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ABN: 89 122 203 196

30 July 2014

Quarterly Activities Report

Highlights

- **Peloton Capital appointed as strategic adviser**
- **Management appointment of Mr. Daniel Lanskey**
- **Consultancy agreement signed with ASC Resources**
- **1st Tranche Placement completed to Sophisticated Investors**
- **Current and new projects update**

Peloton Capital appointment

Raya appointed Peloton Capital to market and identify new project opportunities as advised by the Company on 27th May 2014.

Peloton has been working hard to identify potential opportunities suitable to Raya and brings with it an experienced corporate team who have successfully worked with and grown a number of listed companies in the Energy sector.

Consultancy Agreement with ASC Resources

On the 23rd July the Company announced it had secured the services of ASC Resources (ASC) to assist in acquiring onshore oil and gas development projects in the USA.

The management team at ASC Resources includes Dr Peter Power, Dr Victor Wan and Mr Daniel Lanskey. Dr Power and Mr Lanskey were previously founding Directors of Austex Oil Limited (ASX: AOK).

Mr Daniel Lanskey has been appointed as Chief Operating Officer of Raya and will work along with the team at ASC Resources to focus on locating development-ready oil and gas projects in mid-continent of the USA.

Terms of the agreement will require shareholder approval and the Company is currently preparing the notices of meeting and will advise shortly.

First Tranche of Placement now completed

Raya advised to market on 23rd July its intent to raise up to \$750,000 through the issue of up to 50,000,000 fully paid ordinary shares at an issue price of \$0.015 per share with a free attaching option exercisable on the same terms as the existing option series at 1.5 cents on or before the 21st July 2016.

The placement is to be completed via 2 separate Tranches and will be placed to Sophisticated Investors under Section 708A.

Raya is pleased to advise Tranche 1 of \$250,000 has now been completed and all monies have been received and shares allotted accordingly to subscribers.

Update On Current Projects

Indonesian Geothermal Projects

The Indonesian government has released new short term incentives to Geothermal developers to help progress projects stalled over the last 5 years. Geothermal is a very capital intensive activity. Given the levels of electricity tariffs on offer and associated risk the sector has seen many of the Geothermal projects in Indonesia remain idle.

These incentives are to encourage developers to reach PPA agreements with PLN in the very near term. It's important to note whilst any new incentives are generally well received, the terms attached need to be favourable and Raya and Bakrie are considering their options. Should Raya and its partner Bakrie find the incentives favourable then the Sokoria PPA will need to be signed by 30th September, otherwise the parties continue working under the current terms agreed with PLN until a PPA can be reached.

The Heads of Agreement (HoA) with Space Con previously lapsed but Raya continues to work with Space Con to reach funding and development agreements for the projects. Space Con have indicated they wish to develop and fund the Indonesian Geothermal projects but until a Term Sheet can be reached, Raya has decided exclusivity with Space Con is not required.

Bakrie have recently advised a local Indonesian energy developer has indicated interest in looking closely at Sokoria for development and brings with it funding opportunity. Raya will be discussing this new potential developer with Bakrie and will advise on any progress made.

All other in-country works have been put on hold until the execution of the PPA's is achieved.

Australian Geothermal Projects

Raya continues to liaise with Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) for ongoing restoration work at Salamander-1 well site.

No other direct works were completed on any of the Australian tenements during the quarter, other than in respect of licence renewals and the like to ensure that all of these tenements remain in good standing.

New Project Opportunities

As announced Raya is working with ASC to identify and acquire onshore oil and gas developments in the USA. Both parties are working to see this opportunity progress quickly and further details will be released as the Company moves forward with ASC.

Raya has recently committed \$100,000 monies to Tellus Resources (Tellus) via a recent placement.

Tellus is an ASX-listed oil and gas exploration company that generates value for its shareholders by identifying and acquiring properties and projects that have significant discovery and development potential.

Tellus is currently focussed on its Covenant Mondo Project ("the CMP") located in Utah in the USA and work has begun to accept a drilling unit and the company advises spud is expected in 3rd quarter. It has also agreed to acquire a 25% interest (with the right to acquire up to an 80% interest) in a drill-ready and large scale oil exploration asset, located onshore on the Island of Madagascar, off the south-east coast of Africa.

Raya is currently reviewing a number of potential project opportunities (comprising both energy and precious metals projects) with the main emphasis on improving shareholder wealth.

Corporate

Management Appointment

Mr Daniel Lanskey has been appointed as Chief Operating Office of Raya Group and the company looks forward to working with him as it expands its energy portfolio.

Capital Raising

Recently advised placement will be used for ongoing working capital and assistance in new project opportunities.

Mining tenements held at the end of the quarter:

Australia

Penola Trough: Areas GEL 223 and GEL 484 in the south-east of South Australia. These tenements are 100% owned by the Raya group.

Limestone Coast: Areas GEL's 170, 171, 172, 173, 184, and 212 in the south-east of South Australia. These tenements are all 100% owned by the Raya group.

Indonesia

Sokoria Geothermal Project: a Joint Venture with PT Bakrie Power, for a 30 MW geothermal development on Flores Island, Indonesia, with Raya holding a 45% interest in the project.

Ngebel Geothermal Project: a Joint Venture with PT Bakrie Power, for a 165 MW geothermal development on East Java, Indonesia, with Raya earning into a 35% interest in the project.

Dairi Prima Geothermal Project: a Joint Venture with PT Bakrie Power, for a 25 MW geothermal development in Northern Sumatra, Indonesia, with Raya holding a 51% interest in the project.

India

Puga Geothermal Project: a joint venture between Raya and Geosyndicate Power Private, in the Himalayan Geothermal Province of Northern India, under which Raya is earning into a 49% interest. Raya is the Operator of this Project

Mining tenements disposed of during the quarter:

Nil

Finance and Administration

Cash Holdings

At the end of the quarter, the Company's cash position stood at approximately \$628,000

Equity Holdings

The company maintains an equity investment in Tellus Resources (ASX:TLU) and currently holds 1,666,667 ordinary shares plus 833,333 options exercisable at 10c expiring on 31 December 2015.

HSEC

During the quarter under review, there were no reportable incidents relating to health, safety or community related matters.

Shareholdings

As at the date of this report, the following table represents the total equity instruments on issue in Raya Group Limited :

Equity Category	Details	Number on Issue
Listed Ordinary Shares	<u>ASX : RYG</u>	359,149,696
Listed Options	<u>ASX : RYGOB</u> Strike Price of \$0.015 Expiry 21 July 2016	257,800,000
Listed Options	<u>ASX : RYGO</u> Strike Price of \$0.10 Expiry 31 December 2014	15,755,160
Unlisted Options	Strike Price of \$0.015 Expiry 8 April 2016	15,000,000
Unlisted Options	Strike Prices from \$0.75 to \$1.50 Expiry 14/12/16	1,100,000

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

Raya Group Limited

ABN

ABN 89 122 203 196

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(19) (125)	(189) (1,008)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	2	12
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (Rand D Rebate received)		285
Net Operating Cash Flows		(142)	(900)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(100)	(100)
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		(100)	(100)
1.13	Total operating and investing cash flows (carried forward)	(242)	(1,000)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(242)	(1,000)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		1,547
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(14)	(39)
1.18	Dividends paid		(168)
1.19	Other (Share issue costs)		
	Net financing cash flows	(14)	1,340
	Net increase (decrease) in cash held	(256)	340
1.20	Cash at beginning of quarter/year to date	884	288
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	628	628

Payments to directors of the entity, associates of the directors, 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	59
1.24	Aggregate amount of loans to the parties included in item 1.10	
1.25	Explanation necessary for an understanding of the transactions	
	Directors' fees, salary, termination payments, superannuation, professional fees and consulting fees for the Quarter.	

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 such

+ See chapter 19 for defined terms.

- 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 such

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		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	
4.3 Production	
4.4 Administration	150
Total	200

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	628	884
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	628	884

+ See chapter 19 for defined terms.

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements and petroleum 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) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	359,149,696	359,149,696	All fully paid	All fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities (description)				

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	15,755,160 257,800,000 15,000,000 475,000 150,000 100,000 100,000 275,000	15,755,160 257,800,000	Strike Price of \$0.10 Strike Price of \$0.015 Strike Price of \$0.015 Strike Price of \$0.75 Strike Price of \$1.00 Strike Price of \$1.25 Strike Price of \$1.50 Strike Price of \$1.00	Expiry 31/12/14 Expiry 21/07/16 Expiry 08/04/16 Expiry 14/12/16 Expiry 14/12/16 Expiry 14/12/16 Expiry 14/12/16 Expiry 14/12/16
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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 /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:


.....
(Director/Company secretary)

Date: 30.7.14

Print name:

JULIE HALSTED

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 and petroleum 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 or petroleum 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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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.

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+ See chapter 19 for defined terms.