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ABN: 89 122 203 196

30 October 2014

Quarterly Activities Report

Highlights

- Sokoria Geothermal Project PPA signed
- USA Project begins with land acquisitions
- Extraordinary General Meeting all resolutions passed
- 2nd Tranche Placement completed to ASC Resources
- R & D Tax Rebate claim lodged

Sokoria Geothermal Project Power Purchase Agreement Signed

On the 30th September Raya signed a Power Purchase Agreement (“PPA”) for the Sokoria Geothermal Project in Indonesia. The agreement signed between PT PLN (Persero) the National Electricity Grid in Indonesia and PT Sokoria Geothermal Indonesia (“SGI”), of which Raya owns 45% and joint venture (JV) partner Bakrie Power 53% is a significant milestone for the Company, as it now has the foundation for a revenue stream that will assist the company with moving to the next phase of project development.

Following the PPA signing the Company received confirmation from the Indonesian Minister of Energy and Mineral Resources granting approval to sell electricity to PT PLN (Persero). Raya and Bakrie are currently in discussions with a number of parties interested in developing the geothermal project.

USA Project Opportunity Underway

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.

ASC has identified a number of highly prospective areas of land that the Company will target in future exploration of oil and gas in the USA. Raya has been in negotiations with landholders to complete an initial target area suitable for development.

Further details of the USA project will be provided once the target area is completed.

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Placement completed

Raya advised to the 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 was to be completed via 2 separate tranches and was placed to sophisticated investors under Section 708A.

Raya is pleased to advise Tranche 2 of \$500,000 has now been completed and all monies have been received from ASC Resources and shares have now been issued.

Extraordinary General Meeting held

On the 7th October an Extraordinary General Meeting (“EGM”) was held to put forward a number of resolutions to shareholders. A number of the resolutions related to performance and milestone payments to Peloton Capital and ASC Resources the latter being recently engaged to fast track potential oil and gas opportunities in the USA.

The Company is pleased to advise all resolutions were passed in favour.

Update On Current Projects

Indonesian Geothermal Projects

Raya was pleased to announce it had recently signed a Power Purchase Agreement (“PPA”) with PT PLN (Persero) for the Sokoria Geothermal project on 30th September 2014. The PPA provides expected revenue of approximately \$750m over the 30 year term and has since received approval to sell Electricity to PLN from the Ministry of Energy and Mineral Resources.

The near term focus will now be on completing a Transmission Study for the Project and ongoing discussions with funding partners.

All other in-country works have been put on hold.

Australian Geothermal Projects

Raya continues to liaise with Department for State Development (DSD) for ongoing restoration work at Salamander-1 well site. The Board recently met to discuss future work commitments with DSD and it was agreed the site will remain on care and maintenance throughout the current work period given the low level of interest currently in the geothermal sector in Australia. Also noted is the future \$8m expenditure commitment in 2016 year has now been removed further clearing obligations of the Company going forward.

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. Raya has recently progressed one opportunity including acquiring a number of land parcels with future potential of oil and gas development. The Company expects to conclude the initial phase of the transaction in the near future and will advise the market in due course.

Raya currently holds an investment in Tellus Resources ("Tellus"). 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 preparations are underway to drill the first vertical well and will ultimately hold a 25% working interest in the project.

Corporate

2014 FY Financial Statements

The company recently engaged Pitcher Partners as independent auditor for the financial report of Raya Group Limited for the year ended 30 June 2014.

Raya will be holding its Annual General Meeting in November to table the Financial Report before shareholders.

R & D Tax Rebate

Raya has recently lodged its claim for the R and D Tax Rebate credit, and based on the claim the Company expects a cash rebate of approximately \$196,000.

We expect to receive these funds in December 2014.

Annual General Meeting

On 20 October 2014, Raya announced the notice of Annual General meeting which is to be held at:

Level 2,
11 Bank Place,
Melbourne, Victoria, 3000

on Thursday 27 November 2014 at 10.30am Melbourne time

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Mining Tenements held at the end of the Quarter:

Australia

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

Limestone Coast: Areas GEL 611 area 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.

Ngebek 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 \$346,000

Equity Holdings

The company maintains an equity investment in Tellus Resources (ASX:TLU) and currently holds 3,166,666 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.

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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>	404,983,029
Listed Options	<u>ASX : RYGOB</u> Strike Price of \$0.015 Expiry 21 July 2016	307,800,000
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 Expiring 14 December 2016	1,100,000

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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 September 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(29) (287)	(29) (287)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	2	2
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid		
1.7 Other (Rand D Rebate received)		
Net Operating Cash Flows	(315)	(315)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(179) (45)	(179) (45)
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	(224)	(224)
1.13 Total operating and investing cash flows (carried forward)	(539)	(539)

+ 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)	(539)	(539)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	250	250
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	26	26
1.17	Repayment of borrowings	(17)	(17)
1.18	Dividends paid		
1.19	Other (Share issue costs)	(2)	(2)
	Net financing cash flows	257	257
	Net increase (decrease) in cash held	(282)	(282)
1.20	Cash at beginning of quarter/year to date	628	628
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	346	346

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	57
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, 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.

Mining exploration entity and oil and gas exploration entity quarterly report

- 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	200
Total	250

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	346	628
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	346	628

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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			
7.2	<i>(description)</i> Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	404,983,029	404,983,029	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			
	<i>(description)</i>			

+ See chapter 19 for defined terms.

Mining exploration entity and oil and gas exploration entity quarterly report

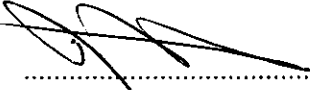
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	15,755,160 307,800,000 15,000,000 475,000 150,000 100,000 100,000 275,000	15,755,160 307,800,000	Strike Price of \$0.10 Strike Price of \$0.015 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)				

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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:  Date: 30.10.14
(Director/Company secretary)

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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