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ASX / MEDIA RELEASE

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## **RAYA TO REPOSITION ITS OKLAHOMA ASSET WITH AFTON ENERGY**

### **HIGHLIGHTS**

- Afton Energy Pty Ltd to acquire Raya Group's wholly owned subsidiary OP1 LLC (OP1) for shares in Afton Energy for \$1,507,634, payable in Afton shares and subject to any regulatory approvals that may be required
  - Afton Energy will initially fund ~US\$325,000 to ensure Raya's wholly owned subsidiary maintains a 50% working interest in the Joint Operating Agreement with Empire Energy Group Limited
  - Afton Energy will assume all future funding obligations associated with the Joint Operating Agreement associated with Raya's Mississippi Lime project
  - Raya Group shareholders will retain approximately 40% shareholding in Afton post an initial Pre-IPO financing of up to \$600,000
  - Afton Energy board to be strengthened with two representatives from Raya Group or its nominees
  - Afton will seek to list on the ASX in the short-term
  - Raya will distribute the shares it receives in Afton *In-Specie* to all Raya Group Shareholders
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Raya Group Limited (ASX:RYG) ("**Raya**" or "**the Company**") is pleased to announce it has executed a Term Sheet with Afton Energy Pty Ltd (Afton) which will see Raya's Oklahoma assets combine with Afton's Texas assets to form a single focused oil and gas company. The agreement between the parties delivers a clear path forward to realise the potential of the onshore USA oil and gas projects of both Raya and Afton.

Afton Energy will acquire Raya Group's wholly owned subsidiary OP1 LLC (OP1) for shares in Afton Energy for a current valuation of \$1,507,634, payable by the issue of Afton Energy Pty Ltd shares which reflects a 50% interest in Afton's current issued capital.

Raya will have no obligations to fund the development of the OP1 asset with all funding obligations under the JOA with Empire Energy to be assumed by Afton on completion of the transaction.

Both Raya and Afton have agreed to take no more than 30 days to complete Due Diligence, with the view to finalising a binding Share Sale Agreement (SSA) within 14 days from completion of Due Diligence.

Under the terms of the Agreement, Raya Shareholders at the time of executing the binding Share Sale Agreement will be entitled to be issued, pro rata, all shares received by Raya in Afton. These shares are expected to be issued prior to or co-incident with, a listing of Afton. The shares in Afton will be escrowed until distributed to Raya shareholders and once listed, escrow provisions will only occur if deemed necessary by the ASX.

**Commenting on the Afton transaction, Raya's Chairman Mr Athan Lekkas stated:** *"The proposed transition of our Oklahoma based assets into Afton Energy, is another key step forward to building a major USA based Oil & Gas Company. The divestment of OP1 and its assets into Afton Energy ensures Raya Group has no further funding requirements to develop the Oklahoma based Newkirk Project. The existing Afton board have the necessary experience and success to develop the project and attract necessary funding for the near term IPO completion whilst creating value for existing Raya Group shareholders. This will also allow the Company now to solely focus on extracting value from the existing Indonesian Geothermal project and also considering other opportunities that will add additional value to Raya Group shareholders."*

A further update will be released to the market upon the Share Sale Agreement being executed.

**By Order of the Board**

## About Raya Group's Oklahoma Project:

Raya a holds a 100% Working Interest and 81.25% Net Revenue Interest in ~2300 acres of oil and gas leases located in Kay County, Oklahoma. The Company, through it's wholly owned subsidiary OP1 Corp, holds a Joint Operating Agreement with Empire Energy Group (Empire), whereby Raya is entitled to a 50% Working Interest in all wells drilled on oil and gas leases held by Empire and Raya in the Project by contributing 50% of the development cost. Under the JOA, planning is underway to undertake a low cost vertical well program targeting known oil and gas producing horizons in the area including the Mississippi Lime and Wilcox formations.



- Independent reserves estimate was compiled by Pinnacle Energy Services LLC as at 31 December 2014
- 2P Probable Undeveloped reserves of 5.3 million boe attributable to Raya
- NPV 10 to Raya of \$US27 million at the current oil and gas prices
- Over 90% of historical wells drilled on the east side of the play are classified as oil wells
- Liquid Rich sweet spot east of the Nemaha Ridge
- ~60% Liquids including High BTU Gas –Infrastructure Rich Region
- Historical well data shows laterally extensive Carbonate Reservoir
- Shallow vertical depth –TVD 4,750 feet
- Mississippian –~300 –350 foot thickness
- Woodford Shale ~20-45 foot thickness
- Advances in vertical well completion and lifting technology enable efficient recovery from high water volume reserves

## **APPENDIX 1**

### **About Afton Energy:**

Afton Energy is a partnership between proven oil finder Parsons Energy of Texas, and experienced Australian partners. Afton Energy has acquired Conventional Oil & Gas leases on-shore Gulf of Mexico in a super mature exploration province with ready to drill shallow tertiary prospects that are defined by 3D seismic and comprehensive subsurface studies and DHI analysis.

Afton has leased four ready to drill conventional targets and has identified over ten more for future leasing or joint venture. Most Prospects reside in Polk County where Afton have local expertise and a record of significant discoveries, including the Double A Wells Field in Polk County (not part of Afton). This field has produced over 20 MMbbls of oil and 420 BCF of gas to date.

The Afton Energy portfolio currently comprises 4 Prospects and one Lead that are estimated to contain over 2.5 MMbbl or 8 BCF and has identified for future leasing/Joint Venture another ten ready to drill Prospects with further potential for another 7.5 MMbbls.

### ***Experienced board and management AFTON ENERGY:***

#### **Mr. Stephen Mitchell – Chairman**

Stephen has a Masters Degree in International Economics and Foreign Policy from John Hopkins University in Washington DC. following which he spent 10 years as a natural resources specialist at investment banks and advisory firms in New York, London, Sydney and Melbourne. From 1999-2011 Stephen was Managing Director of Molopo Energy Ltd, an ASX-listed oil and gas company holding assets in Australia, Canada, USA, China, India and South Africa. Under his stewardship, Molopo generated significant shareholder value and expanded its market capitalisation from \$1 million to over \$400 million. More recently Stephen, as Executive Chairman, founded Petrel Energy an ASX company with projects in Uruguay and Spain where Stephen oversaw sustained share price and market capitalisation growth before stepping down early in 2015. Stephen is also Chairman of Schuepbach Energy International LLC and Lowell Resources Funds Management.

#### **Dr. David Hobday – Director**

David holds a PhD in Geology from Louisiana State University and worked at the Texas Bureau of Economic Geology before spending time with Sydney Oil Company, Bridge Oil Limited, and serving on the boards of several other listed Australian and overseas companies. He has gained experience in international oil & gas exploration in Argentina, Russia, Turkmenistan, Azerbaijan, China, India, Namibia, Angola and the Congo Basin. Between 2000 and 2003 David worked with Parsons Energy on project development in Texas. He was the recipient of the Wallace Pratt Memorial Award from the American Association of Petroleum Geologists for "significant contributions to petroleum geology". David has also worked in corporate finance and funds management. He was a director of Molopo Energy and is currently a director of Lowell Resources Fund Management.

## **Brian Parsons – Director**

Brian Parsons commenced his independent oil and gas exploration efforts in Polk County, Texas in 1977, bringing many years of experience in working with an elite team at Shell focused on the application of new multidisciplinary technologies to exploration, and particularly to direct hydrocarbon indications (DHIs). This work by Parsons and his associates in Polk County resulted in numerous discoveries, the largest of which was the Double A Wells Gas Condensate Field discovered in 1983. To date Double A Field has produced 19.6 million barrels of oil (MMBO) plus 420 billion cubic feet of gas (BCFG) from the Cretaceous Woodbine formation below 14,000 feet. Parsons' delineation of these Woodbine targets was originally based on 2D seismic data, utilizing exploration techniques that had proved successful in the offshore Gulf of Mexico.

The advent of higher resolution 3D seismic programs subsequently enabled Parsons to delineate a series of shallower Tertiary oil and gas prospects at depths between 2,500 and 12,000 feet. His attention is now concentrated on these Tertiary plays which formed the initial focus of Afton Energy.

**ENDS**