

ASX Announcement

24 June 2013

Independent Studies Confirm Viability of Sunbird Energy's Ibhubesi Development

- **Independent studies confirm viability of development of the Ibhubesi Gas Project**
- **Existing discovered 1P Reserves of 210 Bcf at Ibhubesi Gas Project support viable Phase 1 development**
- **2P reserves of 540 Bcf represent the most likely recoverable volume and indicates significant expansion potential for Phase 2 development**
- **Energy hungry South African market looking for new gas supplies**
- **Ibhubesi gas marketing discussions progressing – proven reserves base provides opportunity to contract and commit gas volumes under a Gas Sales Agreement**

Southern Africa gas explorer and developer Sunbird Energy Ltd (ASX:SNY) is pleased to announce results from independent studies that evaluated options to develop the Ibhubesi Gas Project (SNY 76%), offshore South Africa. The studies confirmed that Sunbird's planned development of Ibhubesi's 1P Reserves of 210 Bcf is viable.

Independent Studies of the Ibhubesi Gas Field

Sunbird has received the final reports from consultants engaged to complete the independent studies of the Ibhubesi Gas Project, which consisted of the following deliverables:

- Subsurface geological studies to evaluate and certify reserves completed by MHA Petroleum Consultants ("MHA"), based in Denver, Colorado
- Resource review and subsurface development options study to determine production profiles completed by RPS Energy ("RPS"), based in London
- Surface facilities study to determine engineering designs and project costs completed by Wood Group Kenny ("WG Kenny"), based in Houston, Texas
- Environmental pre-scoping assessment to collect and analyse existing biophysical and socio-economic information completed by CCA Environmental ("CCA"), based in Cape Town
- Review of gas marketing opportunities, energy pricing structures and project economics completed by Standard Bank, based in Johannesburg

Independent Reserves Assessment

On 4 June 2013, Sunbird announced the completion of MHA's Independent Reserves Assessment of the Ibhubesi Gas Project resulting in proven 1P Reserves of 210 Bcf and 2P Reserves of 540 Bcf.

In conducting its assessment, MHA reviewed all available technical and commercial data for the field including interpretation of the large seismic database, discovery well logs and analysis, production tests, the field development plan and integrated project costs.

The 1P Reserves are considered to be of high certainty of recovery (P90) and underpin Phase 1 of the Ibhubesi Gas Project development plan. The 2P reserves represent the most likely (P50) recoverable volume from existing discoveries and indicate significant potential for the Phase 2 project expansion.

In estimating the reserves, MHA has considered only the geological structures that relate to the wells that have discovered gas. Seven of a total 11 wells drilled in the Ibhubesi Gas Project area have encountered gas, suggesting that the Phase 1 production drilling programme will increase understanding of reservoir performance and should enable the upgrading of 2P/3P reserves to 1P, leading to an extension and/or expansion for the Phase 2 project.

Subsurface Development and Production Profile

The subsurface development options study completed by RPS determined the flow profiles that can be generated based on the production test results and a review of the reservoir characteristics. Based on the high quality reservoirs, with porosities ranging from 16-25% and permeability averaging 100mD and up to 400mD, the RPS study estimated that an average well could produce in excess of 50 MMscf/d, with tubing size being the limiting factor on production rates.

Importantly, the 210 Bcf 1P reserves are contained within 4 sand bodies that can be accessed by 4 to 9 wells to produce the P90 drainage area. Based on these reserves and production rates, the Phase 1 development is capable of delivering the following production plateaus:

- 40 MMscf/d (14.15 Bcf/year) for 12 years
- 80 MMscf/d (28.3 Bcf/year) for 6 years

The 2P reserves of 540 Bcf represent the most likely recoverable volume for the project and provide significant Phase 2 extension and/or expansion opportunities for the project.

Reference Case Development Concept

Based on the discovered reserves and the requirements of potential offtakers, WG Kenny undertook an independent study to determine potential development concepts together with related cost estimates.

Phase 1 of the Reference Case development concept includes the drilling of production wells to be tied back to a central Tension Leg Platform (“TLP”) with a 400km export pipeline to Atlantis 50km north of Cape Town. This development concept would enable access to both the Ankerlig Power Plant and independent power plant (“IPP”) markets.

The WG Kenny report estimated total capital expenditure for the Phase 1 Reference Case of between \$1.2 – 1.4 billion at a +/- 40% accuracy. Phase 2 development utilising 2P reserves (540 Bcf) is able to leverage this upstream and pipeline infrastructure to extend and expand production from the field.

Environmental Assessment and Approvals

A range of Environmental Impact Assessment (“EIA”) approvals were obtained as part of the licensing process for the award of the Block 2A Production Licence in October 2009, which cover the upstream component of the planned Phase 1 Reference Case. Additional EIA approvals and/or modifications to the existing approvals will be required for the 400km pipeline and onshore gas processing facility.

Independent Economic Modelling

Based on economic modelling completed by Standard Bank, utilising WG Kenny's Reference Case development concept and related costs, plateau production of 6-8 years and a gas price of US\$14-18/Gj, the Phase 1 Reference Case would be economically attractive and meet investment criteria necessary to attract project financing.

Based on advice from Standard Bank and Sunbird's Australian corporate finance advisors, with a bankable gas sales agreement, it is expected that a Phase 1 development of the Ibhubesi Gas Project will be viewed as an attractive opportunity by banks and equity and strategic investors.

In addition, leveraging the Phase 1 infrastructure to extend and/or expand the Ibhubesi Gas Project utilising existing 2P/3P reserves provides significant economic upside for the Phase 2 expansion.

Gas Marketing Opportunities

The market assessment that was completed as part of the studies highlighted two specific market opportunities:

- Eskom is currently seeking to secure gas supply commencing from 2016 for the 1,300 MW Ankerlig Power Plant at Atlantis, 50km north of Cape Town.
- South Africa's Department of Energy is currently running a process for procuring gas-fired IPP's as part of its initiatives to increase supply, with 474 MW of IPP gas-to-power expected to be gazetted by Q4 2013.

Ibhubesi gas marketing discussions relating to these opportunities are progressing.

National Benefits

The studies also highlighted that the development of the Ibhubesi Gas Project would provide South Africa with critical gas fired power generation capacity at an economically competitive tariff and offset current high cost diesel imports.

Development of a known domestic energy resource would create a new industry in South Africa and provide local energy supply to South Africa's west coast, increasing mid-merit and peaking power capacity and alleviating power shortages. Additionally, development would provide significant government revenues throughout the life of the project through royalties, corporate taxes and state participation.

Next Steps

With the completion of these independent studies of the Ibhubesi Gas Project, Sunbird will now advance to the next stage of the geological, engineering and environmental studies required to prepare an Integrated Full Field Development Plan ("FDP").

The FDP will define the final well designs, locations and scheduling, the engineering designs of the necessary gas processing facilities and the optimal export pipeline size and route, which will form the basis of the Front End Engineering and Design ("FEED") studies. Based on the current schedule, this would enable a Final Investment Decision ("FID") to be taken in the first half of 2015.

Having made significant progress on the project since executing the transaction in December 2012, Sunbird Managing Director Will Barker said:

“The positive results from these independent studies of the Ibhubesi gas field demonstrate the commercial merits of a Phase 1 development and its ability to attract significant project financing and equity investment. This puts us in a strong position to advance gas sales negotiations and commit reserves for development.

“By continuing to meet major project milestones, Sunbird’s is unlocking the huge value of its existing reserves base.”

Competent Person Statement

The reserves and resource estimates used in this announcement were compiled by Tim Hower of MHA Petroleum Consultants LLC and are consistent with the definitions of proved, probable, and possible hydrocarbon reserves and resources that appear in the Australian Stock Exchange (ASX) Listing Rules. Mr Hower is qualified in accordance with the requirements of ASX listing rule 5.11 and has consented to the use of the reserves and resource figures in the form and context in which they appear in this announcement.

**** ENDS ****

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About Sunbird Energy Ltd

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

Sunbird has executed an agreement to acquire a 76% stake in the Ibhubesi Gas Project offshore of the west coast of South Africa. The transaction, which is subject to approval of a transfer of title from the South African Department of Mineral Resources, will give Sunbird the right to operate and develop the Ibhubesi Gas Project. The Ibhubesi Gas Project has multiple development opportunities including gas-fired power projects to supply the high value South African energy market.

Sunbird also has a portfolio of five Coal Bed Methane (CBM) projects covering an extensive area (9,904km²) of prospective coal basins across in South Africa and Botswana. Sunbird is conducting a phased exploration program that will define the resource base and demonstrate the commercial potential of its portfolio of CBM assets, which contain a Best Estimate Gas-in-Place of 5.3 Tcf (trillion cubic feet).