

RAVEN ENERGY LIMITED

14 January 2019

QUARTERLY ACTIVITIES REPORT

1 July 2018 – 30 September 2018

Highlights:

- **Progression of investment in Tulainyo Project**
- **Expansion of interests in the Sacramento Basin by securing 100% ownership in Gasfields LLC and Bombora Natural Energy Pty Ltd**
- **Divestment of Botswana Assets**

Raven Energy Limited (**Raven** or the **Company**) is pleased to provide its quarterly activities report for the quarter ending 30 September 2018.

Update on Tulainyo Project and acquisition of Gasfields LLC

As announced to the market on 5 June 2017, the Company entered an agreement to invest in the Tulainyo Gas Discovery in the Sacramento Basin in California, United States of America. The Company signed an agreement with Gasfields LLC (**Gasfields**), Bombora Natural Energy Pty Ltd (**Bombora**) (which at the time was a subsidiary of Pancontinental Oil & Gas NL (ASX: PCL)) (**Pancontinental**), and United Energy Royalties Pty Ltd, pursuant to which the Company had the opportunity to earn up to a 60% economic interest in Gasfields. Gasfields has the rights to farm-in to the Tulainyo Gas Discovery (**Tulainyo Project**), to earn up to 33.33% of that project. As discussed outlined below in detail the Company has now secured 100% ownership in Gasfields.

The Tulainyo 2-7 well has been recently drilled as planned to a total depth of 5,710 feet (1740 m), within the large, over pressured anticlinal structure following extensive pre-planning. Post well analysis indicated multiple stacked sandstone units, varying as expected in thickness and quality, all gas saturated. For further details refer to the Company's announcement dated 8 January 2018.

Acquisition of Gasfields LLC

On 5 July 2018 the Company announced that it executed a binding share sale and purchase agreement (**SPA**) with Bombora to acquire Bombora's 40% shareholding in Gasfields, 60% of which is currently owned by the Company (**Transaction**). As a result of the Transaction, Gasfields became a wholly owned subsidiary of the Company.

Under the SPA, the Company agreed to purchase all Bombora's shares in Gasfields on the following terms and conditions:

- (a) The Company will pay to Bombora (or its nominee):

ACN 107 708 305
Raven Energy Limited
Level 11, 52 Phillip Street, Sydney NSW 2000
GPO Box 225, Sydney NSW 2001
Telephone: +61 2 8316 3994
Facsimile: +61 2 8316 3999
info@magnumgasandpower.com

- (i) A\$25,000 payable within fifteen (15) business days of the execution of the SPA (**Deposit**);
- (ii) A\$275,000 payable within seven (7) days of Raven raising by debt or equity at least \$1,000,000 (**Cash Consideration Condition**); and
- (iii) 555,555,555 ordinary fully paid shares in the Company at an issue price of A\$0.0018 per share (**Share Consideration**). The Share Consideration will be payable within fourteen (14) days of Raven obtaining any required ASX or regulatory approval, including from its shareholders (if necessary) to issue the shares to Bombora or its nominee (**Share Consideration Condition**). In the event, there is no requirement to satisfy the Share Consideration Condition, the Share Consideration must be issued to Bombora or its nominee with fourteen days of completion. Bombora and the Company have agreed that the Share Consideration will be restricted securities and will be voluntary escrowed for a period of twelve (12) months from the date of issue,

(Collectively, **Consideration**).

(b) The Company will also pay to Bombora:

- (i) A\$500,000 if within 3 years of completion, the Tulainyo Joint Venture determines that the flow of gas to the surface as part of the Tulainyo Project, is economic to connect into a gas trunkline. The SPA does not define economic, but if the Joint Venture elects to connect to a trunkline it would mean that a sufficient quantity of gas is present to do so;
- (ii) A\$5,000,000 if within 3 years of completion and based on the SPE PRMS standard it is determined by a suitably qualified expert (**Expert**) that the Tulainyo Project contains a reserve of at least 500 billion cubic feet of gas gross to the Tulainyo Project; and
- (iii) A\$10,000,000 if within 3 years of completion and based on the SPE PRMS standard it is determined by an Expert that the Tulainyo Project contains reserve of at least 1 trillion cubic feet of gas gross to the Tulainyo Project. If any payments have been made under b(ii) above, those payments will be deducted from the A\$10,000,000 payable,

(Collectively, **Deferred Consideration**).

Note 1. Suitably qualified expert is not defined in the SPA, but "suitably qualified" would mean someone with appropriate oil and gas experience and capability. Any determination of such a person, as stated in the SPA, has to be to SPE PRMS standard.

- (c) The Company must use its best to satisfy as soon as possible the Cash Consideration Condition and Share Consideration Condition (if applicable). If the Cash Consideration is not satisfied within six (6) months of completion or such longer period as Bombora allows, payment referred to in (a)(ii) must be made within twelve (12) months of completion and interest at a rate of ten percent (10%) per annum shall be payable on that sum.
- (d) If the Share Consideration is not satisfied within six (6) months of completion or such longer period as Bombora allows, the Company must pay Bombora the sum of \$1,000,000 in lieu of Share Consideration, upon written demand of Bombora.

- (e) The parties acknowledge and agree that if Raven is in default of any obligations under the agreement, Bombora's sole remedy for that default is in a claim for money and not any claim for the return of the Bombora Shares.

Completion of the Transaction occurred concurrently with signing of the SPA on 28 June 2018 (**Completion**).

Subsequent to the reporting period, on 1 November 2018 the Company announced that it signed a share and sale agreement to acquire Bombora from Pancontinental (**Bombora Acquisition**). Upon completion of the Bombora Acquisition Raven's obligations to repay the outstanding Deposit, Cash Consideration and Deferred Consideration will be owed to its wholly owned subsidiary Bombora and not to a subsidiary of Pancontinental or Pancontinental itself.

For further details about the Transaction see the Company's announcement dated 5 July 2018.

Project Overruns

Subsequent to the reporting period, on 3 September 2018 the Company announced that Bombora received a claim from the operator of the Tulainyo Gas Project California Resources Production Corporation (**Operator**), claiming that:

1. Gasfields has failed to provide the required completion funds for costs allegedly incurred by the Operator in the drilling of the Tulainyo 2-7 gas appraisal well;
2. the sum allegedly owed by Gasfields has now increased to US\$1,738,273; and
3. as Bombora has guaranteed the obligations of Gasfields in the original Farmin Agreement between Gasfields, Bombora and Cirque Resources LP of 21 March 2017, the Operator would look to Bombora to make that payment in the event that Gasfields failed to pay it,

(Collectively, the **Claims**).

Prior to receipt of the claim from the Operator to Bombora above, Raven notes there was only an amount of US\$321,353.00 owed by it relating to costs of the Tulainyo Gas project.

On 2 September 2018, Bombora wrote to the Operator denying any liability for the Claims referred to above and sought further information about them.

The Company has also engaged with both Pancontinental and the Operator to consider a suitable and satisfactory outcome for all parties in relation to the Claims.

The Company will keep the market advised of its progress in line with its continuous disclosure obligations.

Acquisition of XGas LLC

As announced to the market on 7 May 2018, the Company entered into a binding Letter of Intent (**LOI**) with Xstate Resources Limited (**Xstate**) an ASX listed company. Pursuant to the LOI, the Company has the option to acquire Xstate's wholly owned subsidiary XGas (**Acquisition**). XGas holds a 10% working interest in the Dempsey 1-15 well and related production and infrastructure in the Dempsey gas project in the Sacramento Basin, California (**Dempsey Project**).

Terms of the Acquisition

Under the LOI, the Company has the option to purchase all of the issued capital in XGas and its working interests in the Dempsey Project from its sole shareholder, Xstate, on the following terms and conditions:

- (a) The Company provide to Xstate, US\$500,000 cash consideration payable as follows:
 - (i) a non-refundable deposit of US\$35,000, payable within five business days of execution of the LOI; and
 - (ii) US\$465,000 payable on completion of the Acquisition (**Completion**), (Collectively, **Cash Consideration**).
- (b) The Company at its sole discretion provide to Xstate, within 90 days of Completion a final payment of A\$500,000 either in cash or Raven fully paid ordinary shares at A\$0.0018 per share and subject to a 12-month voluntary escrow period (**Share Consideration**).

The Acquisition is subject to due diligence and certain conditions precedent which must be satisfied prior to completion.

Completion of the Acquisition must occur on or by 15 July 2018 unless extended by written agreement between the parties (**End Date**). However, in the event that the Acquisition does not complete by the End Date, the Company has the option to extend the End Date by 45 days (**Extension Option**) for an additional non-refundable deposit of US\$35,000 (**Extension Deposit**). The Extension Deposit will reduce the final payment of Cash Consideration payable by the Company on Completion by \$US35,000.

On 17 July 2018 Raven announced that it had elected to exercise its option to extend the End Date by 45 days and subsequently paid the Extension Deposit to Xstate.

Furthermore, on 17 August 2018, the Company announced that Raven and XState agreed to vary the LOI by entering into a deed of variation (**Deed**). Under the Deed the terms of the LOI have been amended as follows:

- Raven has agreed to pay Xstate an additional non-refundable extension payment of US\$20,000 (**Second Extension Deposit**) payable on 31 August 2018. In consideration for payment of the Second Extension Deposit, Xstate has agreed to extend the end date of the Acquisition to 31 October 2018, unless extended by written agreement between the parties (**End Date**). The Second Extension Deposit will reduce the final payment of cash consideration payable on completion of the Acquisition by \$US20,000. The balance of US\$410,000 (total US\$500,000) is due and payable on completion of the Acquisition which must occur before the End Date.
- The share consideration element of the Acquisition has been amended whereby Raven shall issue Xstate the value of A\$500,000 in fully paid ordinary shares in Raven at a deemed issue price of \$A0.0018 per Share (**Shares**) subject to a 12-month voluntary escrow (**Share Consideration**) payable as follows:
 - (i) The issue of 138,888,889 Shares to Xstate representing 50% of the Share Consideration payable on execution of the Deed (**Tranche 1 Shares**); and

- (ii) The issue of 138,888,889 Shares to Xstate representing the remaining 50% of the Share Consideration payable on Completion being no later than the End Date.

All other terms and conditions of the Acquisition pursuant to the LOI remain unchanged and continue to apply. The parties also agreed that should the Acquisition not complete, the Second Extension Deposit, Tranche 1 Shares issued to Xstate and any other prior payments made to Xstate as part of the Acquisition are non-refundable and will be forfeited by Raven.

On 17 August 2018, the Company issued the Tranche 1 Shares to Xstate

For further information about the Acquisition see the Company's announcement dated 7 May 2018 and 17 August 2018.

Subsequent to the reporting period, on 1 November 2018, the Company announced that Raven received a notice of termination from Xstate terminating the Acquisition for not making the settlement payment of approximately US\$410,000 or issue the second tranche of A\$250,000 of shares by the close of business on 31 October 2018 (**Termination**). As a result of the Termination Xstate will retain the non-refundable payments of approximately US\$88,500 paid by Raven and the 138,888,889 shares issued.

Divestment of Botswana Assets

As previously announced to the market on 3 January 2018, the Company agreed to sell a number of its Botswana assets to Strata-X Australia Pty Ltd (**SXA Australia**) and its subsidiary, Sharpay Enterprises Pty Ltd (**Sharpay**), as announced on 3 January 2018. SXA Australia is a subsidiary of ASX listed company Strata-X Energy Limited (ASX: SXA).

As previously announced, the Company has agreed to sell its 25% effective interest in prospecting licenses 352/2008 and 353/2008 (**Serowe Region Licences**) for the following consideration:

- 1) A deposit of A\$25,000;
- 2) A\$125,000 in cash payable on completion of the share sale agreement (**Completion**);
- 3) A\$200,000, payable within 60 days of Completion; and
- 4) A\$200,000, payable within 135 days of Completion.

Additionally, the Company will be granted a 3.5% overriding royalty interest over the Serowe Region Licences net to the Company's 25% interest.

On 19 July 2018, the Company announced that SXA Australia had paid the final A\$200,000 payment to the Company. The payments in items 1, 2 and 3 have already been previously received by the Company.

Following the sale of the Company's Serowe Basin prospecting licences to Strata-X Australia Pty Ltd (see Company announcement of 6 March 2018), the Company retained its non-core, central Kalahari Karoo basin prospecting licences PL 644/2009 and PL 645/2009 (**Kalahari Licences**).

On 3 August 2018, the Company announced that it had conducted negotiations with prospective purchasers surrounding the potential divestment which have now culminated in the execution of a non-binding agreement with Acumen Diamonds (Proprietary) Limited (**Acumen**), pursuant to which Acumen will acquire the Kalahari Licences from Raven in exchange for a 1.5% net royalty over the Kalahari Licences (**Botswana Transaction**).

The Transaction is subject to the parties entering into a legal binding sale and purchase agreement and execution of the royalty deed (**Agreements**). The Agreements will contain conditions and clauses customary for transactions of this nature and otherwise to be agreed between the parties.

The Transaction is subject to the following conditions precedent:

- Raven ensuring that the Kalahari Licences are in good standing, including all rents, fees, rates and other payments being paid up to the date of completion.
- Acumen undertaking to, for the duration of the royalty agreement relating to the Kalahari Licences:
 - observe the legislative provisions relating to the Kalahari Licences, including lodging all required reports, paying all fees, rents, rates and other royalties and taxes relating to them;
 - making best endeavours to renew and extend each of the Kalahari Licences as and when they become due for renewal and extension in accordance with the relevant laws;
 - not permit the creation of any encumbrance or sell or assign or deal with or dispose of the whole or any part of its interest in the Kalahari Licences, without Raven's consent.
- The execution of a royalty deed.
- Each party obtaining any approvals as required to give effect to the Transaction.

Acquisition of Bombora Natural Energy

Subsequent to the reporting period on 1 November 2018, the Company announced that it had executed a binding share sale and purchase agreement (**SPA**) with Pancontinental to acquire its wholly owned subsidiary, Bombora Natural Energy Pty Ltd (**Bombora**) (**Bombora Acquisition**). As a result of the Bombora Acquisition, Bombora Natural Energy will be a wholly owned subsidiary of the Company. Bombora in particular holds a 10% working interest in the Dempsey Gas Project and leased interests in associated follow up prospects, including the Anzus Prospect that are located in the Sacramento Basin, California.

Under the Sale and Purchase Agreement, the Company has agreed to purchase all of the issued capital in Bombora Natural Energy Pty Ltd from Pancontinental on the following terms and conditions:

- (a) The Company will issue to Pancontinental Oil & Gas NL as consideration for the Bombora Acquisition, 295,000,000 fully paid ordinary shares in the Company (**Shares**) at a deemed issue price of \$0.0018 per Share (**Consideration**). The Consideration will be issued in the following manner:
- (i) 267,806, 533 Shares within 5 business days of execution of the SPA, being the completion date (**Completion**) from existing share capacity 7.1; and
 - (ii) 27,193,467 fully paid shares in the capital of Raven within sixty (60) days of Completion subject to shareholder approval,
- the Consideration will be subject to a 6-month voluntary escrow.
- (b) Pancontinental Oil & Gas NL agrees to participate in the Company's proposed placement to raise up to \$2,000,000 (**Capital Raising**) and will subscribe for 160,000,000 Shares at a deemed issue price of \$0.001. The Company must use its best endeavours to complete the Capital Raising by 31 December 2018 subject to shareholder approval.
- (c) Upon Completion of the Bombora Acquisition, Raven's obligations set out below will be owed to its wholly owned subsidiary, Bombora and not to a subsidiary of Pancontinental Oil & Gas NL:
- (i) The Company's obligation to pay \$325,000.00 cash consideration as contemplated within clause 3.1.1 and 3.1.2 (**Gasfields Cash Consideration**) of the Sale and Purchase Agreement entered into between Raven and Bombora on 28 June 2018 relating to Bombora's sale to Raven of Gasfields LLC (**Gasfields SPA**); and
 - (ii) Raven's obligation to pay up to a total of A\$15,500,000.00 deferred cash consideration in the event of a number of project milestones being achieved as contemplated within clause 3.1.4, 3.1.5 and 3.1.6 of the Gasfields SPA (**Gasfields Deferred Consideration**).

Note: for further details about the acquisition of Gasfields LLC please see the Company's announcement dated 5 July 2018. The Company note that the acquisition of Gasfield LLC has been completed and that Gasfield LLC is a wholly subsidiary of Raven.

Completion of the Acquisition shall take place within 5 business days of execution of the SPA.

Appointment of Upstream Adviser

Subsequent to the reporting period on 19 September 2018, the Company confirmed the appointment of Mr Iain Smith as the Company's independent Upstream Oil & Gas Advisor. Mr Smith will assist the Company with technical review and evaluation of a number of North American energy projects and provide advice in relation to the Company's North American energy strategy.

Mr Smith has over 29 years' experience in the upstream oil and gas industry, initially in technical positions before moving into commercial and executive management roles. He has broad international and domestic experience with diverse roles including wellsite operations, new ventures, and management of a junior exploration company.

Mr Smith's previous positions include New Ventures Explorationist with Premier Oil Plc, Commercial Advisor with Woodside Energy Ltd and Commercial Manager with Neon Energy Ltd. While at Neon Energy, Mr Smith gained valuable experience in the Californian oil and gas industry, overseeing numerous commercial transactions and multiple joint ventures before ultimately managing the divestment of Neon's California assets in 2015.

Mr Smith holds a Bachelor of Science (Hons) degree from the University of Liverpool in Geophysics with Geology, a Master of Science in Petroleum Geology with Geophysics from Imperial College, and a Graduate Diploma in Business Administration from the University of Western Australia.

Yours faithfully,



Nathan Featherby
Executive Chairman

About Raven Energy Limited

Raven Energy Limited is an Australian-based energy and gas resources exploration and development company, working to develop gas exploration and production projects. The Company is currently focused on its Tulainyo Gas Project in the Sacramento Basin California. The Company's goal is to create exceptional value for shareholders through expanding and developing its energy and gas interests both in Australia and internationally.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

RAVEN ENERGY LIMITED

ABN

96 107 708 305

Quarter ended ("current quarter")

30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(5)	(5)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(173)	(173)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	(26)	(26)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (Transaction cost)	-	-
1.9 Net cash from / (used in) operating activities	(200)	(200)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	(64)	(64)
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 Months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	200	200
(c) investments	45	45
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	3	3
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	184	184

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	15	15
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (Money received in advance)	-	-
3.10 Net cash from / (used in) financing activities	15	15

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2	2
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(200)	(200)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	184	184
4.4 Net cash from / (used in) financing activities (item 3.10 above)	15	15
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	1	1

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1	2
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1	2

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

80

-

Consulting fees

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	500	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Loan from director is interest free, unsecured and remains undrawn.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	270
9.6 Other	-
9.7 Total estimated cash outflows	270

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Nil			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Nil			

