



SUNBIRD ENERGY LTD

2012 | Annual Report



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Corporate Directory

Directors	Mr Kerwin Rana <i>Non-executive chairman</i>	Stock Exchange Listings	Australian Securities Exchange (ASX: SNY)
	Mr William Barker <i>Managing director</i>	Auditor	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008
	Mr Andrew Leibovitch <i>Executive director</i>	Solicitors	Hardy Bowen Level 1, 28 Ord Street West Perth WA 6005
	Mr Marcus Gracey <i>Non-executive director</i>	Corporate advisors	Cygnets Capital Pty Ltd 50 Ord Street West Perth WA 6005
Company Secretary	Ms Sophie Raven	Website	www.sunbirdenergy.com.au
Registered Office	Level 1, 50 Ord Street West Perth WA 6005 Tel: +618 9463 3260 Fax: +618 9463 6630		
Share Register	Link Market Services Limited Ground Floor 178 St Georges Terrace Perth WA 6000 Tel (within Australia): 1300 554 474 Tel (outside Australia): +612 8280 7111		

Chairman's Letter

Dear Investor

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

Following our successful IPO and listing on the ASX in January, Sunbird commenced its planned exploration drilling program at its South African Ermelo project in March. Sunbird's management expertise combined with the experience of our local Joint Venture partner, Umbono Capital Partners, facilitated the rapid initiation of the drilling program.

Interpretation of data from an aeromagnetic survey flown over Mopane indicated significant potential for a large-scale CBM project. Subsequently, the Mopane drilling program was substantially expanded from three to eight core holes.

This data indicated significant potential for a large-scale CBM project at Mopane, resulting in the substantial expansion of the Mopane drilling program from three to eight core holes.

Drilling at Mopane kicked off in August and once completed, will be followed by rig mobilisation to Springbok Flats where the final portion of the fully funded drilling program will be concluded.

This first year has also seen Sunbird make good progress in the development and strengthening of its on-the-ground operating capacity. Sunbird and Umbono have worked hard to build positive landholder and community relationships and have developed an encouraging relationship with PASA, the South African industry regulators. The Board is particularly pleased with this relationship given its importance in this new industry.

We believe that South Africa's strong local gas market provides Sunbird with the potential to provide an important energy resource for the country, which is looking to reduce its reliance on coal.

The Company looks forward to further progressing its drilling program to establish the contingent resource at Mopane, before moving towards pilot production in 2013.

Sunbird has taken positive steps towards cementing its position as an early mover in the exploration and commercialisation of CBM and we will continue to assess further opportunities to consolidate and expand our portfolio in this region.



Kerwin Rana
Chairman
24 October 2012



Review of Operations

Sunbird Energy Ltd (“the company”) listed on the Australian Securities Exchange on 19 January 2012. The company was incorporated on 17 May 2011 and is domiciled in Australia. The information presented in this report is for the period commencing on 17 May 2011 and ending on 30 June 2012.

Sunbird Energy Ltd is a coal bed methane (“CBM”) and gas explorer and developer focused on southern Africa. With over \$6.5 million in the bank as at the date of this report, Sunbird is fully funded for the expanded core hole drilling programs and the commencement of a pilot program in 2013.

The company has a portfolio of five CBM projects covering an 8,647km² area of prospective coal basins across South Africa and Botswana, where an abundant coal resource, limited domestic gas supply and growing energy needs have created a significant opportunity for the development of large scale energy projects.

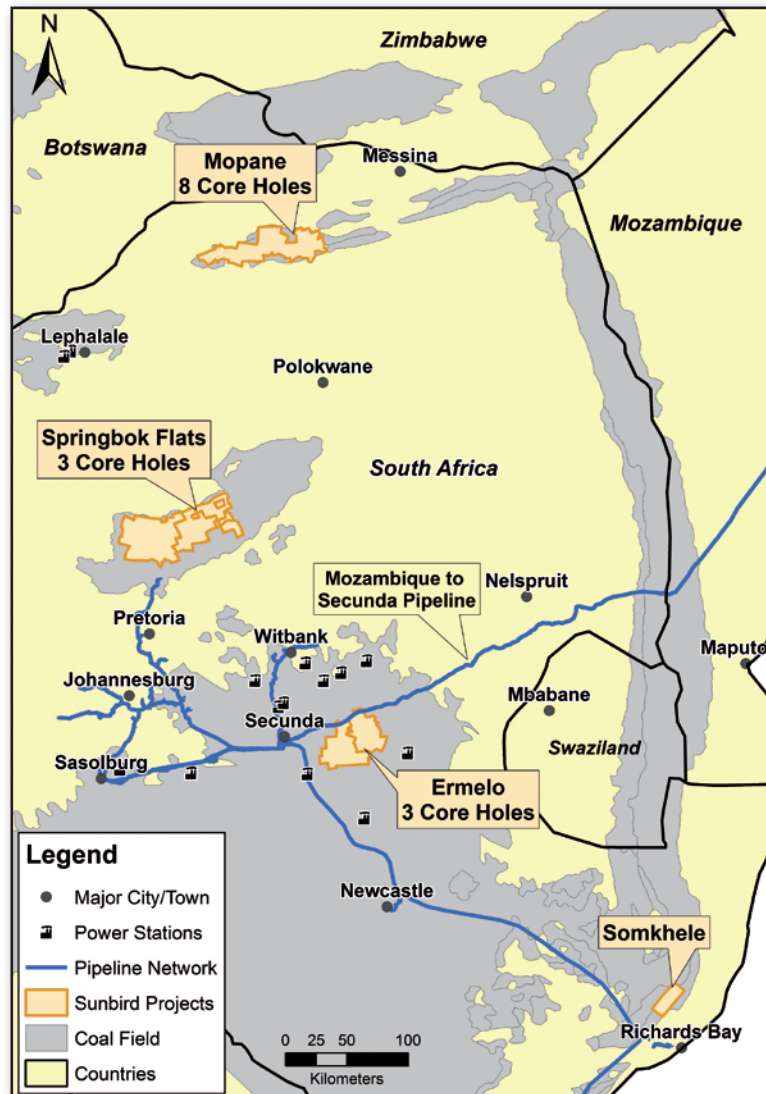
Sunbird listed on the ASX on 19 January 2012. The listing followed on from the successful IPO which closed oversubscribed on 19 December 2011 having raised \$9m through the issue of 45m fully paid ordinary shares.

In March 2012, Sunbird began its regional exploration drilling program starting at Ermelo, and then mobilising to Mopane with Springbok flats to follow.

Following interpretation of data from an aeromagnetic survey flown in late 2011, Sunbird’s original nine core hole drilling program – three at each project – was expanded to up to 14 core holes. Interpretation indicated potential for a large scale CBM project at Mopane and as a result, the Mopane drilling program has been expanded from three cores to eight.

At Ermelo, a three core hole program was completed in June and the rig crew was mobilised to Mopane where the drilling of eight cores commenced in August. Upon completion of drilling at Mopane the rig crew will mobilise move to Springbok Flats where the final three cores will be drilled.

The program aims to define the resource base and demonstrate the commercial potential of Sunbird’s portfolio which contains a Best Estimate Gas-in-Place (“GIP”) of 5.3 Tcf (Trillion cubic feet) and a High Estimate of 29.2 Tcf.



Location map of Sunbird’s CBM projects in South Africa

On the ground, Sunbird’s strategic alliance with African joint venture partner Umbono Capital Partners (26%) provides the Company with an experienced local operational team and importantly, creates opportunities for Sunbird to consolidate and expand its portfolio in southern Africa.



Review of Operations

Ermelo Project – South Africa

From March to June 2012, Sunbird undertook a three core hole drilling program to define the CBM resource within the Ermelo project area.

The 1,443km² area is located approximately 200km south east of Johannesburg within the Witbank coal mining region.

Samples from the coal seams in each core hole were collected for gas desorption analysis to determine gas content. Each core hole also underwent geophysical logging to assess the reservoir characteristics of the coal intervals.

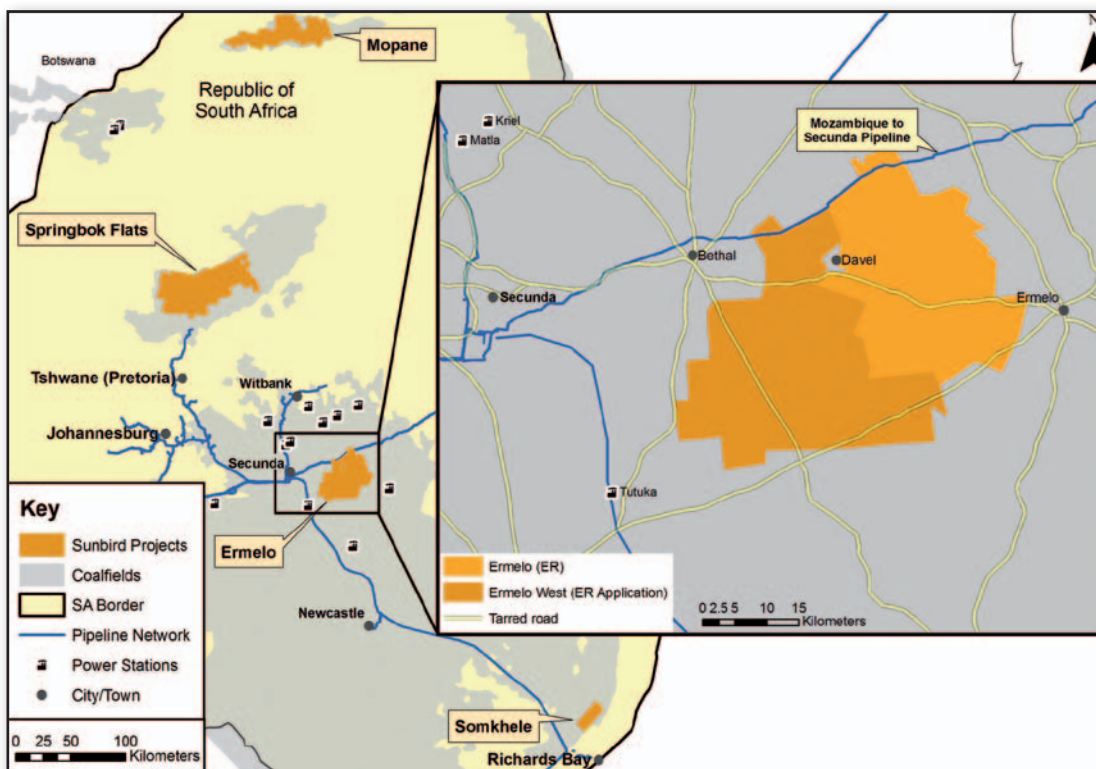
Results from the three core holes indicate that due to the uplifted nature and shallow depth of the coals in the existing Ermelo Exploration Right, gas contents are lower than anticipated and may not support commercial development.

Sunbird's focus in the Ermelo area will now be on the Ermelo West Application area where the coals are at greater depth and have

the potential to deliver a commercial gas resource. A technical review of the core hole results and the existing data set will enable planning of future exploration activities to be undertaken once the Exploration Right is granted.

Ermelo is considered a potential CBM project due to the presence of large quantities of methane gas in an old coal mine that operated in the area until 1997. Extensive historic drilling provides a detailed understanding of the coal geology: five target coal seams with a range of net coal thickness from 6m to 15m and; individual coal seams that are up to 3m thick.

Infrastructure in the area is excellent with the gas pipeline from Mozambique traversing the licence and providing direct access to major markets and customers. The project is also located approximately 60km east of Secunda where Sasol operates major coal and gas to liquid fuels and petrochemical complexes.



Ermelo location map

Mopane Project – South Africa

In August, following completion of three core exploration drilling at Ermelo, Sunbird mobilised the rig crew to Mopane and spudded the first well. The program aims to accelerate resource definition and enable Sunbird to commence pilot drilling in 2013.

The Mopane project is located in the Limpopo Province approximately 420km north east of Johannesburg. The licence area covers 1,577km² under the Mopane Exploration Right. It lies within the Mopane Coalfield and on the western limit of the shallower Tshipise Coalfield, which contains coal mining projects owned by Coal of Africa.

The initial three core hole drilling program has been increased up to eight, following interpretation of the aeromagnetic survey Sunbird undertook in late 2011 that indicated the potential for a large scale CBM project. Land Access Agreements have been completed for all eight core holes, paving the way for an efficient drilling program.

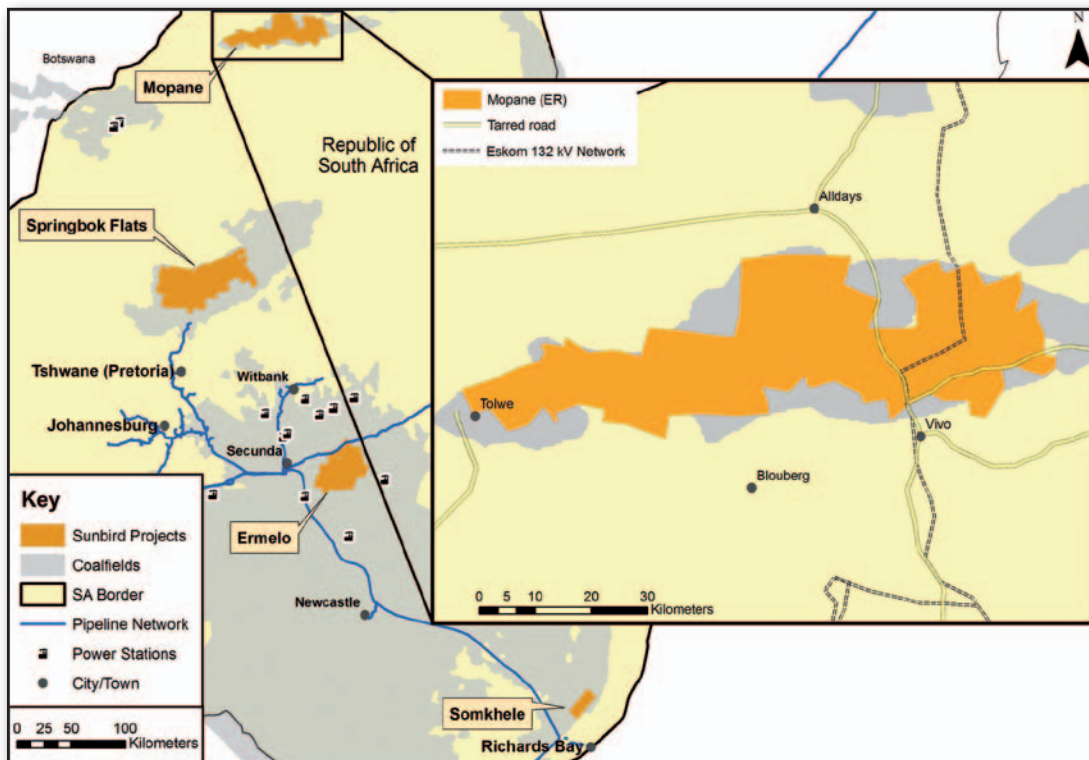
The first core hole is located immediately adjacent to an existing coal exploration borehole and will be drilled to a total depth of approximately 550m with the coals located within a 100m thick carbonaceous shale package from a depth of 450m.

Each core hole will involve the sampling of coal seams for gas desorption analysis to determine the gas content of the coals. The wells will then undergo geophysical logging and permeability testing to determine the reservoir characteristics of the coal intervals.

The Mopane Project area is considered favourable for the occurrence of CBM due to the presence of extensive coal deposits and depths adequate for CBM development and preservation. The coal seams within the Mopane area are the equivalent formation and similar in quality to those that have been successfully developed by Anglo American for CBM production in the neighbouring Waterberg Basin, where a 1 Tcf CBM resource has been defined. The target Ecca coal package, based on drilling results from within the Mopane licence, provides over 32m of coal at depths greater than 400m.

Based on an Independent Expert Report, Mopane has a Best Estimate GIP of 1.9 Tcf, with a High Estimate of 13.66 Tcf.

The Mopane Project is traversed by major electricity transmission lines that form part of the Southern African Power Pool, which provides opportunities for small and large scale power generation. There is also potential to supply power to major local mining and mineral processing facilities for coal and platinum.



Mopane location map

Review of Operations

Springbok Flats Project – South Africa

Following detailed technical and desktop assessment of 600 exploration bore holes at Springbok Flats, a three core hole drilling program has been planned to assess the permit area's resource potential.

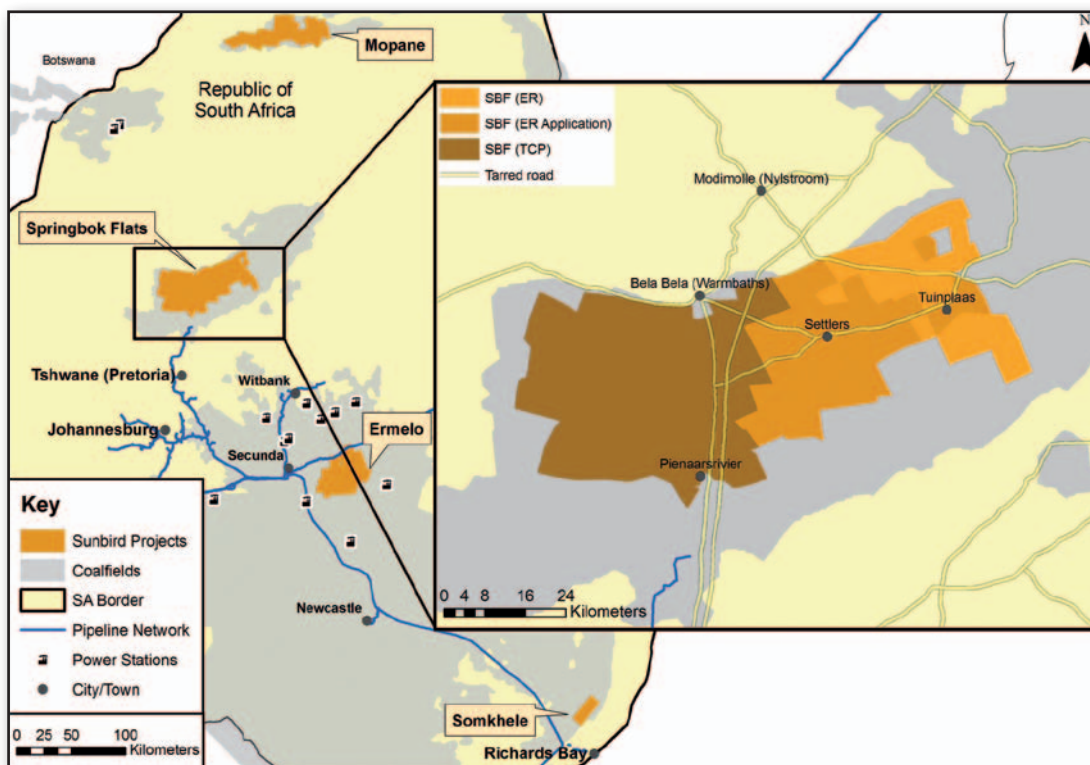
The Springbok Flats project consists of an area including the Springbok Flats permit and Springbok Flats West Application. The area is approximately 150km northeast of Pretoria in central northern South Africa. The combined area of all the Springbok Flats permits is 1,199km².

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

The basin is orientated in a north-east to south-west direction, 160km long and 30km wide. A single coal zone, varying in thickness between three and nine metres is developed. The unit consists of bright coal interbedded and interlaminated with dark mudstone.

Based on an Independent Expert Report, the project contains a combined Best Estimate GIP of 0.62 Tcf, up to a High Estimate of 1.73 Tcf.

In March 2012 Sunbird applied for 1,257km² of additional exploration acreage contiguous with its existing Springbok Flats licenses. Once this application is granted, the combined Springbok Flats permits will be 2,456km² held by Sunbird (74%) and Umbono (26%).



Springbok Flats location map

Review of Operations

Somkhele Project – South Africa

The Somkhele permit is approximately 200km north east of Durban in the Hlabisa and lower Umfolozi districts of the Kwazulu-Natal province. The Somkhele permit covers an area of approximately 266km² and the coalfields are recognised for their anthracitic and coking coals.

The main coal seam has an average thickness of 10.6m but has been known to reach a thickness of 17.8m.

The high rank of coals in this region bodes well for CBM development. Multiple coal seams within a thick sequence of carbonaceous shales are present.

The permit is located adjacent to Sasol's Secunda to Richards Bay gas pipeline, providing ready access to markets.

Based on an Independent Expert Report, the project contains a combined Best Estimate GIP of 190 Bcf, up to a High Estimate of 590 Bcf.

No development activity took place in the 2011-2012 period.

Kasane Project – Botswana

The Kasane Project is located in northern Botswana, south of the town of Kasane in the Kalahari Karoo Basin and includes eight permits covering 4,162km².

The Kalahari Karoo Basin is relatively unexplored but is considered to have all the prerequisites for a CBM play.

The project is located approximately 100km south west of the Wankie coalfield in Zimbabwe, where coal is mined from a 12m thick seam of relative high quality.

Based on an Independent Expert Report, the Best Estimate GIP of 1.81 Tcf, with a High Estimate of 9.75 Tcf.

Sunbird is undertaking a desktop review of existing geological and geophysical data and the reinterpretation of an aeromagnetic survey was conducted in early 2012. The Company is now assessing options for a core hole drilling program to define the CBM resource within the project area.



Directors' Report

The directors of Sunbird Energy Ltd ("the company") present their report for the financial year period from incorporation on 17 May 2011 to 30 June 2012 and are therefore for 13 months. As this is the company's first financial year and the first annual report, no comparative information is available to disclose.

I. DIRECTORS AND COMPANY SECRETARY

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

Mr Kerwin Rana – Non-Executive Chairman

(Appointed 12 October 2011)

Mr Rana graduated from the University of Natal in 1995 with a Bachelor of Science (Chemical Engineering) degree and is a registered professional engineer, Pr. Eng., with the Engineering Council of South Africa. He has more than 15 years of mining industry experience gained through various executive and managerial roles including being the Head of New Business for the De Beers group in South Africa and the General Manager of De Beers' Kimberley Mines. As General Manager of Kimberley Mines, Mr Rana developed and implemented a turnaround strategy that returned the loss-making mine to profitability, extended the life of the mine and forecasted the generation of at least R1 billion in cash flows over its remaining life.

Mr Rana is a managing director and a shareholder of Umbono, primarily responsible for its energy and bulk commodity business. Among his current responsibilities is the development of an 800 million tonne coal deposit through the exploration and feasibility study stages in advance of a mine development which may include a fuel supply to a new IPP. Mr Rana also acts as Umbono's Government Relations Executive, with key relationships across the different spheres of the relevant Government Regulators.

Mr Rana is a non-executive director of the South African Diamond and Precious Metals Regulator and an active member of the South African Institute of Directors.

Mr William Barker – Managing Director

(Appointed 17 May 2011)

Mr Barker is a Geologist with extensive experience in the exploration and development of unconventional gas projects in Australia. He holds a Bachelor of Science majoring in Geology from the University of Western Australia. Mr Barker was previously the General Manager LNG for Arrow Energy Ltd. He was responsible for the overall management of the company's lead Coal Bed Methane to LNG export project. The maturing of Arrow's Surat Gas Project to final investment decision was instrumental in triggering the A\$3.5 billion takeover of Arrow by Royal Dutch Shell and PetroChina in August 2010.

Mr Barker has also held senior management positions with New Guinea Energy Limited, managing the company's conventional petroleum exploration activities in Papua New Guinea and Sydney Gas Limited developing Coal Bed Methane projects in New South Wales. His experience covers exploration and development activities, gas compression facility and pipeline construction, government relations, business development and general management. He has served as a member of the Coal Geology Council of New South Wales, and is a member of the Petroleum Exploration Society of Australia.

In the past three years Mr Barker was a non-executive director of the ASX listed company Transerv Energy Limited.

Directors' Report

Mr Andrew Leibovitch – Executive Director

(Appointed 17 May 2011)

Andrew Leibovitch is a Chartered Accountant from the United Kingdom and has more than 20 years experience in corporate finance and the resources industry. He has experience in strategic planning, business development, acquisitions and mergers, gas commercialisation, project development and general management. Mr Leibovitch most recently was running his own energy consultancy business.

Through running his own energy advisory business, Mr Leibovitch has had significant involvement in several Australian CBM and unconventional gas projects, including advising Origin Energy Limited, Arrow Energy Limited and LNG Ltd.

Mr Leibovitch has performed general management roles at Woodside Petroleum Limited, Western Mining Corporation Limited and Coopers & Lybrand. In the last three years, Mr Leibovitch has been a non-executive director of Transerv Energy Limited.

Mr Marcus Gracey – Non-Executive Director

(Appointed 17 May 2011)

Mr Gracey is a corporate lawyer with extensive international experience gained across various markets, including energy. His expertise and experience is backed by a strong set of academic and professional credentials which include a Bachelor of Economics, Bachelor of Laws, Master of Laws (Intellectual Property) and an Executive Master of Business Administration.

Having also completed the AICD International Company Directors Course and a graduate diploma in Company Secretarial Practice, Mr Gracey has developed a strong skill set built around risk management, strategy and compliance.

Mr Gracey was previously a director of Torrens Energy Limited and is presently the Commercial & Legal Manager of New Standard Energy Limited, focussed on exploring, developing and commercialising unconventional hydrocarbon plays located predominantly in Western Australia.

Ms Sophie Raven – Company Secretary

(Appointed 18 May 2012)

Ms Raven has practised corporate law for over 20 years in Australia, Chile and the Cayman Islands. Upon graduating in 1991 from the University of Western Australia with a Bachelor of Laws degree, Ms. Raven joined Freehills, one of the largest law firms in Australia, and was admitted to practice law as a solicitor and barrister in 1993. Ms Raven moved to Chile in 1995 where she worked at Montt y Cia S.A., a medium-sized law firm, as the firm's foreign legal associate from 1995 to 1997 and as a partner from 1997 to 2001. Ms. Raven moved to the Cayman Islands in 2001 where she practised until early 2005 as a corporate attorney at a local law firm, specializing in the structuring of different types of investment funds and other investment vehicles, and generally advising and acting for investment fund managers, fund administrators and instructing law firms. In June 2006, Ms Raven joined Superfund group Monaco SAM as legal counsel, and since January 2007 has been a non-executive director and company secretary for many of the Superfund group of investment companies' offshore funds.

Ms Raven is currently also the company secretary for Wildhorse Energy Limited, an ASX and AIM listed company, Citation Resources Ltd, and Transerv Energy Limited, all ASX listed companies.

Mr Jerry Monzu – Company Secretary

(Appointed 01 September 2011, resigned 18 May 2012)

Mr Monzu has over 20 years' financial and corporate experience in publicly listed multinational corporations, predominantly in the resources and mining sectors. Mr Monzu has previously held senior management positions in companies such as Woodside Petroleum Limited and Normandy Mining Limited, and most recently was Joint Venture Manager for the North West Shelf Venture. Mr Monzu is a Certified Practising Accountant and currently provides a range of accounting and company secretarial services to listed companies in the energy and resource sectors.

Directors' Report

1.1 Directors' Meetings

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

Director	Board of directors	
	Present	Held
Kerwin Rana	3	3
William Barker	3	3
Andrew Leibovitch	3	3
Marcus Gracey	3	3

1.2 Corporate Governance

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

2. REMUNERATION REPORT - AUDITED

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

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

Name	Position
Kerwin Rana	Chairman - non-executive
Marcus Gracey	Non-executive director
William Barker	Managing director
Andrew Leibovitch	Executive director

Non-executive director remuneration policy

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board. The board has also considered the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

The current base remuneration was set at A\$36,000 per annum.

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

Executive remuneration policy and framework

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

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

The executive remuneration framework has two components:

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

Base pay and benefits

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

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

There are no guaranteed base pay increases included in executives' contracts.

Superannuation

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

Long-term incentives

Long-term incentives are provided to certain non-executive directors and executives as incentives to deliver long-term shareholder returns. Some of the issued options are granted only if certain performance conditions are met and the directors and executives are still employed by the company at the end of the vesting period.

Link of remuneration to company performance and shareholders' wealth

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Currently, this is facilitated through the issue of options to executive directors and executives to encourage the alignment of personal and shareholder interests. There are currently no financial targets set for the performance related remuneration, and therefore, remuneration at this stage is not linked to company performance.

Use of remuneration consultants

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

Service agreements

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

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

Mr Kerwin Rana – non-executive chairman

- Commencement date: 12 October 2011
- Base fee at 30 June 2012 was A\$ 36,000 per annum

Mr William Barker – managing director

- Commencement date: 17 May 2011
- Base salary at 30 June 2012 was A\$ 200,000
- The agreement is subject to a six months notice period

Mr Andrew Leibovitch – executive director

- Commencement date: 17 May 2011
- Base salary at 30 June 2012 was A\$ 200,000
- The agreement is subject to a six months notice period

Mr Marcus Gracey – non-executive director

- Commencement date: 17 May 2011
- Base fee at 30 June 2012 was A\$ 36,000 per annum

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

Directors' Report

Details of remuneration

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

2012	Short-term employee benefits	Share-based payments	Total	Proportion of remuneration	
	Cash salary and fees	Options		Fixed	Performance-linked
	A\$	A\$	A\$	%	%
Non-executive directors					
Kerwin Rana	25,935	-	25,935	100	-
Marcus Gracey	37,500	829	38,329	98	2
Total non-executive directors	63,435	829	64,264		
Executive directors					
William Barker	175,000	11,231	186,231	94	6
Andrew Leibovitch	175,000	11,231	186,231	94	6
Total executive directors	350,000	22,462	372,462		
Total	413,435	23,291	436,726		

Since the long-term incentives are provided exclusively by way of options, the percentages disclosed also reflect the value of remuneration consisting of options, based on the value of options expensed during the year.

Share-based compensation

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

Grant date	Date vested and exercisable	Expiry date	Exercise Price A\$	Value per option at grant date (cents per option)	Performance achieved	Vested %
22-Sep-11	19-Jan-12	19-Jan-15	\$0.20	0.11	n/a	100%
22-Sep-11	19-Jan-13	19-Jan-16	\$0.20	0.20	n/a	-
22-Sep-11	19-Jan-14	19-Jan-17	\$0.20	0.30	n/a	-
22-Sep-11	19-Jan-12	19-Jan-15	\$0.20	0.11	n/a	100%
22-Sep-11	19-Jan-12	19-Jan-15	\$0.20	0.11	n/a	100%
22-Sep-11	19-Jan-12 ¹	19-Jan-15	\$0.20	0.11	Cornerstone Investor secured	-
22-Sep-11	19-Jan-15 ²	3 years after vesting date	\$0.25	0.09	to be determined	-
22-Sep-11	19-Jan-15 ³	3 years after vesting date	\$0.30	0.07	to be determined	-
22-Sep-11	19-Jan-15 ⁴	3 years after vesting date	\$0.25	0.09	to be determined	-
22-Sep-11	19-Jan-15 ⁵	3 years after vesting date	\$0.30	0.07	to be determined	-

¹ The vesting is subject to a yet to be obtained formal confirmation from Umbono Capital Partners LLC and Cygnet Capital Pty Ltd, that the definition of the "Cornerstone Investor" has been met.

² If an independent expert certifies discoveries of at least 500 Bcf 3C resource of gas from the Initial Portfolio within three years from 19 January 2012.

³ If an independent expert certifies discoveries of at least 1 Tcf 3C resource of gas from the Initial Portfolio within three years from 19 January 2012.

⁴ If an independent expert certifies discoveries of at least 500 Bcf 3C resource of gas from a New Venture within three years from 19 January 2012.

⁵ If an independent expert certifies discoveries of at least 1 Tcf 3C resource of gas from a New Venture within three years from 19 January 2012.

Directors' Report

Options granted carry no dividend or voting rights. No terms of equity-settled share-based payment transactions have been altered or modified during the reporting year.

When exercisable each option is convertible into one ordinary share.

The exercise price of options is based on the weighted average price at which the company's shares are traded on the Australian Securities Exchange (ASX) during the week up to and including the date of grant.

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

	Number of options granted during the period	Value of options at grant date	Number of options vested during the period
Kerwin Rana	-	-	-
Marcus Gracey	750,000	829	750,000
William Barker	18,500,000	23,232	2,000,000
Andrew Leibovitch	18,500,000	23,232	2,000,000

There were no options that lapsed or were exercised during the reporting period.

There were no options on issue at the start of the reporting period; all options held by directors and key management personnel were issued during the reporting period.

	Grant date	Expiry date	Exercise price (cents)	Granted during the period	Balance at end of the period	Vested in the period %	Financial year in which options may vest
Kerwin Rana	-	-	-	-	-	-	-
Marcus Gracey	22-Sep-11	19-Jan-15	20	750,000	750,000	100	2012
William Barker	22-Sep-11	19-Jan-15	20	2,000,000	2,000,000	100	2012
	22-Sep-11	19-Jan-16	20	2,000,000	2,000,000	-	2015
	22-Sep-11	19-Jan-17	20	2,000,000	2,000,000	-	2015
	22-Sep-11	19-Jan-15	20	2,500,000	2,500,000	-	2012
	22-Sep-11	3 years after vesting*	25	5,000,000	5,000,000	-	2015
	22-Sep-11	3 years after vesting*	30	5,000,000	5,000,000	-	2015
Andrew Leibovitch	22-Sep-11	19-Jan-15	20	2,000,000	2,000,000	100	2012
	22-Sep-11	19-Jan-16	20	2,000,000	2,000,000	-	2015
	22-Sep-11	19-Jan-17	20	2,000,000	2,000,000	-	2015
	22-Sep-11	19-Jan-15	20	2,500,000	2,500,000	-	2012
	22-Sep-11	3 years after vesting*	25	5,000,000	5,000,000	-	2015
	22-Sep-11	3 years after vesting*	30	5,000,000	5,000,000	-	2015

* Expiry date of performance options is three years from the date of vesting; vesting conditions for all performance options are required to be met within three years from the listing date.

Directors' Report

Fair value of options granted

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the reporting period ended 30 June 2012 and the fair values are disclosed in note 21 Share-based payments.

3. PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the course of the financial year consisted of the evaluation and exploration of coal bed methane (CBM) and unconventional gas in southern Africa.

Sunbird has a strategic alliance with African joint venture partner Umbono Capital Partners (Proprietary) Limited, which provides Sunbird with an experienced local operational team and new project pipeline

4. RESULTS AND DIVIDENDS

The consolidated entity's loss after tax attributable to members of the consolidated entity for the financial year ending 30 June 2012 was A\$1,643,650.

No dividends have been paid or declared by the company during the year ended 30 June 2012.

5. LOSS PER SHARE

The basic loss per share for the consolidated entity for the year was 3.6 cents per share.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 17 January 2012 Sunbird Energy Ltd ("the Company") confirmed that completion had occurred under the share subscription agreement between Tsimpilo Trading 102 (Proprietary) Limited, Umbono Capital Partners (Proprietary) Limited, Pretzavest 37 (Proprietary) Limited ("Pretzavest") and the Company dated 12 August 2011, and that the Company was the legal and beneficial owner of 74% of the issued capital of Pretzavest.

On 17 January 2012 the Company also confirmed that completion had occurred under the share sale agreement between Salt Mineral Investments Limited, Greatways Holdings (BVI) Limited ("Greatways Holdings"), Greatways Properties (Proprietary) Limited and the Company dated 20 August 2011, and that the Company was the legal and beneficial owner of 100% of the issued capital of Greatways Holdings.

On 18 January 2012 the Company issued 45 million, 20 cent ordinary shares in accordance with its initial public offering prospectus which closed on 19 December 2011.

On 18 January 2012 Sunbird Energy Ltd was admitted to the Official List of ASX Limited under the code "SNY".

7. EVENTS SUBSEQUENT TO REPORTING DATE

Mopane Drilling

Subsequent to the reporting date, drilling commenced at the consolidated entity's Mopane Project in South Africa. Following rig mobilisation to site, the first core hole in an eight well program was spudded on 14 August. The Mopane drilling program was increased from three core holes to eight, following the interpretation of an aeromagnetic survey completed by Sunbird in late 2011. The aeromagnetic survey results demonstrate the potential for successful exploration and development of a large scale CBM project at Mopane. Land Access Agreements have been completed for all eight core holes, paving the way for an efficient drilling program. Each core hole will involve the sampling of coal seams for gas desorption analysis to determine the gas content of the coals. The wells will then undergo geophysical logging and permeability testing to determine the reservoir characteristics of the coal intervals. The coal seams within the Mopane area are the equivalent formation and similar in quality to those that have been successfully developed by Anglo American for CBM production in the neighbouring Waterberg Basin, where a 1 Tcf CBM resource has been defined. The target Eccla coal package, based on drilling results from within the Mopane licence, provides over 32 metres of coal at depths greater than 400 metres.

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

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

9. ENVIRONMENTAL REGULATIONS

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

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

10. DIRECTORS' AND EXECUTIVES' INTERESTS

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

	Shares	Option Strike Price		
		\$0.20	\$0.25	\$0.30
<i>Executive directors</i>				
William Barker	2,000,000	8,500,000	5,000,000	5,000,000
Andrew Leibovitch	2,100,000	8,500,000	5,000,000	5,000,000
<i>Non-executive directors</i>				
Kerwin Rana	-	-	-	-
Marcus Gracey	50,000	750,000	-	-
Total	4,150,000	17,750,000	10,000,000	10,000,000

Directors' Report

11. SHARES UNDER OPTION

As at the date of this report, there were 90 million unlisted options over ordinary shares on issue detailed as follows:

Options Code	No. of options	Strike Price	Expiry Date
SNYOCI	5,000,000	\$0.20	19 January 2015
SNYOPT1	53,000,000	\$0.20	19 January 2015
SNY03	4,000,000	\$0.20	19 January 2015
SNY04	4,000,000	\$0.20	19 January 2016
SNY05	4,000,000	\$0.20	19 January 2017
SNYOIP1	5,000,000	\$0.25	3 years after vesting date
SNYOIP2	5,000,000	\$0.30	3 years after vesting date
SNYONV1	5,000,000	\$0.25	3 years after vesting date
SNYONV2	5,000,000	\$0.30	3 years after vesting date
Total	90,000,000		

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

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

12. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

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

Insurance

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

13. CORPORATE STRUCTURE

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

14. NON-AUDIT SERVICES

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

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

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

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

Professional Accountants.

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

	30-Jun-12 A\$
Other assurance services	
Due diligence services	10,375
Total remuneration for other assurance services	<u>10,375</u>
Taxation services	
Tax compliance services	26,931
Total remuneration for taxation services	<u>26,931</u>
Total remuneration for non-audit services	<u>37,306</u>

15. AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's Independence Declaration is set out on page 21 and forms part of the directors' report for the financial year ended 30 June 2012.



William Barker
 Managing Director
 Perth, 26 September 2012

Directors' Declaration

Directors' Declaration

SUNBIRD ENERGY LTD AND ITS CONTROLLED ENTITIES

In the directors' opinion:

- (a) the financial statements and notes set out on pages 22 to 50 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional requirements, and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and
- (c) The consolidated entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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



William Barker
Managing Director
Perth 26 September 2012

Independent Audit Report



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUNBIRD ENERGY LTD

Report on the Financial Report

We have audited the accompanying financial report of Sunbird Energy Ltd, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial period.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

Independent Audit Report



Opinion

In our opinion:

- (a) the financial report of Sunbird Energy Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the period ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Sunbird Energy Ltd for the period ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'BDO' above 'SMV', is written over the printed name of Brad McVeigh.

Brad McVeigh
Director

Perth, Western Australia
Dated this 26th day of September 2012

Independence Declaration



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

26 September 2012

The Directors
Sunbird Energy Ltd
1st Floor, 50 Ord Street
WEST PERTH WA 6005

Dear Sirs,

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

As lead auditor of Sunbird Energy Ltd for the period ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

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

Brad McVeigh
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the International BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

Consolidated Statement of Comprehensive Income

For the period ended 30 June 2012

	Note	30-Jun-12 A\$
Continuing operations		
Revenue		202,586
Exploration expenses		(1,122,669)
Corporate costs	5	(326,185)
Professional fees	6	(295,356)
Directors and executives fees		(235,649)
Share-based payment expense		(36,833)
Loss before income tax		(1,814,106)
Income tax expense	7	-
Loss from continuing operations		(1,814,106)
<i>Loss for the period attributable to:</i>		
Members of the parent entity		(1,643,650)
Non-controlling interest		(170,456)
Total loss from continuing operations		(1,814,106)
<i>Other comprehensive income</i>		
Foreign currency translation		(8,255)
Total other comprehensive income		(1,822,361)
<i>Total comprehensive loss for the period attributable to:</i>		
Members of the parent entity		(1,652,059)
Non-controlling interest		(170,302)
Total comprehensive income for the period		(1,822,361)
<i>Loss per share from continuing operations attributable to the ordinary equity holders of the company</i>		
Basic and diluted loss per share (cents per share)	8	(3.6)

The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2012

	Note	30-Jun-12 A\$
Current assets		
Cash and cash equivalents	9	7,466,298
Trade and other receivables	10	233,926
Total current assets		7,700,224
Non-current assets		
Property, plant and equipment	11	26,514
Exploration and evaluation property	12	743,152
Total non-current assets		769,666
Total assets		8,469,890
Current liabilities		
Trade and other payables	13	319,631
Total current liabilities		319,631
Total liabilities		319,631
Net assets		8,150,259
Equity		
Contributed equity	14	9,583,787
Reserves	15	68,578
Accumulated losses		(1,643,650)
Non-controlling interest	16	141,544
Total equity		8,150,259

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

Consolidated Statement of Changes in Equity

for the period ended 30 June 2012

	Issued capital	Accumulated losses	Reserves		Non-controlling interest	Total
			Share-based payments	Foreign currency translation		
Balance on incorporation	-	-	-	-	-	-
Comprehensive income for the period						
Loss for the period	-	(1,643,650)	-	-	(170,456)	(1,814,106)
Total comprehensive income for the period	-	(1,643,650)	-	-	(170,456)	(1,814,106)
Transactions with owners in their capacity as owners:						
Share-based payments	-	-	76,833	-	-	76,833
Foreign currency translation	-	-	-	(8,255)	-	(8,255)
Issue of shares net of transaction costs	9,583,787	-	-	-	-	9,583,787
Non-controlling interest	-	-	-	-	312,000	312,000
Total transaction with owners	9,583,787	-	76,833	(8,255)	312,000	9,964,365
Balance at 30 June 2012	9,583,787	(1,643,650)	76,833	(8,255)	141,544	8,150,259

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

Consolidated Statements of Cash Flows

for the period ended 30 June 2012

	Note	30-Jun-12 A\$
Cash from operating activities		
Interest received		97,934
Payments to suppliers and employees		(671,522)
Payments for exploration		(1,119,471)
Net cash used in operating activities	18	<u>(1,693,059)</u>
Cash flows from investing activities		
Cash payment for property, plant and equipment		(26,803)
Net cash from investing activities		<u>(26,803)</u>
Cash flows from financing activities		
Proceeds from issue of shares		10,051,725
Share issue costs		(867,938)
Net cash from financing activities		<u>9,183,787</u>
Net increase in cash and cash equivalents		7,463,925
Cash on incorporation		-
Exchange rate adjustment		2,373
Cash and equivalents at 30 June 2012	9	<u>7,466,298</u>

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

Notes to the Financial Statements

I. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The financial statements are for the consolidated entity consisting of Sunbird Energy Ltd and its subsidiaries. These financial statements cover the period from incorporation on 17 May 2011 to 30 June 2012 and are therefore for 13 months being the company's first financial period. Consequently, there are no comparative amounts.

(a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the group

This is the first year of reporting for the consolidated entity and no information exists for comparative prior periods. Adoption of the standards mandatory for the first time for the financial year beginning 1 July 2011 thus have no impact on the presentation of the financial statements.

(iii) Early adoption of standards

The consolidated entity has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

(iv) Critical accounting estimates

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

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sunbird Energy Ltd ("the company" or "the parent entity") as at 30 June 2012 and the results of all subsidiaries for the year then ended. Sunbird Energy Ltd and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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

Notes to the Financial Statements

I. Summary of significant accounting policies (cont'd)

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

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

(ii) Transactions and balances

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

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

(iii) Financial statements of foreign operations

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

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

(e) Revenue recognition

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

Net financial income

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

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

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

Notes to the Financial Statements

I. Summary of significant accounting policies (cont'd)

(f) Income tax

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

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

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

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

(g) Business Combinations

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

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

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

(h) Asset acquisition

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

Notes to the Financial Statements

I. Summary of significant accounting policies (cont'd)

(i) Impairment of assets

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

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

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

(j) Financial instruments

(i) Non-derivative financial instruments

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

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

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

(ii) Subsequent measurement

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

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

(iii) Impairment

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

(k) Cash and cash equivalents

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

(l) Trade and other receivables

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

Notes to the Financial Statements

I. Summary of significant accounting policies (cont'd)

(m) Other financial assets

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

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

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

(n) Property, plant and equipment

(i) Owned assets

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

Plant and equipment	3 to 10 years
Software	2.5 years
Furniture and fittings	10 years

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

Notes to the Financial Statements

I. Summary of significant accounting policies (cont'd)

(o) Exploration and evaluation expenditure

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

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

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

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

(p) Environmental protection and replacement

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

(q) Trade and other payables

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

(r) Goods and Services Tax / Valued Added Tax

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

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

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

(s) Provisions

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

Notes to the Financial Statements

I. Summary of significant accounting policies (cont'd)

(t) Borrowings

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

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

(u) Contributed equity

Ordinary shares are classified as equity.

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

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

(v) Dividends

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

(w) Employee benefits

(i) Short-term employee benefits

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

Defined contribution plans

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

(ii) Share-based payments

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

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

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

Notes to the Financial Statements

I. Summary of significant accounting policies (cont'd)

(w) Employee benefits (cont'd)

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

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

(x) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(y) New standards and interpretations not yet adopted

Certain accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The group's assessment of the impact of these new standards and interpretations is listed below.

- (i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013*)

AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase I of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the group's 30 June 2016 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The group does not plan to adopt this standard early and the extent of the impact has not been determined.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

- (ii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

Notes to the Financial Statements

I. Summary of significant accounting policies (cont'd)

(y) New standards and interpretations not yet adopted (Cont'd)

- (iii) Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

Amended AASB 119 Employee Benefits becomes mandatory for the group's 30 June 2014 financial statements and could change the definition of short-term and other long-term employee benefits and some disclosure requirements. The group does not plan to adopt this standard early and the extent of the impact has not been determined.

- (iv) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. The group does not expect the new standard to have any impact on its current composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

As the group currently has no investments in joint venture partnerships, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The group does not expect any impact from AASB 128.

The group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

Notes to the Financial Statements

2. Financial risk management

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

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

The group holds the following financial instruments:

	30-Jun-12 A\$
Financial assets	
Cash and cash equivalents	7,466,298
Trade and other receivables	233,926
Trade and other payables	(319,631)
	7,380,593

(a) Market risk

Foreign currency risk

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

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

	30-Jun-12 A\$
Cash	600,687
Trade and other receivables	74,691
Trade and other payables	(133,441)
	541,937

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

	Carrying amount A\$	Foreign exchange risk			
		-10%		10%	
30-Jun-12		Profit A\$	Equity A\$	Profit A\$	Equity A\$
Financial assets					
Cash and cash equivalents	600,687	-	(60,069)	-	60,069
Trade and other receivables	74,691	-	(7,469)	-	7,469
Financial liabilities					
Trade and other payables	(133,441)	-	13,344	-	(13,344)
Net exposure to foreign currency risk		-	(54,194)	-	54,194

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

Notes to the Financial Statements

2. Financial risk management (cont'd)

Price risk

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

Interest rate risk

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

	2012	
	Weighted average interest rate	Balance A\$
<i>Floating interest rate:</i>		
Cash available at call	2.85%	1,853,676
<i>Fixed interest rate:</i>		
Term deposits	5.63%	5,612,622
		<u>7,466,298</u>

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

	Carrying amount	Interest rate risk			
		- 10 bps		+ 10 bps	
		Profit A\$	Equity A\$	Profit A\$	Equity A\$
<i>30-Jun-12</i>					
Financial assets					
Cash and cash equivalents	7,466,298	(36,875)	-	36,875	-
Net exposure to interest rate risk		(36,875)	-	36,875	-

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

(b) Credit risk

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

Cash and short-term liquid investments are placed with reputable banks, so no significant credit risk is expected. The group does not have any material exposure to any single debtor or group of debtors, so no significant credit risk is expected.

Notes to the Financial Statements

2. Financial risk management (cont'd)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, the ability to meet obligations when due and to close out market positions. At the end of the reporting period the group holds deposits at call of \$5,612,622 that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the management aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. Surplus funds are only invested in instruments that are tradeable in highly liquid markets.

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

30-Jun-12	Less than 6 months	Total contractual cash flows	Carrying amount of liabilities
Trade payables	319,631	319,631	319,631
	319,631	319,631	319,631

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair values for the remaining financial instruments.

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

3. Critical accounting estimates and judgements

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

(a) Capitalised exploration and evaluation expenditure

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

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

Notes to the Financial Statements

3. Critical accounting estimates and judgements (cont'd)

(b) Income taxes

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

(c) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(d) Non-derivative financial liabilities

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

(e) Share-based payment transactions

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

4. Segment information

(a) Description of Segments

The company's board of directors, who are collectively the "Chief Operating Decision Maker", receives financial information for a single reportable segment being "Exploration".

(b) Segment Information

	Exploration	Corporate	Eliminations	Consolidated
For the year ended 30 June 2012	A\$	A\$	A\$	A\$
Total segment revenue	-	202,586	-	202,586
Profit/(loss) before income tax	(1,122,669)	(691,437)	-	(1,814,106)
Segment Assets				
Property, plant and equipment	3,055	23,459	-	26,514
Exploration and evaluation property	743,152	-	-	743,152
Other	675,378	8,000,990	(976,144)	7,700,224
Total Segment Assets	1,421,585	8,024,449	(976,144)	8,469,890
Segment Liabilities				
Other	(133,441)	(186,190)	-	319,631
Total Segment Liabilities	(133,441)	(186,190)	-	319,631

Notes to the Financial Statements

5. Corporate costs

	30-Jun-12 A\$
Consultants	92,639
Insurance	11,379
Occupancy	34,414
Travel	104,142
Depreciation	275
Corporate compliance and communication	70,391
Office and other costs	12,945
	<u>326,185</u>

6. Professional fees

	30-Jun-12 A\$
<i>Services provided by the Auditor - BDO</i>	
Audit fees	32,000
Tax-related services	26,931
Other corporate advisory services	10,375
	<u>69,306</u>
Legal fees	35,640
Corporate advisory mandate	120,000
Other advisory services	70,410
	<u>226,050</u>
	<u>295,356</u>

Notes to the Financial Statements

7. Income taxes

	30-Jun-12 A\$
(a) Income tax expense:	
Current tax	-
Deferred tax	-
	-
(b) Reconciliation of income tax expense to prima facie tax payable:	
Loss before income tax	(1,814,106)
Prima facie income tax at 30%	(544,232)
Tax effect of amounts not deductible (taxable) in calculating taxable income:	
Non deductible expenses	12,754
Difference in overseas tax rates	34,120
Deferred Tax asset not brought in to account	497,358
Income tax expense/(benefit)	-
(c) Deferred tax assets	
Timing differences	4,110
Australian tax losses -revenue	46,968
Foreign tax losses - revenue	429,948
Foreign tax losses - attributable to the NCI	47,728
	528,754
Offset against deferred tax liabilities recognised	(31,396)
	497,358
(d) Deferred tax liabilities	
Timing differences	(31,396)
Offset by deferred tax assets recognised	31,396
	-

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

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

Notes to the Financial Statements

8. Loss per share

Basic loss per share

The calculation of basic loss per share at 30 June 2012 was based on the loss attributable to ordinary shareholders of A\$1,643,650 and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2012 of 46,265,207 shares calculated as follows:

	30-Jun-12 \$
Loss attributable to ordinary shareholders	
Profit/(loss) for the period	(1,643,650)
Loss attributable to ordinary shareholders	
Issued ordinary shares at the beginning of the period	-
Effect of shares issued during the period	46,265,207
Weighted average number of ordinary shares (basic) at 30 June	46,265,207
Effect of share options on issue	-
Weighted average number of ordinary shares (diluted) at 30 June	46,265,207
Loss per share	
Basic loss per share (cents)	(3.6)

Diluted loss per share

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

9. Cash and cash equivalents

	30-Jun-12 \$
Operating cash at bank	1,853,676
Cash in term deposits	5,612,622
	<u>7,466,298</u>

Interest rate risk exposure

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

10. Trade and other receivables

	30-Jun-12 \$
Prepayments	4,245
Accrued interest receivable	104,653
Other receivables	125,028
	<u>233,926</u>

None of the current receivables are past due.

Risk exposure

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

Notes to the Financial Statements

II. Property, plant and equipment

	30-Jun-12 \$
Property, plant & equipment at cost	26,789
Property, plant & equipment - accumulated depreciation	(275)
	26,514

<i>Reconciliation of movement in property, plant and equipment</i>	Plant & Equipment	Software	Furniture & Fittings	Total
At cost				
Opening balance	-	-	-	-
Additions	12,563	585	13,655	26,803
Disposals	-	-	-	-
Effect of foreign currency translation	(14)	-	-	(14)
Closing balance	12,549	585	13,655	26,789
Accumulated depreciation				
Opening balance	-	-	-	-
Depreciation for the period	219	40	16	275
Disposals	-	-	-	-
Closing balance	219	40	16	275
WDV				
Opening carrying value	-	-	-	-
Additions	12,563	585	13,655	26,803
Depreciation for the period	(219)	(40)	(16)	(275)
Disposals	-	-	-	-
Effect of foreign currency translation	(14)	-	-	(14)
Closing carrying value	12,330	545	13,639	26,514

Notes to the Financial Statements

12. Exploration and evaluation expenditure

	30-Jun-12
	\$
Exploration and evaluation property recognised on acquisition of companies	743,152

During the reporting period the company acquired exploration properties in South Africa and Botswana through the acquisition of the ultimate parents of the license-holding entities, being Pretzavest 37 (Pty) Limited in South Africa ("Pretzavest") and Greatways Holdings (BVI) Limited as the ultimate parent of Botswana-based Greatways Properties (Proprietary) Limited ("Greatways"). The acquisition of Pretzavest and Greatways were deemed asset acquisitions rather than business combinations due to both companies not meeting the definition of a business under the accounting standards.

Exploration and evaluation - Pretzavest

During the reporting period Sunbird acquired a 74% interest in Pretzavest for a cash settlement of A\$1,200,000 thus effectively paying A\$312,000 to the non-controlling interest (being 26% of the A\$1,200,000 share subscription) and gaining a 74% interest in the licences held. As such, the amount of A\$312,000 has been attributed to the exploration and evaluation asset.

Exploration and evaluation - Greatways

During the reporting period the company acquired 100% interest in Greatways in consideration for the issue of 40,000,000 shares and 40,000,000 options of Sunbird totalling A\$440,000. This amount was recognised as the exploration and evaluation asset held by Greatways on acquisition.

	30-Jun-12
	A\$
<i>Movement in exploration and evaluation property</i>	
<i>Exploration asset acquired through acquisition of Greatways</i>	
Exploration and evaluation recognised on acquisition of Pretzavest	312,000
Exploration and evaluation recognised on acquisition of Greatways	440,000
Effect of translation to presentation currency	(8,848)
Balance at 30 June	743,152

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

13. Trade and other payables

	30-Jun-12
	\$
Trade creditors	295,428
Other payables	10,503
Accruals	13,700
	319,631

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

Notes to the Financial Statements

14. Contributed equity

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

Ordinary shares

	30-Jun-12 A\$
Shares on issue	10,451,725
Issuance cost	(867,938)
	<u>9,583,787</u>

<i>Reconciliation of movement in issued capital</i>		30-Jun-12 Number of shares	30-Jun-12 A\$
17-May-11	Seed capital raising	5,000,000	50,000
17-Oct-11	Seed capital raising	10,000,000	1,000,000
11-Jan-12	Shares issued pursuant to the Initial Public Offer	45,000,000	9,000,000
17-Jan-12	Issue of shares to Salt under the Share Sale Agreement	40,000,000	400,000
	Issuance costs	-	(867,938)
			<u>9,582,062</u>
	Issue of unlisted options 12,250,000 @ A\$0.0001		1,225
	Issue of unlisted options 5,000,000 @ A\$0.0001		500
	Balance at 30 June	<u>100,000,000</u>	<u>9,583,787</u>

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

Options over ordinary shares

At 30 June 2012, the company had 90 million unlisted options over ordinary shares on issue.

<i>Reconciliation of movement in unlisted options over ordinary shares</i>	Number	Issue date	Expiry date	Exercise price (cents)
Ordinary options	4,000,000	22-Sep-11	19-Jan-15	20
Ordinary options	4,000,000	22-Sep-11	19-Jan-16	20
Ordinary options	4,000,000	22-Sep-11	19-Jan-17	20
Director options	750,000	22-Sep-11	19-Jan-15	20
Ordinary options	12,250,000	22-Sep-11	19-Jan-15	20
Initial portfolio performance options	5,000,000	22-Sep-11	3 years from vesting date*	25
Initial portfolio performance options	5,000,000	22-Sep-11	3 years from vesting date*	30
New Venture performance options	5,000,000	22-Sep-11	3 years from vesting date*	25
New Venture performance options	5,000,000	22-Sep-11	3 years from vesting date*	30
Cornerstone Investor options	5,000,000	22-Sep-11	19-Jan-15	20
Issue of options to Salt under the Share Sale Agreement	<u>40,000,000</u>	23-Jan-12	19-Jan-15	20
Total unlisted options on issue	<u>90,000,000</u>			

* Expiry date of performance options is three years from the date of vesting; vesting conditions for all performance options are required to be met within three years from the listing date.

Options over ordinary shares carry no voting or dividend rights.

Notes to the Financial Statements

14. Contributed equity (cont'd)

Capital risk management

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

15. Reserves

	30-Jun-12
	\$
Share-based payments reserve	76,833
Foreign currency translation reserve	(8,255)
	<u>68,578</u>
Reconciliation of movement in reserves	
Share-based payments reserve	
Balance at the beginning of the period	-
Equity settled share-based payment expense	36,833
Equity settled acquisition of exploration property	40,000
Balance at 30 June	<u>76,833</u>
Foreign currency translation reserve	
Balance at the beginning of the period	-
Effect of translation of foreign currency operations to group presentation currency	(8,255)
Balance at 30 June	<u>(8,255)</u>
	<u>68,578</u>

Share-based payments reserve

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

Translation reserve

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

Notes to the Financial Statements

16. Non-controlling interest

During the reporting period the company completed the acquisition of Pretzavest 37 (Proprietary) Limited ("Pretzavest"). Pretzavest was acquired under the share subscription agreement between Tsimpilo Trading 102 (Proprietary) Limited, Umbono Capital Partners (Proprietary) Limited ("Umbono"), Pretzavest 37 (Proprietary) Limited ("Pretzavest") and the company dated 12 August 2011, which gave the Company legal and beneficial ownership of 74% of the issued capital of Pretzavest, with the company's strategic partner Umbono retaining the remaining 26% interest in Pretzavest in accordance with South African BEE requirements. The acquisition was settled by a cash payment of A\$1,200,000 thus effectively paying A\$312,000 to the non-controlling interest (being 26% of the A\$1,200,000 consideration). The amount of A\$312,000 has been attributed to the exploration and evaluation asset.

	30-Jun-12
	A\$
Share capital	312,000
Retained earnings	(170,456)
	<u>141,544</u>

17. Key management personnel disclosures

(a) Directors

The following persons were directors of Sunbird Energy Ltd during the financial year:

(i) <i>Chairman – non-executive</i> Mr K Rana	(ii) <i>Executive directors</i> Mr W Barker, <i>managing director</i> Mr A Leibovitch, <i>executive director</i>	(iii) <i>Non-executive directors</i> Mr M Gracey
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There were no other persons, beside the directors, identified as key management personnel of the company during the reporting period.

(b) Key management personnel compensation

The key management personnel compensation is as follows:

	30-Jun-12
	\$
Short-term employee benefits	413,435
Post-employment benefits	-
Share-based payments	23,291
Total	<u>436,726</u>

Information regarding individual directors and executive compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the directors' report.

Notes to the Financial Statements

17. Key management personnel disclosures (cont'd)

(c) Equity Holdings

(i) Options Holdings

	Balance at the start of the period	Granted as compensation	Balance at the end of the period	Vested and exercisable	Unvested
Directors					
Kerwin Rana	-	-	-	-	-
Marcus Gracey	-	750,000	750,000	750,000	-
William Barker	-	18,500,000	18,500,000	2,000,000	16,500,000
Andrew Leibovitch	-	18,500,000	18,500,000	2,000,000	16,500,000
	-	37,750,000	37,750,000	4,750,000	33,000,000

(ii) Share Holdings

	Balance at the start of the period	Purchases during 2012	Balance at the end of the period
Directors			
Kerwin Rana	-	-	-
Marcus Gracey	-	50,000	50,000
William Barker	-	2,000,000	2,000,000
Andrew Leibovitch	-	2,100,000	2,100,000
	-	4,150,000	4,150,000

(d) Loans to key management personnel

There were no loans made to key management personnel during the year ended 30 June 2012.

(e) Other transactions with key management personnel

Other transactions with key management personnel are discussed in the related parties disclosure (note 20 (e)).

18. Reconciliation of loss after income tax to net cash outflow used in operating activities

	30-Jun-12 A\$
Loss after income tax	(1,814,106)
<i>Add/(less) non-cash items:</i>	
Depreciation	275
Share-based payments expense	36,833
Net cash used in operating activities before change in assets and liabilities	(1,776,998)
Increase in receivables and prepayments	(236,256)
Increase in accounts payable and provisions	320,195
Net cash (used in)/from operating activities	(1,693,059)

Non-cash investing and financing activities

During the reporting period the company acquired exploration and evaluation properties by acquiring 100% interest Greatways Holding (BVI) Limited in consideration for the issue of 40,000,000 shares and 40,000,000 options of Sunbird totalling A\$440,000.

Notes to the Financial Statements

19. Parent entity

	30-Jun-12 A\$
Current Assets	7,024,845
Non-Current Assets	999,603
Total Assets	8,024,448
Current Liabilities	186,190
Total Liabilities	186,190
Contributed equity	9,583,787
Reserves	76,833
Accumulated losses	(1,822,362)
Total Equity	7,838,258
Loss for the year	(1,822,362)
Other comprehensive loss for the year	-
Total comprehensive loss for the year	(1,822,362)

Commitments

Parent entity commitments are disclosed in note 23.

Contingencies

There were no contingent assets or liabilities of the parent at 30 June 2012.

20. Related parties

(a) Parent entities

The parent entity within the group is Sunbird Energy Ltd.

(b) Subsidiaries

The consolidated financial statements incorporate assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(b).

2012	Country of incorporation	Class of shares	Ownership interest
Parent entity			
Sunbird Energy Ltd	Australia	Ordinary	
Subsidiaries (direct)			
Pretzavest 37 (Pty) Ltd	South Africa	Ordinary	74%
Greatway Holdings (BVI) Limited	BVI	Ordinary	100%
Subsidiaries (Indirect - direct subsidiaries of Pretzavest 37 (Pty) Ltd)			
Umbono CBM Limpopo North (Pty) Ltd	South Africa	Ordinary	100%
Umbono CBM Limpopo South (Pty) Ltd	South Africa	Ordinary	100%
Umbono CBM Kwazulu-Natal (Pty) Ltd	South Africa	Ordinary	100%
Umbono Coal Mpumalanga (Pty) Ltd	South Africa	Ordinary	100%
Subsidiaries (Indirect - direct subsidiaries of Greatway Holdings (BVI) Limited)			
Greatway Properties (Pty) Ltd	Botswana	Ordinary	100%

Notes to the Financial Statements

20. Related parties (cont'd)

(c) Loans to/from related parties

There were no loans made to or received from the related parties during the reporting period and there are no outstanding loan balances at 30 June 2012.

(d) Other related party transactions

There were no other transactions with related parties during the reporting period.

(e) Key management personnel

During the reporting period, the company paid director and company secretarial fees to the following companies in which those persons have interest:

Key management personnel related parties

Stratosphere Consulting Group	Marcus Gracey
Millennium Falcon Pty Ltd	Marcus Gracey
Ballymoyer Pty Ltd	William Barker
Crest Corporation Pty Ltd	Andrew Leibovitch
Umbono Capital Partners (Proprietary) Limited	Kerwin Rana

Umbono Capital Partners (Proprietary) Limited ("Umbono") are operators of the group's South African projects. During the reporting period a total of A\$342,836 was paid to Umbono for their services.

The company also made reimbursements for expenses incurred on its behalf to some of those entities. No other transactions were entered into with the entities related to the key management personnel.

21. Share-based payments

Options granted to key management personnel

During the reporting period, options were granted to investors and also to key management personnel who are granted options as long-term incentives to deliver long-term shareholder returns.

Options on issue carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The exercise price of options is based on the weighted average price at which the company's shares are traded on the ASX.

The model inputs for options granted during the reporting period ended 30 June 2012 and the fair values are set out below:

Number of options	Exercise price (cents)	Grant date	Expiry date	Share price (cents)	Price volatility	Expected dividend yield	Risk-free interest rate	Fair value (cents)
4,000,000	20	22-Sep-11	19-Jan-15	1	100%	-	3.68%	0.11
4,000,000	20	22-Sep-11	19-Jan-16	1	100%	-	3.68%	0.20
4,000,000	20	22-Sep-11	19-Jan-17	1	100%	-	3.68%	0.30
5,000,000	20	22-Sep-11	19-Jan-15	1	100%	-	3.68%	0.11
750,000	20	22-Sep-11	19-Jan-15	1	100%	-	3.68%	0.11
2,500,000	25	22-Sep-11	3 years from vesting date*	1	100%	-	3.68%	0.09
2,500,000	30	22-Sep-11	3 years from vesting date*	1	100%	-	3.68%	0.07
2,500,000	25	22-Sep-11	3 years from vesting date*	1	100%	-	3.68%	0.09
2,500,000	30	22-Sep-11	3 years from vesting date*	1	100%	-	3.68%	0.07
12,250,000	20	22-Sep-11	19-Jan-15	1	100%	-	3.68%	0.11

* Expiry date of performance options is three years from the date of vesting; vesting conditions for all performance options are required to be met within three years from the listing date.

Notes to the Financial Statements

21. Share-based payments (cont'd)

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

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

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

Other grants of options

During the reporting period, the company issued 40 million options over ordinary shares as part of the consideration for the acquisition of Greatway Holdings (BVI) Limited and Greatway Properties (Pty) Ltd. These options were measured in reference to the purchase price of the acquired exploration asset.

Expenses arising from share-based payment transactions

	30-Jun-12
	\$
Options issued to key management personnel	23,291
Investor options	13,542
	<u>36,833</u>

22. Subsequent events

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

23. Capital and other commitments

There were no commitments in the parent entity or the group at 30 June 2012.

24. Contingencies

The group had contingent liabilities at 30 June 2012 of A\$86,545 (R728,857) in respect to the restoration and rehabilitation bond held by Petroleum Agency South Africa (PASA). The bond is related to drilling activities taking place after 30 June 2012

Corporate Governance Statement

OVERVIEW

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

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

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

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

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

I.1 Companies should establish and disclose the respective roles and responsibilities of board and management.

- **Recommendation I.1:** Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.
- **Recommendation I.2:** Companies should disclose the process for evaluating the performance of senior executives.
- **Recommendation I.3:** Companies should provide the information indicated in the Guide to reporting on Principle I.

I.2 The Company's practice:

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

Further, the Board takes specific responsibility for:-

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

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

Corporate Governance Statement

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

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

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

2. PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

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

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

2.2 The Company's practice:

Independence

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

Composition

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

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

Name	Position	Term in Office
Kerwin Rana	Non-Executive Chairman	1 year
Will Barker	Managing Director	18 months
Andrew Leibovitch	Executive Director	18 months
Marcus Gracey	Non-Executive Director	1 year

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

Education

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the Company's expectations concerning the performance of directors. Directors are given access to and encouraged

Corporate Governance Statement

to participate in continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to company information

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

Nomination committee

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

Monitoring of Board Performance

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

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

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

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

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

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

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

Corporate Governance Statement

3.2 The Company's practice:

Ethical Standards

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

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

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

Diversity Policy

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

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

The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives.

Gender Diversity

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

Women Employees, Executives, Consultants and Board Members

The Company and its consolidated entities have seven (7) female employees/executives/consultants:

- its Company Secretary;
- its Chief Financial Officer;
- its accountant; and
- other external consultants,

which represent approximately 50% of the total number employees, executives, consultants and/or board members of the Company and its consolidated entities. There are currently no female members of the Board of the Company.

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

4. PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

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

Corporate Governance Statement

4.2 The Company's practice:

Audit Committee

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

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

Audit and Compliance Policy

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

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

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

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

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

Corporate Governance Statement

5. PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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

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

5.2 The Company's practice:

Continuous Disclosure Policy

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

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

Therefore to meet this obligation the Company undertakes to:

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

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

- (d) Media releases;
- (e) Analyst briefings and presentations; and
- (f) The release of reports and operational results.

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

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

Corporate Governance Statement

6. PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

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

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

6.2 The Company's practice:

Shareholder Communication

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

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

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

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

Information is communicated to shareholders through:-

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

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

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

7. PRINCIPLE 7: RECOGNISE AND MANAGE RISK

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

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

Corporate Governance Statement

7.2 The Company's practice:

RISK MANAGEMENT

Recognise and Manage Risk

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

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

Oversight of the risk management system

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

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

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

Internal control framework

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

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

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

8. PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

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

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

Corporate Governance Statement

8.2 The Company's practice:

Remuneration committee

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

Remuneration policies

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

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

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

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

For details on the amount of remuneration and all monetary and non-monetary components for all directors refer to the Remuneration Report on pages 10 to 14 above. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

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

Corporate Governance Index

Principle	Reference in the Company's Corporate Governance Statement
<p>Principle 1 - Lay solid foundations for Management and oversight</p> <p>Companies should establish and disclose the respective roles and responsibilities of Board and Management.</p> <ul style="list-style-type: none">• Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.• Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.• Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.	<p>See page 51</p>
<p>Principle 2 - Structure the Board to add value</p> <p>Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.</p> <ul style="list-style-type: none">• Recommendation 2.1: A majority of the Board should be independent directors.• Recommendation 2.2: The chair should be an independent director.• Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.• Recommendation 2.4: The Board should establish a nomination committee.• Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.• Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.	<p>See page 52</p>
<p>Principle 3 - Promote ethical and responsible decision-making</p> <p>Companies should actively promote ethical and responsible decision-making</p> <ul style="list-style-type: none">• Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:<ul style="list-style-type: none">- the practices necessary to maintain confidence in the Company's integrity- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices• Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.• Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.• Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.• Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.	<p>See page 53</p>

Principle 4 - Safeguard integrity in financial reporting

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

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

See page 54

Principle 5 - Make timely and balanced disclosure

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

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

See page 56

Principle 6 - Respect the rights of shareholders

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

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

See page 57

Principle 7- Recognise and manage risk

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

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

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Corporate Governance Index

Principle 8 - Remunerate fairly and responsibly

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

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

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EXCHANGE LISTING

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

SUBSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

As at 23 October 2012, no shareholders had a holding of 5% or more.

CLASS OF SHARES AND VOTING RIGHTS

At 23 October 2012 there were 503 holders of 53,687,052 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

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

The number of shareholders holding less than a marketable parcel is 7.

UNLISTED SECURITIES

The Company does not have any unlisted securities as at 23 October 2012.

ESCROWED SECURITIES

The Company has the following escrowed securities as at 23 October 2012:

Code	Escrow Terms	Number of Escrowed Securities
SNYESC2	Escrowed for 24 months from date of listing	46,312,948

CASH USAGE

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

Shareholder Information

LISTING OF 20 LARGEST SHAREHOLDERS AS AT 23 OCTOBER 2012

Rank	Name	A/C Designation	05 Oct 12	%IC
1	DECK CHAIR HOLDINGS PTY LTD		2,514,999	4.68%
2	INVESTMENT HOLDINGS PTY LTD	<INVESTMENT HOLDINGS UNIT A/C>	2,500,000	4.66%
3	MAHSOR HOLDINGS PTY LTD	ROSHAM FAMILY S/F NO2	2,150,000	4.00%
4	MIKONOS INVESTMENTS PTY LTD		1,456,250	2.71%
5	MR DARIEN CHARLES JAGGER & MRS VIVIENNE DRUMMOND JAGGER	<D JAGGER SUPER FUND A/C>	1,450,000	2.70%
6	SEASPIN PTY LTD	THE APHRODITE	1,400,000	2.61%
7	BRISPOD NOMINEES PTY LTD	<HOUSE HEAD NOMINEE NO 1 A/C>	1,191,791	2.22%
8	MAHSOR HOLDINGS PTY LTD	<ROSHAM FAMILY SUPER A/C>	1,097,500	2.04%
9	SEIVAD INVESTMENTS PTY LTD		1,007,000	1.88%
10	UBS NOMINEES PTY LTD		783,209	1.46%
11	MR MURRAY JOHN JACOB & MRS SARA CAROLINE JACOB	<AQUATICA SUPERFUND A/C>	675,000	1.26%
12	VISION ASSET MANAGEMENT LIMITED		650,500	1.21%
13	MR DANIEL THOMAS O'BRIEN	<CAA A/C>	625,000	1.16%
13	AUSTRALIAN GLOBAL CAPITAL PTY LTD		625,000	1.16%
14	MATCH CORP PTY LTD	<CAA A/C>	600,000	1.12%
15	STROVER NOMINEES PTY LTD	PETER STROVER	580,000	1.08%
16	MS MERLE SMITH & MS KATHRYN SMITH	<THE MINI PENSION FUND A/C>	558,839	1.04%
17	FNL INVESTMENTS PTY LTD	<SUPERANNUATION PLAN A/C>	550,000	1.02%
17	MIKONOS INVESTMENTS PTY LTD		550,000	1.02%
17	DECK CHAIR HOLDINGS PTY LTD		550,000	1.02%
17	MIKONOS INVESTMENTS PTY LTD		550,000	1.02%
18	KOBIA HOLDINGS PTY LTD	<THE KOBIA A/C>	537,500	1.00%
19	MYCATMAX PTY LTD	<VIVIENNE JAGGER S/F A/C>	522,500	0.97%
20	MRS VIVIENNE JAGGER	THE POOLSIDE INVESTMENT	500,000	0.93%
20	DEVANA CORPORATION PTY LTD	<HAYWARD SUPER FUND 2 A/C>	500,000	0.93%
20	MR FARIS CASSIM		500,000	0.93%
20	J P MORGAN NOMINEES AUSTRALIA LIMITED		500,000	0.93%
20	FULLERTON PRIVATE CAPITAL PTY LIMITED		500,000	0.93%
20	FLUE HOLDINGS PTY LTD		500,000	0.93%
		TOTAL	26,125,088	48.66%
		Balance of Register	27,561,964	51.34%
		Grand TOTAL	53,687,052	100.00%

DISTRIBUTION OF SHAREHOLDERS

Spread of Holdings	Ordinary Shareholders
1 – 1,000	2
1,001 – 5,000	9
5,001 – 10,000	54
10,001 – 100,000	338
100,001 and over	100
Total	503

LISTING OF 20 LARGEST OPTION HOLDERS AS AT 5 OCTOBER 2012

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

	Name of Option holder	Options Held	% of Options
1	Andrew Leibovitch and Karen Leibovitch <Katss Investment>	2,000,000	50%
2	Invermay Nominees Pty Ltd	2,000,000	50%
Total		4,000,000	100%

DISTRIBUTION OF OPTION HOLDERS

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

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

	Name of Option holder	Options Held	% of Options
1	Andrew Leibovitch and Karen Leibovitch <Katss Investment>	2,000,000	50%
2	Invermay Nominees Pty Ltd	2,000,000	50%
Total		4,000,000	100%

DISTRIBUTION OF OPTION HOLDERS

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

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

	Name of Option holder	Options Held	% of Options
1	Andrew Leibovitch and Karen Leibovitch <Katss Investment>	2,000,000	50%
2	Invermay Nominees Pty Ltd	2,000,000	50%
Total		4,000,000	100%

DISTRIBUTION OF OPTION HOLDERS

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

(d) Cornerstone investor performance options exercisable at \$0.20 each expiring on or before 19 January 2015 (escrowed until 18 January 2014)

	Name of Option holder	Options Held	% of Options
1	Andrew Leibovitch and Karen Leibovitch <Katss Investment>	2,500,000	50%
2	Invermay Nominees Pty Ltd	2,500,000	50%
Total		5,000,000	100%

Shareholder Information

DISTRIBUTION OF OPTION HOLDERS

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

(e) Portfolio performance options exercisable at \$0.25 each, with various expiry dates (escrowed until 18 January 2014)

Name of Option holder	Options Held	% of Options
1 Andrew Leibovitch and Karen Leibovitch <Katss Investment>	2,500,000	50%
2 Invermay Nominees Pty Ltd	2,500,000	50%
Total	5,000,000	100%

DISTRIBUTION OF OPTION HOLDERS

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

(f) Portfolio performance options exercisable at \$0.30 each, with various expiry dates (escrowed until 18 January 2014)

Name of Option holder	Options Held	% of Options
1 Andrew Leibovitch and Karen Leibovitch <Katss Investment>	2,500,000	50%
2 Invermay Nominees Pty Ltd	2,500,000	50%
Total	5,000,000	100%

DISTRIBUTION OF OPTION HOLDERS

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

(g) Venture performance options exercisable at \$0.25 each, with various expiry dates (escrowed until 18 January 2014)

Name of Option holder	Options Held	% of Options
1 Andrew Leibovitch and Karen Leibovitch <Katss Investment>	2,500,000	50%
2 Invermay Nominees Pty Ltd	2,500,000	50%
Total	5,000,000	100%

Shareholder Information

DISTRIBUTION OF OPTION HOLDERS

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

(h) Portfolio performance options exercisable at \$0.30 each, with various expiry dates (escrowed until 18 January 2014)

	Name of Option holder	Options Held	% of Options
1	Andrew Leibovitch and Karen Leibovitch <Katss Investment>	2,500,000	50%
2	Invermay Nominees Pty Ltd	2,500,000	50%
Total		5,000,000	100%

DISTRIBUTION OF OPTION HOLDERS

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

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

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

DISTRIBUTION OF OPTION HOLDERS

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

Schedule of Tenements

As at 5 October 2012, Sunbird Energy Limited has an interest in the following tenements:

Project Name	Country	Sunbird Subsidiary Held By	Sunbird Working Interest	Permit(s)	Area (km ²)	Status of Application
Kasane	Botswana	Greatways Properties (Pty) Ltd	100%	024/2010, 025/2010, 026/2010, 027/2010, 028/2010, 029/2010, 030/2010	4161.5	Granted
Mopane	South Africa	Umbono Coal Bed Methane Mopane (Pty) Ltd	74%	12/3/1/99/1	1,576.54	Granted
Springbok Flats	South Africa	Umbono Coal Bed Methane Springbok Flats (Pty) Ltd	74%	12/3/1/104/1	451.47	Granted
Springbok	South Africa			-	747.51	New Application
Ermelo	South Africa	Umbono Coal Bed Methane Springbok Flats (Pty) Ltd	74%	12/3/1/95/1	645.76	Granted
Ermelo West	South Africa			-	797.24	New Application
Somkhele	South Africa	Umbono Coal Bed Methane Somkhele (Pty) Ltd	74%	12/3/1/140/1	266.14	Granted



SUNBIRD ENERGY LTD

www.sunbirdenergy.com.au

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