

ASX Announcement
18 March 2015

Sunbird Reduces Debt Levels and Obtains Extension of Gas Marketing Period

- **Debt levels significantly reduced following repayment of White Swan Loan**
- **Further loans placed in South Africa**
- **Extension of Gas Marketing Development Period**

Sunbird Energy Limited (**SNY:ASX**) is pleased to announce a significant reduction of debt following the repayment of the White Swan Loan. Sunbird is also pleased to announce the placement of further loans from sophisticated investors in South Africa.

White Swan Loan Repayment

Sunbird is pleased to confirm that A\$2,650,000 debt provided under the previously announced White Swan loan (see ASX announcement 26th Feb, 2014) has been repaid plus interest, and security provided to the Lenders under that loan has been extinguished. The loan was repaid using funds received from the US\$5,000,000 equity raising completed in October 2014 at a share price of AU\$0.277 per share.

South African Loans

On 26 February 2015, the company secured a commitment from sophisticated investors in South Africa in respect to debt funding of A\$1,257,800 which has now been received in full. The loans are for a period of 12 months, repayable on 26 February 2016 and attract interest of 20% per annum. At the election of the lenders, subject to shareholder approval, part or all of the debt may be converted to equity. The conversion to equity being at the lesser rate of A\$0.25 per share, and the price per Share upon which the Company raises capital by way of equity in cleared funds during the term of the loan.

The repayment of the White Swan loan and placement of the new South African loans represents a significant reduction in Sunbird's debt levels, and further demonstrates the level of interest and support for the Company's "flagship" Ibhubesi Gas Project (IGP) domestically in South Africa. As the most advanced domestic gas project in South Africa, the IGP and Sunbird Energy are well placed to lead the supply of domestic gas for President Zuma's mandated restructuring of South Africa's energy supply mix.

In December 2014 the Eskom 'War Room' was established by President Zuma and the South African Cabinet to address the energy challenges effecting South Africa. The country is currently experiencing its worst energy shortages since 2008, with load shedding (rolling scheduled blackouts) occurring on a regular basis, resulting in major reductions to productivity and Gross Domestic Product for the nation. The War Room's 5 point plan includes, as a key tenet, the acceleration of the substitution of diesel with gas to fire existing diesel power plants.

The newly secured loans provide corporate funding for Sunbird whilst the company implements its project fund raising strategy for the development of the IGP.

Extension received for Gas Market Development Period

On 4 March 2015 Sunbird received formal approval from the South African Department of Minerals and Energy for the extension to the Gas Market Development Period (GDMP) for a further period of 3 years to September 2017. On completion of the GDMP, the Block 2A Production Right (in which the IGP is located) will enter a 25 year Production Period. There are no exploration or development work commitments during the GDMP.

Together with the execution of the GSA Term Sheet (see announcement dated 18 March 2015) this extension to the GDMP allows Sunbird to implement its project funding strategy and to reach Final Investment Decision prior to commencing further on ground activity.

Sunbird Energy Chairman, Kerwin Rana, said “Following the recently announced signing of the GSA Term Sheet with Eskom, the resetting of Sunbird’s debt level, whilst securing funding to progress commercialisation of South Africa’s leading domestic gas project is another key milestone for Sunbird and the IGP.

“We look forward to working with our partner PetroSA and customer Eskom to further progressing the IGP and to becoming part of the solution to secure South Africa’s more reliable and cleaner energy supply.”

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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 opportunities for the development of large scale energy projects.

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

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

Sunbird also has a portfolio of Coal Bed Methane (CBM) projects covering an extensive area in prospective coal basins across South Africa. Sunbird is conducting a phased exploration program to define the resource base and demonstrate the commercial potential of its portfolio.

About the Ibhuesi Gas Project

The IGP is South Africa's largest undeveloped gas field, with 1P reserves of 210 BCF (SNY 76%: 159 BCF) and 2P reserves of 540 BCF (SNY 76%: 410 BCF). The Project is located 380km north of Cape Town in Block 2A, which is a Production Right that covers 5,000 km².

The IGP is situated in the offshore Orange Basin, approximately 70 km off the coast in water depths of 250 metres.

The IGP is covered by 1,770 km² of 3D seismic and many thousands of km of 2D seismic. Over US\$125 million (R1.2 billion) has been spent on exploration and appraisal of the project since 2000.

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

- The IGP is a Strategic Infrastructure Project (SIP5) under the Presidential Infrastructure Coordination Commission;
- The IGP will establish the first critical pipeline infrastructure in the Orange Basin providing a route to market and encouraging further exploration and development;
- Will provide significant revenue to the government in the form of royalties, corporate and payroll taxes and state participation;
- Substantial direct and indirect job creation during construction and production phases leading to the development of local skills and enterprise;
- Significant Black Economic Empowerment (BEE) interest and state participation (PetroSA 24%) in the Project;
- Balance of Trade benefits from the replacement of imported diesel, which is indexed to \$US and the oil price, with a domestic gas source; and
- Reduction in greenhouse gas and CO₂ emissions via the utilisation of gas.