

Quarterly Activities Report

For the three months ended 30 June 2014

COMPANY INFORMATION

OGI Group Ltd
ABN 34 090 074 785

COMPANY DIRECTORS

Chris Ritchie – Exec Director
Rob Oliver – Director
Chris Porter – Director

MANAGEMENT

Chris Ritchie – CFO / Co Sec

STOCK EXCHANGE LISTING

Australian Stock Exchange
ASX Code: OGI

Current Shares on Issue:

191,940,064

Market Capitalization as at 28
July 2014 based on a share price
of \$0.003, AUD \$0.6 million

CURRENT PROJECTS

Napoleonville
Bowtie West

www.ggpl.com.au



Highlights

Permian Project Sale

The sale of the Company's Permian Assets was completed on 11 June 2014.

The adjusted sales price was US\$4.8 million, including an amount of US\$0.5 million held in escrow pending the settlement of a legal dispute.

Templet #1 Well – 3.8% WI

A drilling rig was contracted to drill the Templet #1 well. The rig has been delayed and is now expected to commence in early August 2014.

The Templet #1 well is targeting 600,000 to 800,000 bbls of oil in an up-dip segment of a proven oil bearing compartment.

Corporate

The Company changed its name from Golden Gate Petroleum Limited to OGI Group Ltd effective 28 May 2014.

The Company completed a 25:1 share consolidation and changed its ticker symbol to (ASX: OGI) on 3 June 2014.

Cash balance as at 30 June 2014 was AU\$ 1.5 million.

Production for the Quarter

Well	Total Production		OGI Share	
	Oil BBL	Gas MCF	Oil BBL	Gas MCF
Dugas & Leblanc #3	7,927	2,127	1,189	319
Hensarling #1	37,918	-	1,475	-
Sugar Valley #1	192	15,833	23	1,900
	46,037	17,960	2,687	2,219

During the quarter the Company's estimated gross share of production was 2,687 barrels of oil and 2 million cubic feet of gas. At current oil and gas prices net revenue to the Company is estimated at USD70,000 per month.

Permian Project
Reagan and Irion Counties, Texas

On 12 June 2014, the Company confirmed that the sale of the Company's Permian assets to Laredo Petroleum Inc, had been completed on 11 June 2014 (Houston time). The final sales price is set out below:

	Note	US\$
Base Purchase Price		5,350,000
Less: Title Defects	1	(336,364)
Environmental Defects	2	(75,050)
Adjusted Purchase Price		4,938,586
Post Effective Date Net proceeds	3	(166,177)
		4,772,409
Amounts held in Escrow		
Litigation Holdback	4	(500,000)
Post-Closing Adjustments	5	(267,500)
Outstanding Security	6	(492,000)
		(1,259,500)
Funds received at closing		3,512,909

Notes:

1. *Title Defects*

A technical review of the acreage held by production determined that the Company held a lesser amount of acreage for the SRH#2 and SRH #5. The title defect deduction reflects the reduced acreage held.

2. *Environmental Defects*

A review of the wells and associated equipment was performed and 9 minor issues were agreed between the parties that needed rectifying. The largest item being the closing of the reserve pits for the SRH#2, SRH #4 and SRH #5 wells for a total cost of \$45,000.

3. *Post Effective Date Net proceeds*

The effective date of the sale was 1 February 2014. Since that date in effect the Company has continued to operate the wells. As at the date of closing the estimated net proceeds received by the Company since 31 January 2014 was \$166,177. This figure will change as final cost invoices are received and processed as part of the post-closing process.

4. *Litigation Holdback*

At Closing, Laredo deposited US\$500,000 (**Litigation Holdback**) of the Purchase Price into an escrow account to be held until the Company provides Laredo with a written non-appealable court order or other waiver satisfactory to Laredo evidencing that the lawsuit filed in Reagan County 112th District Court under Cause No. 1573 (Paul Page Plaintiff) has been rectified, cleared, removed, waived and otherwise eliminated. On the one year anniversary of the date of the Agreement (**Litigation Date**) or at any-time prior to the Litigation Date, if the lawsuit has been rectified, cleared, removed, waived or otherwise eliminated then the Litigation Holdback shall be paid to the Company.

If the lawsuit has not been rectified, cleared, removed, waived or otherwise eliminated prior to the Litigation Date then the Litigation Holdback shall be paid to Laredo. The claims, expenses or obligations related to the lawsuit attributable to, accruing or related to the period of time prior to the Effective Time and the Company shall not enter into any contract, settlement or other agreement concerning the lawsuit that would affect Laredo's potential liability for damages, due to the lawsuit without the prior written approval of Laredo. Laredo shall be responsible for any and all damages, claims, expenses or obligations related to the lawsuit attributable to, accruing or related to the period of time on and after the Effective Time.

5. *Post-Closing Adjustments*

At Closing, Laredo deposited into an escrow account pursuant to an escrow agreement the sum of US\$267,500 to be held to satisfy any post-Closing adjustments. On or within 90 days after Closing, the Company shall provide Laredo an accounting statement setting out all post-Closing adjustments. The statement becomes binding 30 days after the statement is given (**Final settlement Date**) unless Laredo disputes the statement. On the Final Settlement Date any amounts that would reduce the Purchase Price or other post-Closing adjustments due to Laredo shall be distributed to Laredo from the escrow amount, and the remaining portion of the escrow amount, including interest earned thereon, shall be released to the Company.

6. Outstanding Security

At Closing, the Release Document in regard to the mortgage over the SRH #3 well, from the security given for the Series 3 Convertible Notes had not been lodged in Texas. Upon this document being lodged and the mortgage removed Laredo will transfer the amount of US\$492,000 to the Company. The Company has been unable to contact one note-holder which is preventing the release from escrow of the US\$492,000. The Company is making every effort to contact the note-holder.

Legal Matters

The primary legal action between the Company and Petro Raider LLC and Mr Paul Page has been stayed by the Judge pending the conclusion of the Arturus Capital Limited liquidation currently underway in Perth, Australia.

Depositions in regard to the Company's tortious interference case against Petro Raider LLC and Mr Paul Page were taken in January 2014.

Napoleonville Project

Dugas & Leblanc #3 well, Assumption Parish, Louisiana, Non-Operator, 15% WI

During the quarter the Dugas and Leblanc #3 well produced a total of 7,927 bbls of oil and 2,127 MCF of gas. The Company's share of production was 1,189 bbls of oil and 319 MCF of gas.

During the quarter the joint venture received a permit to convert the Dugas & Leblanc #2 well to a salt water disposal well which will substantially reduce the salt water disposal costs of the Dugas & Leblanc #3 well.

Partners in the D&L#3 well are:

Company	WI
Grand Gulf Energy Ltd	39.4%
Golden Gate Petroleum Ltd	15.0%
Other Partners	45.6%

Hensarling #1 well, Assumption Parish, Louisiana, Non-Operator 3.99 WI

This well is targeting an accumulation of oil in a well-defined up-dip block from an interval that produced 2.3 million barrels of oil equivalent. The targeted accumulation is likely to be within the 600,000 to 800,000 barrels range. 22,800 to 15,200 barrels net to the Company.

The Company has been advised of a legal dispute involving a previous joint venture partner seeking to have their working interest reinstated. Whilst the Company is not a direct party to the dispute, should the claim be successful the Company's working interest may be reduced to approximately 3.78%. The Company notes Grand Gulf Energy's (ASX: GGE) stated intention to vigorously defend the case,

Production for the quarter was 37,918 bbl of oil. The Company's share of production was 1,475 bbl of oil.

Partners in the Hensarling #1 well are:

Company	WI
Grand Gulf Energy Ltd	35.60%
Golden Gate Petroleum Ltd	3.99%
Other Partners	60.41%

Templet #1 well, Louise Prospect, Assumption Parish, Louisiana, Non-Operator 3.28% WI

The Templet #1 well is expected to penetrate an accumulation of oil in a 3D-defined, normally pressured block up-dip from a productive well where an equivalent interval has produced 2.2 mmbbl of oil and 10.5 bcf of gas. The Templet #1 well is targeting an estimated resource of between 600,000 to 800,000 bbls of oil.

The Company has a 3.28% free carried working interest to casing point and thereafter would assume a standard 3.28% working interest. The Company's expected capital expenditure on this well is approximately US40,000, should the working interest partners elect to complete the well.

The spudding of the well has been delayed and is drilling is now expected to commence in early August 2014.

Partners in the Templet #1 well are:

Company	WI
Grand Gulf Energy Ltd	22.57%
Golden Gate Petroleum Ltd	3.28%
Other Partners	74.15%

Dugas & Leblanc #1 Well

The Operator's insurers have paid in excess of USD \$ 18.5 million toward the blowout costs of the Dugas & Leblanc #1 well. The Company has paid its deductible to its own insurers and does not expect any further exposure.

Bowtie West Project

Sugar Valley #1 Well, Matagorda County, Texas, Non-Operator, 12% WI

During the quarter the Sugar Valley # 1 well produced a total of 192 bbls of oil and 15,833 MCF of gas. The Company's share of production was 23 bbls of oil and 1,900 MCF of gas.

Partners in the Sugar Valley #1 well are:

Company	WI
Golden Gate Petroleum Ltd	12.0%
Other Partners	88.0%

Fausse Point Project

TGR #1 Well, Iberia Parish, Louisiana, 18% WI

The Company plans to commence the P & A of this well in the second half of 2014.

Padre Island Project

Due to progress with the reclamation of the ST949 well pad and access road the National Parks Services has reduced the bond from US\$200,000 to US\$143,000. This amount will be held until 70% of ground cover with target species has been achieved, which is estimated to be up to 2 years.

Corporate

The Company held an Extraordinary General Meeting of shareholders on 19 May 2014 to consider, among other items, the Proposed sale of the main undertaking of the Company, a consolidation of the Company's Capital and the Change of name of the Company. All resolutions were carried on a show of hands.

The Company changed its name from Golden Gate Petroleum Ltd to OGI Group Ltd effective from 28 May 2014.

The Company completed the share consolidation and began trading on 3 June 2014 under the new ASX ticker symbol of (ASX: OGI). At the re-commencement of trading the Company had 191,940,064 shares on issue.

Cash balance as at 30 June 2014 was AUD 1.5 million.

For further information contact:

Chris Ritchie
Executive Director
Phone: +61 3 9349 1488
Email: investor.relations@ggpl.com.au

Golden Gate is an ASX listed company focused on the exploration and development of oil and gas projects in the Gulf States of the United States of America.

Forward Looking Statements

This announcement contains forward looking statements that are subject to risk factors associated with oil and gas businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

31Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

OGI Group Ltd

ABN

34 090 074 785

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date \$A'000
1.1 Receipts from product sales and related debtors (includes Permian receipts)	674	3,396
1.2 Payments for		
• exploration and evaluation		
• development *	(2,302)	(3,639)
• production (includes Permian costs)	(196)	(1,208)
• administration *	(737)	(1,500)
* Reflects reduction in outstanding creditors		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received		
1.5 Interest and other costs of finance paid	(15)	(67)
1.6 Income taxes paid		
1.7 JV Trust Accounts		14
Net Operating Cash Flows	(2,576)	(3,004)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
• prospects		
• equity investments		
• other fixed assets		
1.9 Proceeds from sale of:		
• Project asset	3,497	3,497
• equity investments		
• other fixed assets		
1.10 Loans from other entities		
1.11 Refunds/(Payments) of Security Deposits		
Net investing cash flows	3,497	3,497
1.13 Total operating and investing cash flows	921	493

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (carried forward)	921	493
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	0	126
1.15	Costs of the Issue	0	(2)
1.16	Proceeds from borrowings	0	217
1.17	Repayment of borrowings	(3)	(20)
1.18	Dividends paid	0	
1.19	Other (provide details if material)	0	
	Net financing cash flows	(3)	321
	Net increase (decrease) in cash held	918	814
1.20	Cash at beginning of quarter/year to date	572	672
1.21	Exchange rate adjustments to item 1.20	(12)	(8)
1.22	Cash at end of quarter	1,478	1,478

**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	254
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payment of CFO Salary (May 2013 to June 2014 -14 months)	149k
Payment of Non Exec Directors Fees (June 2013 to June 2014 – 13 months)	94k
Travel & Other Expenses reimbursement	<u>11k</u>
	254k

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

Nil

- 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

Nil

+ See chapter 19 for defined terms.

Financing facilities available

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	0	0
3.2 Credit standby arrangements	0	0

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	0
4.2 Development	(500)
4.3 Production	(50)
4.4 Administration	(400)
Total	(950)

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	1,478	572
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,478	572

+ See chapter 19 for defined terms.

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	Permian Project	Working Interest and operator	100%	0%
6.2	Interests in mining tenements acquired or increased				

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)	Amount paid up per security (see note 3)
7.1	Preference securities			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	191,940,064	191,940,064	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			

+ See chapter 19 for defined terms.

OGI Group Ltd
Appendix 5B – 30 June 2014
Mining exploration entity quarterly report

7.5	*Convertible debt securities (description)	Number	+Class	Conversion \$	Maturity
	Face value of \$0.05 but can convert at (Series 1 & 2) 85% of 10 day VWAP prior to maturity, (Series 3 90% of 5 day VWAP).	6,000,000	Series 1	\$1.25	30 June 2014
		4,120,000	Series 2	\$1.25	30 June 2014
		16,600,000	Series 3	\$1.25	30 September 2014
		4,000,000	Series 4	\$1.25	31 December 2014
	Conversion at 90% of the average of 3 VWAPS over a specified period.	1	Convertible Security Face Value \$550,000		19 March 2015
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted or redeemed				
7.7	Options (description and conversion factor)			Exercise price	Expiry date
		6,923,077	Listed	\$1.25	31 December 2014
		25,849,680	Listed	\$0.50	31 December 2014
		1,800,000	Unlisted	\$0.50	19 March 2016
		400,000	Unlisted	\$0.06	19 April 2016
		1,000,000	Unlisted	\$0.03	22 May 2016
		440,000	Unlisted	\$0.0375	27 June 2016
		536,000	Unlisted	\$0.03	31 July 2016
		524,445	Unlisted	\$0.00275	6 Sep 2016
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)	0			
7.12	Unsecured notes (totals only)	0			

+ See chapter 19 for defined terms.

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 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Chris Ritchie

Executive Director

Date: 28 July 2014

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.

+ See chapter 19 for defined terms.