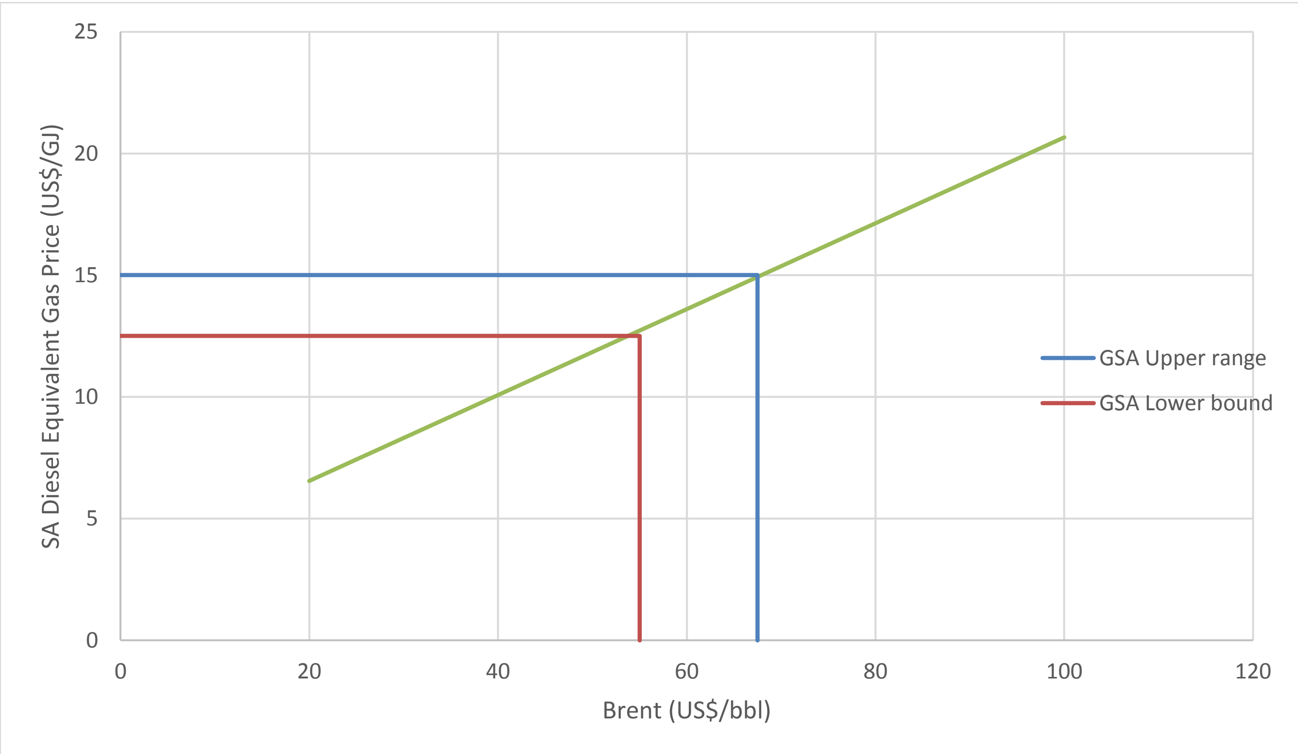

Figure 6-2 Diesel Equivalent gas price

[7] http://www.energy.gov.za/files/esources/petroleum/March2016/Basic-Fuel-Price.pdf

[8] Diesel energy content: 6.1365 GJ/bbl, 95% Diesel/Gas thermal efficiency

Based on this analysis, a gas price of US$12.5/GJ as per the lower end of the GSA terms is marginally competitive with diesel at an oil price of US$55/bbl.

Note that, if additional domestic taxes and levies apply this would increase the attractiveness of the gas supply notwithstanding the benefits to Eskom of a non-volatile fuel price and further possible strategic benefits.

6.4. Fiscal Terms

The Upstream Petroleum industry in South Africa is regulated under the Mineral & Petroleum Resources Royalty Act with a Royalty / Tax fiscal regime levied against oil & gas exploration and production activities.

6.4.1. Royalty

A royalty is payable on gross sales revenue with the royalty rate varying according to Earnings before interest and taxes (EBIT) using the following formula and capped at 5%:

$$Royalty\ Rate = 0.5\% + \frac{EBIT}{Gross\ Sales\ \times 12.5}$$

6.4.2. Sales Enhancements & Anschutz Employee Overriding Royalties

There are third party overriding royalties which apply to gross sales revenue which are relevant to SNY's working interest:

- Forest and Anschutz Sales Enhancement[9]
    - Forest Sales Enhancement – 0.532% (grossed up to 0.7% of gross revenue)
    - Anschutz Sales Enhancement – 0.28% (grossed up to 0.3% of gross revenue)
- Anschutz Employee Overriding Royalties[10]
    - Anschutz employees are entitled to overriding royalties which total 0.336% (on a gross basis) calculated as a 22.4% pro-rata share of 0.75% of 50%.

Total Third party royalties amount to 1.015% of the SNY working interest (grossed up to 1.336%) of gross revenue.

6.4.3. Corporate Tax

Corporate income tax is payable at a rate of 28% on income after allowable deductions. Allowable deductions include:

- Exploration and development capital expenses depreciated 100% in the year incurred
- Operating expenses
- Uplifts on capital expenditure
    - 100% on exploration capital expenditure
    - 50% on post-exploration capital expenditure
- Abandonment
- Losses may be carried forward indefinitely

[9] Sales Enhancement Agreement - Forest Anschutz Sunbird - final signed.pdf
[10] Anschutz Employee Overriding Royalties_To Agreement Dated 10 February 2000.pdf

6.5. Economic Assumptions

6.5.1. Valuation date

A valuation date of 1-March-2016 and a mid-year discounting methodology used.

6.5.2. Discount rate

Where RISC has used discounted cashflow (DCF) analysis, it has been carried out at 8.5% to 11%, with a midpoint of 9.75% on nominal of ungeared cashflows, based on BDO Corporate Finance's advice.

6.5.3. Condensate Price

The condensate price was based on the Brent forward curve on 1st March 2016, advised by BDO Corporate Finance. The forward curve prices cover 2016 – 2019, beyond which the price is kept constant in real terms. No price differential with Brent was assumed. The condensate price projection is shown in the figure below.

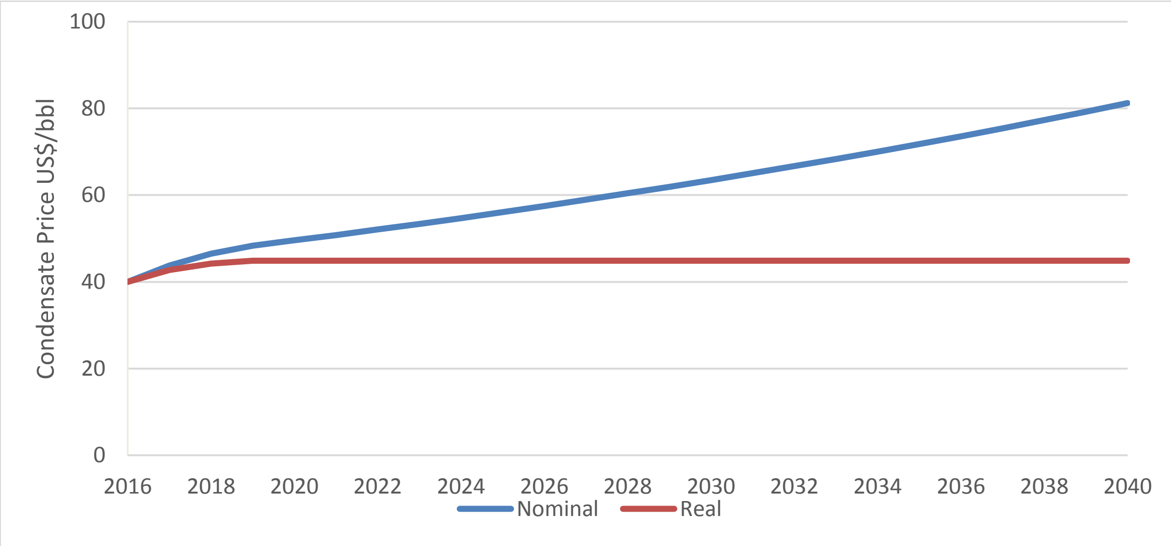

Figure 6-3 Condensate Price Projection (BDO Corporate Finance, 2014)

6.5.4. Carbon Price

The South African government plans to introduce a carbon tax in phases. The first phase, which was intended to commence from 2015 until 2020, has already been pushed back to 2016 at the earliest. Even if it were introduced the impact of the carbon tax during the first phase of its implementation on the Ibhubesi Gas Project is expected to be minor. RISC is not aware of how the subsequent phases of the tax may be structured. RISC has therefore not considered a carbon tax on the value of the project.

6.5.5. Inflation

With project costs and revenues expected to be largely US dollar-determined, RISC has assumed a price and cost escalation rate of 2.5% pa from mid period 2016.

6.5.6. Carry forward corporate tax shelter

Based on a SNY corporate announcement[11], RISC has assumed past project costs of US$125 million. Since exploration costs attract a 100% uplift the corporate tax shelter available from past costs is US$ 250 million.

[11] http://www.sunbirdenergy.com.au/images/ASX_Announcements/201504/SNY_Corporate_Presentation.pdf

7. Valuation

7.1. Methodology

The Ibhubesi Gas Project is presently being progressed by SNY and its Joint Venture Partner. However it has not reached a level of maturity that it can be valued solely using the discounted cashflow (DCF) methodology. The main risk factors that need to be considered in the valuation are:

- **Funding:** based on their estimates, SNY may have to fund approximately US$180m in equity assuming 60/40 debt/equity[12]. The equity funding is much greater than their current market capitalisation of approximately A$7 million.

  To date SNY has failed to secure significant funding relative to their estimated requirements from external partners to progress development of the IGP. Expected funding from Vandasia Investments Limited did not progress from Stage 1 (US$5 million) to Stage 2 due to failure to meet conditions precedent.

  There are risks that future potential partners may take a more conservative view than SNY and they may discount the value accordingly. There are therefore risks of potential delay in securing funding or a chance that the funding may not eventuate in a foreseeable time frame.

- **Final Investment Decision:** There is potential for cost growth during FEED which may affect the project viability based on the Phase 1 reserves. This may require a higher gas price than the market could support or alternatively require additional delineation drilling to add to the Phase 1 reserves base. There are therefore risks that the Phase 1 reserves hurdle is not achieved or costs cannot be sufficiently reduced which causes delay to the implementation of the project.
- **Gas Market:** The main threat is that the gas prices required to achieve an acceptable return on the investment for the project approaches the point where alternative sources such as LNG import becomes a viable competing option at around $15/Mcf, which could eventuate with cost growth and/or reserve downsides. Mitigating this risk is that the potential buyer of the gas is the public electricity utility, Eskom.
- SNY has advised that there are several national strategic objectives that Eskom would consider when assessing the attraction of purchasing gas from the Ibhubesi Gas Project against competing imported fuels such as LNG, even at the expense of the higher priced indigenous source. Amongst these national strategic objectives are; securing a fuel source that is not subject to geopolitical risk; encouraging the investment and development of domestic infrastructure, including the creation of local jobs; achieving a hedge against forex movements in its fuel costs by ensuring that a proportion of the gas contract price is specified in South African Rands.
- **Government approvals:** The environmental plan for the wells and subsea elements of field development have been approved and the production rights have been granted. Additional approvals are being sought for the FPSO, subsea pipeline and onshore gas plant. There may be potential for delays in other statutory approvals but other than this, we do not believe there are any credible risks to Government approvals.

[12] Sunbird Energy Corporate Presentation, May 2014

RISC has therefore used three methods to value SNY's interest in the asset:

- Risked estimate of the terms of SNY's acquisition of its interest in the asset from Forest and Anschutz.
- Notional farm-in terms by a potential farmee into the asset
- Risked discounted cash flow (DCF) analysis of RISC's mid-case estimate of SNY's reserves.

The results from these approaches are presented below.

7.2. SNY Transaction Value

The components of the transaction are summarized in the table below. Several of these are conditional milestone payments. The table includes the estimated present values (PV) of these payments and RISC's estimates of the probabilities (risk factors) that they will be achieved, in order to derive a risked estimate of the transaction value.

Table 7-1 Value of SNY's interest in Ibhubesi Gas Project based on transaction value

Transaction Component	Nominal Value of Payment US$ million	PV_{10} of Payment US$ million	Assessed Risk Factor (Probability of Occurrence)	Risked Value US$ million
Unconditional payment	2.5	2.5	1.0	2.5
Conditional payments				
▪ FID	10	9		
▪ GSA	5	5		
▪ Phase 1+2 Sales enhancement fee	120	42		
Risked value		56	0.25	14
Past costs since acquisition	3.2	3.2	1	3.2
Total value US$ million				**20**

7.3. Notional Farm-in terms

In our experience, farm-in terms typically attract promote factors of 1:1 to 3:1 with potentially a reimbursement of past costs and/or bonus payments. The promote factors refer to the share of a farmor's costs that a farmee might carry. A promote factor of 1:1 implies that the farmee will only pay for its acquired interest share of specified future costs; while a 2:1 promote indicates that the farmee will pay in addition to its acquired interest share of costs, an equal amount of the farmor's costs. The market value, therefore to the farmor, is the value of the share of its costs that are being carried by the farmee.

In RISC's opinion, given the magnitude of the development costs associated with the project and SNY's ability to fund these costs, RISC considers that a notional farm-in to SNY's Block 2A interests would attract a farm-in promote in the range of 1.25:1 to 1.5:1 on a proportion of future costs to FID. This would have the outcome of reducing SNY's 76% interest to 15%, leaving 61% for the farmee in the low case, and 25% (SNY) and 51% with the farmee in the high case. The farmee would typically want control and operatorship of the project.

The costs have been estimated based on a carry of future development costs or a notional one or two well appraisal program. Table 7-2 below summarises the value estimates of SNY's interest in the block based on a promote for future costs.

Table 7-2 Value of SNY's interest in Ibhubesi Gas Project based on notional farm-in terms

Activity	Low		High	
	Gross Expenditures, US$ million	Net Expenditures, US$ million	Gross Expenditures, US$ million	Net Expenditures, US$ million
Past costs	1.3	1	4	3
Carry on future costs	51	39	102	78
Costs to FID	20	15	20	15
Total	72	55	126	96
Farmee interest earned (%)		61%		51%
Promote		1.25		1.5
Nominal Value Farmee's share ($ million)		55		96
Premium value of SNY interest (US$ million)		**14**		**48**

7.4. Risked DCF Analysis

The results of RISC's unrisked DCF analysis of SNY's share of ungeared cashflows are summarized in Table 2-4. The analysis has been based on three gas price scenarios. The gross capex, opex and gas price assumptions used for each reserves scenario are also listed in the table. The discount rate range used is based on BDO Corporate Finance's advice.

Table 7-3 Unrisked NPVs of SNY's interest in Ibhubesi Gas Project

Development Scenario	Resources	Gross capex	Gross lifecycle opex	SNY ungeared / unrisked NPV US$ million		
	Bcfe	US$ million		NPV 8.5	NPV 9.75	NPV 11
Price Scenario 1:	Phase 1 Gas Price of US$12.5/GJ, based on lower range of GSA Term Sheet Phase 2 Gas Price of US$12.5/GJ for incremental volumes					
RISC Phase 1	209	1,812	468	-67	-106	-140
RISC Phase 1 & 2	499	2,855	1,040	397	278	178
Price Scenario 2:	Phase 1 Gas Price of US$15/GJ, based on upper range of GSA Term Sheet Phase 2 Gas Price of US$10/GJ for incremental volumes					
RISC Phase 1	209	1,812	468	149	92	42
RISC Phase 1 & 2	499	2,855	1,040	564	439	332
Price Scenario 3:	Phase 1 Gas Price of US$15/GJ Phase 2 Gas Price of US$12.5/GJ for incremental volumes					
RISC Phase 1	209	1,812	468	149	92	42
RISC Phase 1 & 2	499	2,855	1,040	656	515	394

Gas Price scenarios have been determined as follows:

Price Scenario 1 gas prices equivalent to a Brent price of ~US$55/bbl in line with the current Brent forward curve price forecast.

Price Scenario 2 Phase 1 gas price consistent with the GSA term sheet to achieve a commercially acceptable return on capital.

Phase 2 price in Scenario 2 estimated to achieve a commercially acceptable return on capital for the whole project.

Price Scenario 3 Phase 1 gas price consistent with the GSA term sheet to achieve a commercially acceptable return on capital.

The Phase 2 gas price has been adopted based on the lower range of the GSA draft term sheet.

The sensitivity of the unrisked DCF values to variations in project parameters to Gas Price Scenario 2 assumptions are shown in the tornado diagram below:

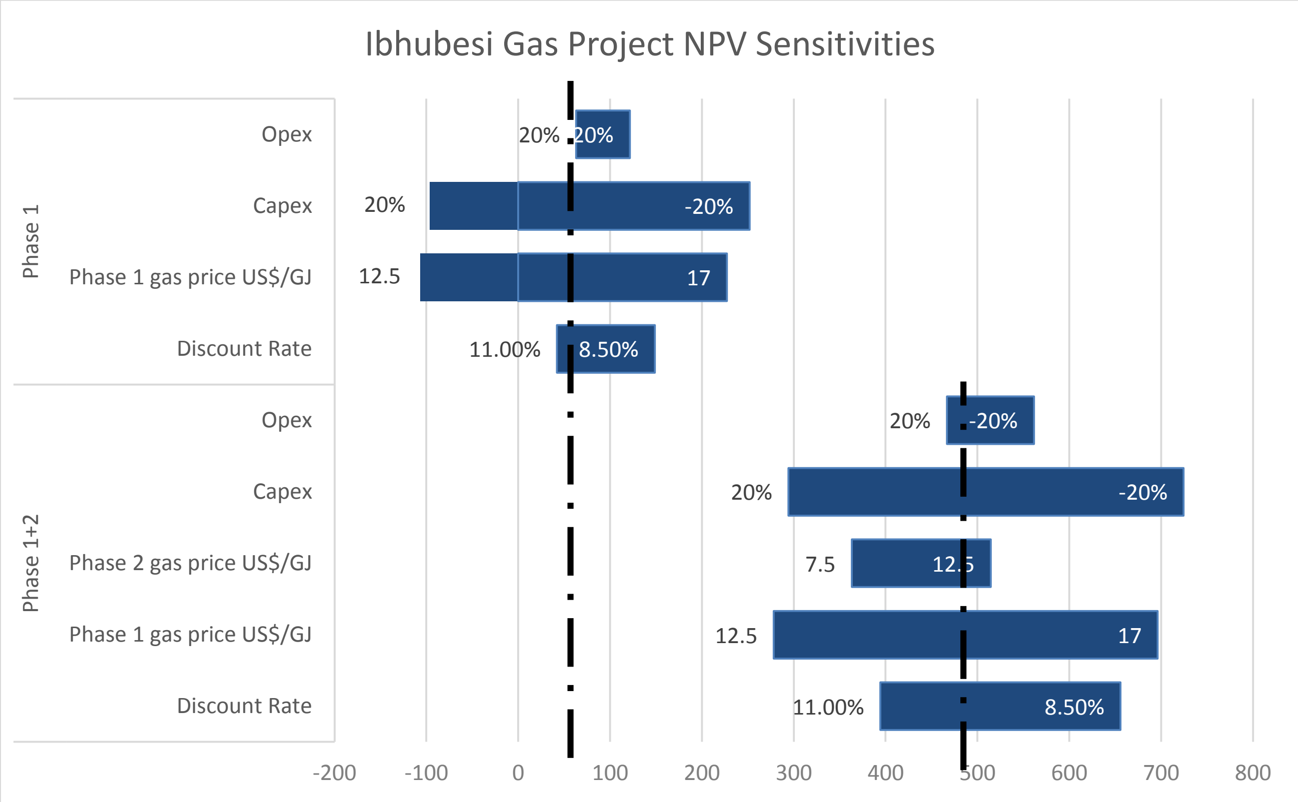

Figure 7-1 Ibhubesi Gas Project Unrisked NPVs Tornado

Our assessment is that the value of the project is uncertain at the current stage of maturity of the project. Consequently, it is RISC's view that a buyer will be cautious about paying for value that may be delivered until the project is further de-risked. This will require firming up project costs through Front End Engineering Design to ensure the robustness of the Phase 1 development, negotiations with Eskom to finalise the gas price and securing funding.

Based on the risk factors discussed above, RISC has determined a composite risk factor that it has applied to its DCF scenario values in order to obtain a risked estimate of value. The risk factor is an adjustment to the technical values derived in the DCF analysis. As such, from a valuation perspective, the risk factor acts to adjust for potential delays, cost and price uncertainty as well as accounting for the probability that a risked variable may not eventuate. By applying this risk factor of each gas price scenario to the associated unrisked DCF values, the risked values of SNY's interest in the asset are calculated. These risked values are summarised in Table 7-4.

Table 7-4 Value of SNY interest in Ibhubesi Gas Project from risked DCF analysis

Gas Price Scenario	Risk Factor	RISC Phase 1		RISC Phase 1 + Phase 2	
		SNY risked NPV 8, US$ million	SNY risked NPV 10, US$ million	SNY risked NPV 8, US$ million	SNY risked NPV 10, US$ million
Phase 1 US$ 12.50/GJ; Phase 2 $12.50/GJ	0.25	0.0	0	70	45
Phase 1 US$ 15/GJ; Phase 2 $10/GJ	0.25	23	11	110	83
Phase 1 US$ 15/GJ; Phase 2 $12.5/GJ	0.20	18	8	103	79
1. No value ascribed for a negative NPV.					

Based on RISC's assessment of the current maturity of the project, in Scenario 2, it has estimated a risked value from DCF analysis of US$ 83 million to US$ 110 million with the expectation of Phase 2 proceeding.

7.5. Ibhubesi Gas Project Valuation: SNY Net interest

RISC has assessed the fair market value of SNY's interests in the Ibhubesi Gas Project using a combination of methods including: estimating the components of SNY's original acquisition transaction, farmin promotes. Based on SNY's estimated funding requirements relative to their market capitalisation, RISC does not consider DCF based NPV's reflective of fair market value to Sunbird. Our estimates are shown in Table 7-5.

Table 7-5 Ibhubesi Gas Project Valuation: SNY Net interest

	Fair Market Value US$ million SNY Net interest		
	Low	Mid	High
Transaction Value		20	
Notional Farm-in	14		48
TOTAL – Preferred Range	**14**	**20**	**48**
1. The values ascribed in this table relate only to the Ibhubesi Gas Project.			

8. Declarations

8.1. Qualifications

RISC is an independent oil and gas advisory firm. The RISC staff engaged in this assignment include qualified petroleum reserves and resources evaluators as specified in ASX listing rules, professionally qualified engineers, geoscientists and commercial analysts, each with many years of relevant experience and most have in excess of 20 years.

The preparation of this report has been supervised by Mr. Geoffrey Barker, RISC Partner. He has over thirty years of global experience in the upstream hydrocarbon industry, with extensive expertise in the areas of asset valuation, business strategies, evaluation of conventional and non-conventional petroleum (coal seam gas and tight gas), due diligence assessment for mergers, acquisitions and project finance requirements and reserves assessment/certification and preparation of Independent Technical Specialist reports. Mr. Barker is a Past Chairman of the SPE WA Section, a past member of the SPE International's Oil and Gas Reserves Committee 2007-2009, and is a co-author of the Guidelines for Application of the Petroleum Resources Management System published by the SPE in November 2011 (Chapter 8.5 Coal Bed Methane). Mr Barker is a Member of the Society of Petroleum Engineers (SPE), and holds a BSc (Chemistry), Melbourne University, 1980 and a M.Eng.Sc (Pet Eng), Sydney University, 1989 and is a qualified petroleum reserves and resources evaluator (QPPRE) as defined by ASX listing rules.

The report has been peer reviewed and authorised for release by Mr. Peter Stephenson, RISC Partner, who is a qualified VALMIN practitioner and confirms that this report has been prepared in accordance with the VALMIN Code. He has over thirty years of global experience in the upstream hydrocarbon industry, with extensive expertise in the areas of asset valuation, diligence assessment for mergers, acquisitions and project finance requirements and reserves assessment/certification and preparation of Independent Technical Specialist reports. Mr Stephenson is a Member of the Institute of Chemical Engineers, a member of the Society of Petroleum Engineers (SPE), and holds a BSc (Chemical Engineering), University of Nottingham, 1982 and a M.Eng. (Petroleum Engineering), Herriot Watt University, 1984. Mr Stephenson is a qualified petroleum reserves and resources evaluator (QPPRE) as defined by ASX listing rules.

RISC was founded in 1994 to provide independent advice to companies associated with the oil and gas industry. Today the company has approximately 40 highly experienced professional staff at offices in Perth and Brisbane, Australia and London, UK. We have completed over 1500 assignments in 68 countries for nearly 500 clients. Our services cover the entire range of the oil and gas business lifecycle and include:

- Oil and gas asset valuations, expert advice to banks for debt or equity finance;
- Exploration/Portfolio management;
- Field development studies and operations planning;
- Reserves assessment and certification, peer reviews;
- Gas market advice;
- Independent Expert/Expert Witness;
- Strategy and corporate planning.

8.2. VALMIN Code and ASIC Regulatory Guides

This Report has been prepared by RISC. This Report has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2005 Edition ("The VALMIN Code") as well as the Australian Securities and Investment Commission (ASIC) Regulatory Guides 111 and 112.

8.3. Petroleum Resources Management System

In the preparation of this Report, RISC has complied with the guidelines and definitions of the Petroleum Resources Management System approved by the Board of the Society of Petroleum Engineers in 2007 (PRMS).

8.4. Report to be presented in its entirety

RISC has been advised by SNY that this report will be presented in its entirety without summarisation.

8.5. Independence

This report does not give and must not be interpreted as giving, an opinion, recommendation or advice on a financial product within the meaning of section 766B of the Corporations Act 2001 or section 12BAB of the Australian Securities and Investments Commission Act 2001.

RISC is not operating under an Australian financial services licence in providing this report.

In accordance with regulation 7.6.01(1)(u) of the Corporations Regulation 2001. RISC makes the following disclosures:

- RISC is independent with respect to SNY and BDO Corporate Finance and confirms that there is no conflict of interest with any party involved in the assignment;
- Under the terms of engagement between RISC and SNY for the provision of this report RISC will receive a time-based fee, with no part of the fee contingent on the conclusions reached, or the content or future use of this report. Except for these fees, RISC has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report;
- Neither RISC nor any of its personnel involved in the preparation of this report have any material interest in SNY or in any of the properties described herein;
- RISC has not provided professional services to either SNY in the past two years;
- RISC has not provided advice to either SNY specifically in relation to the Proposed Transaction.

8.6. Limitations

The assessment of petroleum assets is subject to uncertainty because it involves judgments on many variables that cannot be precisely assessed, including reserves, future oil and gas production rates, the costs associated with producing these volumes, access to product markets, product prices and the potential impact of fiscal/regulatory changes.

The statements and opinions attributable to RISC are given in good faith and in the belief that such statements are neither false nor misleading. In carrying out its tasks, RISC has considered and relied upon information obtained from SNY as well as information in the public domain.

The information provided to RISC has included both hard copy and electronic information supplemented with discussions between RISC and key SNY staff.

Whilst every effort has been made to verify data and resolve apparent inconsistencies, we believe our review and conclusions are sound, but neither RISC nor its servants accept any liability, except any liability which cannot be excluded by law, for its accuracy, nor do we warrant that our enquiries have revealed all of the matters, which an extensive examination may disclose.

In particular, we have not independently verified property title, encumbrances or regulations that apply to this asset(s). We have not independently confirmed the status of the permit titles. RISC has also not audited the opening balances at the economic evaluation date of past recovered and unrecovered development and exploration costs, undepreciated past development costs and tax losses.

We believe our review and conclusions are sound but no warranty of accuracy or reliability is given to our conclusions.

Our review was carried out only for the purpose referred to above and may not have relevance in other contexts.

8.7. Consent

RISC has consented to this report, in the form and context in which it appears, being included in the Independent Expert's Report prepared by BDO Corporate Finance for SNY. Neither the whole nor any part of this report nor any reference to it may be included in or attached to any other document, circular, resolution, letter or statement without the prior consent of RISC.

This Report is authorised for release by Mr. Peter Stephenson, RISC Partner dated 22 March 2016.

Peter M Stephenson

Peter M Stephenson
RISC Partner

Appendix 1: List of terms

The following table lists abbreviated terms, along with a brief definition, that are commonly used in the oil and gas industry and which may be used in this report.

Abbreviation	Definition
1P	Equivalent to Proved reserves or Proved in-place quantities, depending on the context.
1Q	1st Quarter
2P	The sum of Proved and Probable reserves or in-place quantities, depending on the context.
2Q	2nd Quarter
2D	Two Dimensional
3D	Three Dimensional
4D	Four Dimensional – time lapsed 3D in relation to seismic
3P	The sum of Proved, Probable and Possible Reserves or in-place quantities, depending on the context.
3Q	3rd Quarter
4Q	4th Quarter
AFE	Authority for Expenditure
Bbl	US Barrel
BBL/D	US Barrels per day
BCF	Billion (109) cubic feet
BCM	Billion (109) cubic meters
BFPD	Barrels of fluid per day
BOPD	Barrels of oil per day
BTU	British Thermal Units
BOE	barrels of oil equivalent (equivalent to 1 bbl oil, 1 bbl condensate, 1 bbl NGL, 6,000 scf gas)
BOEPD	US barrels of oil equivalent per day
BWPD	Barrels of water per day
°C	Degrees celsius
Capex	Capital expenditure
CAPM	Capital asset pricing model
CGR	Condensate Gas Ratio – usually expressed as bbl/MMscf

Abbreviation	Definition
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources as defined in the SPE-PRMS.
CO2	Carbon dioxide
CP	Centipoise (measure of viscosity)
CPI	Consumer Price Index
DEG	Degrees
DHI	Direct hydrocarbon indicator
Discount Rate	The interest rate used to discount future cash flows into a dollars of a reference date
DST	Drill stem test
E&P	Exploration and Production
EG	Gas expansion factor. Gas volume at standard (surface) conditions / gas volume at reservoir conditions (pressure & temperature)
EIA	US Energy Information Administration
EMV	Expected Monetary Value
EOR	Enhanced Oil Recovery
ESP	Electric submersible pump
EUR	Economic ultimate recovery
Expectation	The mean of a probability distribution
F	Degrees Fahrenheit
FDP	Field Development Plan
FEED	Front End Engineering and design
FID	Final investment decision
FM	Formation
FPSO	Floating Production Storage and offtake unit
FWL	Free Water Level
FVF	Formation volume factor
GIIP	Gas Initially In Place
GJ	Giga (109) joules
GOC	Gas-oil contact
GOR	Gas oil ratio

Abbreviation	Definition
GRV	Gross rock volume
GSA	Gas sales agreement
GTL	Gas To Liquid(s)
GWC	Gas water contact
H2S	Hydrogen sulphide
HHV	Higher heating value
ID	Internal diameter
IRR	Internal Rate of Return is the discount rate that results in the NPV being equal to zero.
JV(P)	Joint Venture (Partners)
Kh	Horizontal permeability
km2	Square kilometres
Krw	Relative permeability to water
Kv	Vertical permeability
kPa	Kilo (thousand) Pascals (measurement of pressure)
Mstb/d	Thousand Stock tank barrels per day
LIBOR	London inter-bank offered rate
LNG	Liquefied Natural Gas
LTBR	Long-Term Bond Rate
m	Metres
MDT	Modular dynamic (formation) tester
mD	Millidarcies (permeability)
MJ	Mega (106) Joules
MMbbl	Million US barrels
MMscf(d)	Million standard cubic feet (per day)
MMstb	Million US stock tank barrels
MOD	Money of the Day (nominal dollars) as opposed to money in real terms
MOU	Memorandum of Understanding
Mscf	Thousand standard cubic feet
Mstb	Thousand US stock tank barrels
Mtpa	Millions of tons per annum
MPa	Mega (106) pascal (measurement of pressure)
mss	Metres subsea

Abbreviation	Definition
MSV	Mean Success Volume
mTVDss	Metres true vertical depth subsea
MW	Megawatt
NPV	Net Present Value (of a series of cash flows)
NTG	Net to Gross (ratio)
ODT	Oil down to
GIIP	Original Gas In Place
STOIIP	Original Oil in Place
Opex	Operating expenditure
OWC	Oil-water contact
P90, P50, P10	90%, 50% & 10% probabilities respectively that the stated quantities will be equalled or exceeded. The P90, P50 and P10 quantities correspond to the Proved (1P), Proved + Probable (2P) and Proved + Probable + Possible (3P) confidence levels respectively.
PBU	Pressure build-up
PJ	Peta (1015) Joules
POS	Probability of Success
Possible Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.
Probable Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Probable Reserves are those additional Reserves that are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations as defined in the SPE-PRMS.

Abbreviation	Definition
Proved Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Often referred to as 1P, also as "Proven".
PSC	Production Sharing Contract
PSDM	Pre-stack depth migration
PSTM	Pre-stack time migration
psia	Pounds per square inch pressure absolute
p.u.	Porosity unit e.g. porosity of 20% +/- 2 p.u. equals a porosity range of 18% to 22%
PVT	Pressure, volume & temperature
QA/QC	Quality Assurance/ Control
rb/stb	Reservoir barrels per stock tank barrel under standard conditions
RFT	Repeat Formation Test
Real Terms (RT)	Real Terms (in the reference date dollars) as opposed to Nominal Terms of Money of the Day
Reserves	RESERVES are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.
RT	Measured from Rotary Table or Real Terms, depending on context
SC	Service Contract
scf	Standard cubic feet (measured at 60 degrees F and 14.7 psia)
Sg	Gas saturation
Sgr	Residual gas saturation
SRD	Seismic reference datum lake level
SPE	Society of Petroleum Engineers

Abbreviation	Definition
SPE-PRMS	Petroleum Resources Management System, approved by the Board of the SPE March 2007 and endorsed by the Boards of Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and Society of Petroleum Evaluation Engineers.
s.u.	Fluid saturation unit. e.g. saturation of 80% +/- 10 s.u. equals a saturation range of 70% to 90%
stb	Stock tank barrels
STOIIP	Stock Tank Oil Initially In Place
Sw	Water saturation
TCM	Technical committee meeting
Tcf	Trillion (1012) cubic feet
TJ	Tera (1012) Joules
TLP	Tension Leg Platform
TRSSV	Tubing retrievable subsurface safety valve
TVD	True vertical depth
US$	United States dollar
US$m	Million United States dollars
WACC	Weighted average cost of capital
WHFP	Well Head Flowing Pressure
Working interest	A company's equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms.
WPC	World Petroleum Council
WTI	West Texas Intermediate Crude Oil

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