

ASX Announcement

31 July 2013

June 2013 Quarterly Report

Southern Africa gas explorer and developer Sunbird Energy Ltd (ASX: SNY) is pleased to provide an update on its key activities for quarter ending June 2013.

Highlights

- Independent certification of 540 Bcf 2P reserves for the Ibhubesi Gas Project
- Independent studies confirm viability of development of the Ibhubesi Gas Project
- Drilling operations continue at Mopane CBM project with second set of results expected in Q3 2013

Ibhubesi Reserves Assessment

In April 2013, Sunbird engaged MHA Petroleum Consultants LLC, based in Denver, Colorado, to complete an Independent Reserves Assessment. 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 results of the Independent Reserves Assessment are as follows:

Ibhubesi Gas Project Reserves and Resources Estimates

RESERVES AND RESOURCES (Gross 100%)	Recoverable Gas Volume (Bcf)	Recoverable Condensate Volume (MMbbls)
Proved Reserves (1P)	210	1.7
Proved+Probable Reserves (2P)	540	4.3
Proved+Probable+Possible Reserves (3P)	915	7.3
1C Contingent Resources	50	0.4
2C Contingent Resources	96	0.8
3C Contingent Resources	241	1.9

This volume of 1P discovered gas is considered to be of high certainty of recovery (P90) and underpins Phase 1 of the Ibhubesi Gas Project development plan.

The 2P estimate of 540 Bcf represents the most likely (P50) recoverable volume of the discovered gas, indicating significant potential for project viability beyond the Phase 1 Development.

In estimating the reserves MHA has considered only the geological structures that relate to the wells that have been drilled and discovered gas. Seven out of the eleven wells drilled in the Ibhubesi Gas Project area have encountered gas at commercial volumes suggesting that additional gas volumes are likely to be identified by further drilling during the Phase 1 development.

Independent Studies of the Ibhubesi Gas Project

In addition to the Independent Reserves Assessment, 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:

- 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

Reference Case Development Concept

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 processing facility 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. CCA Environmental studied, reported on and is now working to update the EIA approvals 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 Ibhuesi Gas Project will be viewed as an attractive opportunity by banks and equity and strategic investors.

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 power supply from 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.

Ibhuesi gas marketing discussions relating to these opportunities are progressing.

Next Steps

With the completion of these independent studies of the Ibhuesi 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 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.

Mopane Project

Sunbird has also completed the pilot hole drilling of the six remaining coreholes at Mopane to depths of approximately 100 to 200 metres and has commenced coring and initial results of this next phase of drilling are expected in Q3 2013.

The Mopane project is located in the Limpopo Province of South Africa about 420km northeast of Johannesburg. The project lies on the western limit of the Tshipise Coalfield. Mopane is traversed by major electricity transmission lines that form part of the Southern African Power Pool and is also close to major local mining and mineral processing facilities. With a licence area of 1,577km², the project is held by Sunbird (74%) and Umbono (26%).

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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 540 bcf 2P (billion cubic feet) 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, South Africa's largest undeveloped gas field. The Ibhubesi Gas Project has multiple development opportunities including gas-fired power projects to supply the high value South African energy market. Sunbird's joint venture partner in the project is PetroSA (24%), the national oil company of South Africa.

Sunbird also has a portfolio of five Coal Bed Methane (CBM) projects covering an extensive area (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).

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Sunbird Energy Ltd

150 956 773

Quarter ended ("current quarter")

30 June 2013

Consolidated statement of cash flows

Cash flows related to operating activities

1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation	(1,430)	(3,514)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(739)	(1,604)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	30	274
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	-	-

	Current quarter \$A'000	Year to date \$A'000
	-	-
	(1,430)	(3,514)
	-	-
	-	-
	(739)	(1,604)
	-	-
	30	274
	-	-
	-	-
	-	-
	(2,139)	(4,844)

Net Operating Cash Flows

Cash flows related to investing activities

1.8	Payment for purchases of: (a) prospects		
	(b) equity investments	(425)	(2,455)
	(c) other fixed assets	(22)	(27)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	(447)	(2,482)
1.13	Total operating and investing cash flows (carried forward)	(2,586)	(7,326)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,586)	(7,326)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, Convertible Notes etc.	4,861	5,001
1.15	Proceeds from sale of forfeited shares	-	(3)
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Capital raising costs	(330)	(333)
1.19	Other – repayment of oversubscriptions	-	-
	Net financing cash flows	4,531	4,665
	Net increase (decrease) in cash held	1,945	(2,661)
1.20	Cash at beginning of quarter/year to date	2,821	7,466
1.21	Exchange rate adjustments to item 1.20	(8)	(47)
1.22	Cash at end of quarter	4,758	4,758

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	286
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Section 1.23

This section includes payments for:

- directors and executive fees for the quarter of \$73,450
- exploration-related services provided by director related entities at arm's length of \$212,642

+ See chapter 19 for defined terms.

Non-cash financing and investing activities

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

N/A

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

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,346
4.2 Development	-
4.3 Production	-
4.4 Administration	507
Total	1,853

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	3,457	1,733
5.2 Deposits at call	312	2,077
5.3 Bank overdraft	-	-
5.4 Other (Cash guarantee held in a term deposit pursuant to the Ibhubesi acquisition agreement)	989	989
Total: cash at end of quarter (item 1.22)	4,758	4,799

Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

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

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference +securities <i>(description)</i>	Nil	Nil		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil	Nil		
7.3	+Ordinary securities FSE	112,700,000	66,387,052	N/A	Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	12,700,000	12,700,000	12,500,000 @ 40 cents and 200,000 @ 0.001 cents	
7.5	+Convertible debt securities <i>(description)</i>	Nil	Nil		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options	<i>Number</i>		<i>Exercise price</i>	<i>Expiry date</i>
	SNY03	4,000,000	Nil	20 Cents	19-Jan-15
	SNY04	4,000,000	Nil	20 Cents	19-Jan-16
	SNY05	4,000,000	Nil	20 Cents	19-Jan-17
	SNY06	1,000,000	Nil	50 Cents	21-May-16
	SNYOC1	5,000,000	Nil	20 Cents	19-Jan-15
	SNYOIP1	5,000,000	Nil	25 Cents	Various
	SNYOIP2	5,000,000	Nil	30 Cents	Various
	SNYONV1	5,000,000	Nil	25 Cents	Various
	SNYONV2	5,000,000	Nil	30 Cents	Various
	SNYOPT1	53,000,000	Nil	20 Cents	19-Jan-15
7.8	Issued during quarter	1,000,000	Nil	50 Cents	21-May-16

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.9	Exercised during quarter	Nil	Nil		
7.10	Expired during quarter	Nil	Nil		
7.11	Debentures (totals only)	Nil	Nil		
7.12	Unsecured notes (totals only)	Nil	Nil		

Compliance statement

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

Sign here:


 Chief Financial Officer

Date: 31 July 2013

Print name: Carla Mackay

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities:** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards:** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.