Raya Group Limited

ABN 89 122 203 196

Annual Financial Report for the financial year ended 30 June 2014

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ABN 89 122 203 196
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Contents

Corporate Directory

Directors	Mr Athan Lekkas, Chairman Mr Geoff Barnes, Non-Executive Director Mr Michael Clarke, Non-Executive Director Mr Russell Langusch, Non-Executive Director
Company Secretary	Ms Julie Halsted
Notice of Annual General Meeting	The annual general meeting of Raya Group Limited will be held at: - Level 2, 11 Bank Place, Melbourne, Victoria, 3000 Time: 10.30am Date: 19 November 2014
Principal Registered Office in Australia	Level 6, 412 Collins Street Melbourne, Victoria. 3000
Share Registry	Computershare Investor Services Pty Limited 117 Victoria Street West End QLD 4101 Brisbane QLD 4000 Phone: 1300 552 270 Overseas Callers: 61 3 9415 4000 Facsimile: 61 7 3237 2152
Auditor	Pitcher Partners Chartered Accountants Central Plaza One 345 Queen Street Brisbane 4000
Stock Exchange Listing	Australian Securities Exchange Ltd RYG – Listed Ordinary Shares RYGO - Listed Options Over Ordinary Shares RYGOA – Listed Options Over Ordinary Shares RYGOB – Listed Options Over Ordinary Shares
Website Address	www.rayagroup.com.au

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the "Group" or "Raya") consisting of Raya Group Limited and its controlled entities for the financial year ended 30 June 2014.

Directors
The following persons were directors of Raya Group Limited during the financial year and up to the date of this report unless otherwise stated:

Mr Athan Lekkas	Chairman
Mr Kerry Parker	Non-Executive Director (resigned 26 August 2013)
Mr Michael Clarke	Non-Executive Director
Mr Russell Langusch	Non-Executive Director
Mr Geoff Barnes	Non-Executive Director
Mr David Wildy	Non-Executive Director (resigned 12 August 2013)

Company Secretary

Mr Kerry Parker resigned as Company Secretary on 31 October 2013
Mrs Julie Halsted was appointed as Company Secretary on 31 October 2013

Principal Activities
The principal activity of the group during the course of the financial year was the exploration of geothermal opportunities in Australia, India and Indonesia.

Dividends
The directors recommend that no dividend be paid or declared at this point in time. No amounts have been paid or declared by way of dividend during the year.

Review of Operations

The following provides a summary of Raya's activities and achievements during the course of the financial year:

Raya is an Australian-based exploration and development company that is focussed on its portfolio of advanced geothermal development opportunities in Indonesia.

Raya signed a Heads of Agreement (HOA) with Space Con Pty Ltd ("Space Con") for the development and financing of Raya's portfolio of advanced geothermal development projects in Indonesia.

As noted in recent ASX announcements, Raya appointed Peloton Capital as strategic adviser to market and identify new energy project opportunities. Raya has since secured the services of ASC Resources(ASC) to assist in acquiring onshore oil and gas development projects in the USA.

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

HIGHLIGHTS OF THE YEAR

Funding / Corporate

- On 21 July 2013, Raya announced the completion of the placement of shortfall amounts under its recently completed Share Purchase Plan ("SPP"). Following the closure of the SPP, Raya has been able to place an additional amount of $1,550,000 to Sophisticated Investors and Directors. The placement of the SPP shortfall was managed by Melbourne Capital Limited ("Melbourne Capital") under a Mandate Agreement between Raya and Melbourne Capital that was signed in May 2013.

The placement of the SPP shortfall is comprised of :

	# shares	$ raised
Amounts placed via Melbourne Capital	122,000,000	$1,220,000
Amounts placed to other Sophisticated Investors	16,000,000	$160,000
Amounts subscribed for by Raya Directors	17,500,000	$175,000
Total Amount Placed	**155,500,000**	**$1,550,000**

Listed options (on a one-for-one basis) were also issued as part of the placement of the SPP shortfall and these are noted below. As part of the compensation under the Mandate Agreement, Melbourne Capital received 20,000,000 ordinary shares (plus attaching options).

- On 21 July 2013, a total of 257,800,000 listed options over ordinary shares (ASX: RYGOB) were issued, with a strike price of $0.015 and an expiry date of 21 July 2016. These options were issued on a one-for-one basis attached to shares previously issued as follows:

	Number of options
Placement (May 2013)	12,500,000
Share Purchase Plan (May 2013)	34,800,000
Directors Allotment (approved at EGM)	35,000,000
SPP Shortfall	155,500,000
Melbourne Capital compensation	20,000,000
	257,800,000

- On 19 August 2013, Raya announced the execution of a Heads of Agreement ("HOA") with Australian based Space Con Pty Ltd ("Space Con") for the development and financing of Raya's portfolio of advanced geothermal development projects in Indonesia. Under the HOA, Space Con will acquire an 80% interest in Raya's wholly owned subsidiary, Panax Geothermal Singapore #1 Pte ("Panax Singapore"). Space Con will provide the entirety of the equity and project financing / debt funding required for the development of the Indonesian geothermal portfolio.

- In December 2013 Raya received its claim for the R and D Tax Rebate of $284,812.

- On 14 February 2014 Raya announced the HOA had been extended with Space Con to continue efforts building a suitable framework for a Joint Venture Agreement (JVA) between PT Bakrie Power (Bakrie), Space Con and Raya. Although the extended HOA has since lapsed the company still remains engaged with Space Con whilst working towards a suitable Term Sheet.

- On 27 May 2014, Raya announced its appointment of Peloton Capital as a strategic adviser. Peloton Capital has been engaged to assist Raya in a review of its current assets and to investigate the opportunity for new assets in the energy sector.

Organisation and Management:

- On 12 August 2013, Raya announced the appointment of Mr Russell Langusch as Non-Executive Director

- On 26 August 2013, Raya announced the appointment of Mr Geoff Barnes as Non-Executive Director

- On 31 October 2013, Raya announced the appointment of Ms Julie Halsted as Company Secretary and the resignation of Mr Kerry Parker effective from the same date.

Indonesian Projects :

- Progressing Raya's interests in three geothermal projects in Indonesia comprising :

  - Sokoria Geothermal Project, under 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. The project has agreed PPA (Power Purchase Agreement) terms for 30 MW of power at an offtake price of approximately $US 140/MWh;

  - Ngebel Geothermal Project, under 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. The project has agreed power offtake arrangements for 165 MW of power at an offtake price of approximately $US 120/MWh; and

- Dairi Prima Geothermal Project, under 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. The project has agreed PPA (Power Purchase Agreement) terms for 25 MW of power at an agreed offtake price of approximately $US 170/MWh.

The company is progressing towards finalization of the Power Purchase Agreements ("PPA's") for each of the three Indonesian geothermal development projects.

Other Projects – Australia

- Raya completed the site works involving the removal of mud and other contents in the sumps and the pond liners at the Salamander-1 well site and continues to monitor and maintain the site.
- Raya relinquished GEL 220, 221, 281 and 502 tenements in the Cooper Basin during the year.
- Little time or cash was expended on these projects during the year.

New Project Opportunities

- Raya reviewed a number of potential projects during the year including a Heavy Oil opportunity in North America with Raya engaging consultants to investigate further.
- Raya is working closely with ASC to identify and acquire onshore oil and gas development projects 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 committed $100,000 monies to Tellus Resources (Tellus) via a placement in April. Tellus is currently focused on its Covenant Mondo Project ("the CMP") located in Utah in the USA. Work has begun to accept a drilling unit and Tellus 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.

Health, Safety, Environment and Community

- During the financial year under review, and since the end of the financial year, there were no reportable incidents relating to health, safety, or community related matters.
- No business objective will take priority over the Occupational Health and Safety Policy and the Company's record of achievement in this important area of its activities will form an essential part of the measure of its overall success.

Significant changes in the nature of activities

Other than as disclosed in this report, there were no other changes in the nature of activities that occurred during the course of the financial year.

Matters Subsequent to the End of the Financial Year

The following events have occurred subsequent to the end of the financial year but prior to the date of this report, the financial effects of which have not been reflected in this financial report for the year ended 30 June 2014:

- On 16 July 2014, Raya announced the lapsing of options ASX:RYGOA with an expiry of 8 July 2014.
- On 23 July 2014, Raya announced the appointment of Mr Daniel Lanskey as Chief Operating Officer and secured the services of ASC Resources (ASC) to assist in acquiring onshore oil and gas development projects in the USA.
- On 30 July 2014, Raya announced the completion of the first tranche placement to clients of Peloton Capital. The placement of the first tranche comprised the issue of 16,666,667 ordinary shares at 1.5 cents per share to raise $250,000 cash. Listed options (on a one-for-one basis) were also issued as part of the placement to the Sophisticated Investors.
- The second tranche placement of $500,000 to be subscribed by ASC Resources Pty Ltd and/or its nominees awaits shareholder approval at the next Extraordinary General Meeting.

No other matter or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect the Group's operations, the results of those operations or the Group's affairs, in subsequent financial years other than as disclosed above and in Note 30 in the accompanying financial report.

Likely Developments and Expected Results of Operations

The Group proposes to continue its exploration program and investment activities across its various geothermal interests, both in Australia and internationally, and to pursue a portfolio pipeline of additional non-geothermal projects with the objective of increasing shareholder value and shareholder wealth.

Further information in relation to likely developments and the impact on the operations of the Group has not been included in this report, as the directors believe it would result in unreasonable prejudice to the Group.

Environmental Regulation

The Group is required to carry out its activities in accordance with regulations determined by statute and regional entities in the areas in which it undertakes its exploration, development and production activities. The Group is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect of its operating activities.

Significant Changes in State of affairs

Other than as disclosed in this report and the accompanying financial report, there were no other significant changes in the Group's state of affairs during the course of the financial year.

Information on Directors

<u>**Athan Lekkas**</u>

Chairman

Qualifications
AICD
Diploma Business Management

Age
38

Experience and expertise
Mr Lekkas has participated in a broad range of business and corporate advisory transactions, and has more recently focused and specialised on the restructure and recapitalisation of a wide range of ASX Listed companies with a specific interest in the resources sector.

Most recently he was a Director of Energio Limited, and was instrumental and successful with identifying and ensuring the acquisition of a major West African Iron Ore project.

Other current directorships
First Growth Funds Limited

Former directorships in last 3 years
Energio Limited (now Kogi Iron Limited) – from 27 April 2010 to 19 April 2012
Hidroco Limited – from 12 January 2011 to 4 June 2012

Special responsibilities
Chairman of the Board
Chairman of the Remuneration Committee
Member of the Audit Committee

Interests in shares and options
20,000,000 listed ordinary shares (RYG)
19,000,000 listed options over ordinary shares (RYGOB)

<u>**Geoff Barnes**</u>
Director – Non-Executive

Qualifications
Nil

Age
42

Experience and expertise
Mr Barnes is a Founder and Director of Peloton Capital ("Peloton"). At Peloton, Mr Barnes is responsible for Equity Markets and Stock Broking operations, introduction of corporate transactions, and personally manages a select group of Sophisticated Investor Clients.

Before Founding Peloton Capital with his fellow directors in June 2011, Mr Barnes was employed for 9 years at Macquarie Private Wealth (Sydney) as an Investment Adviser, then Division Director. Geoff specialized in all commercial aspects of bringing projects to market, predominately in the Energy sector (oil and gas).

Other current directorships
First Growth Funds Limited

Former directorships in last 3 years
Nil

Special responsibilities
Member of the Remuneration Committee
Member of the Audit Committee

Interests in shares and options
10,947,078 listed ordinary shares (RYG)
12,000,000 listed options over ordinary shares (RYGOB)

Information on Directors (continued)

Michael Clarke
Director – Non-Executive

Qualifications
MAICD, ACS, Diploma of Business, Diploma of Management.

Age
38

Experience and expertise

Mr Clarke has over 19 years' experience in the IT industry and has worked across both public and private enterprise during his career. He has broad experience in the development and management of enterprise and complex systems and worked at many senior levels during this time. Mr Clarke has consulted and provided services to a variety of industries including manufacturing, mining and resources, government and education.

Other current directorships
First Growth Funds Limited

Former directorships in last 3 years
Nil

Special responsibilities
Chairman of the Audit Committee
Member of the Remuneration Committee

Interests in shares and options
16,925,000 listed ordinary shares (RYG)
12,500,000 listed options over ordinary shares (RYGOB)

Russell Langusch
Director – Non-Executive

Qualifications
Bachelor of Engineering (Electrical – First Class Honours)
Master of Engineering Science

Age
63

Experience and expertise
Russell is a petroleum engineer with over 39 years combined experience in the upstream oil and gas and finance industries. He commenced his career with Schlumberger working worldwide in a multitude of roles in engineering, petro physics, sales-marketing and management. Returning to Australia he was employed by Esso Australia as a senior reservoir engineer before joining the finance sector in 1987. Here he worked for a number of international investment banks undertaking company research and corporate advisory activities.

He established his own successful consultancy business in 2001 providing independent research reports, project assessments, financial modelling, corporate advisory services and expert valuations for many domestic and international clients. During the period 2004-2008 he was the founding Managing Director of Elixir Petroleum, a dual ASX and AIM-listed E and P company based in London with assets in the UK North Sea, Gulf of Mexico and West Africa. Currently he is the Executive Director Commercial for ASX listed Petrel Energy Ltd which has projects in Uruguay, Canada and Texas.

Russell holds the degrees of Bachelor of Engineering (Electrical – First Class Honours) and Master of Engineering Science from the University of Queensland. He is a member of the Society of Petroleum Engineers and the Australasian Institute of Mining & Metallurgy.

Other current directorships
NIL

Former directorships in last 3 years
Petrel Energy Limited – from 6 June 2012 to 20 August 2013

Information on Directors (continued)

Special responsibilities
Member of the Audit Committee
Member of the Remuneration Committee

Interests in shares and options
NIL

Company Secretary

Julie Halsted
During her extensive career, Julie has had significant experience and involvement in management of the accounting and finance functions.

She holds a Bachelor Degree in Commerce, is a member of CPA Australia, holds a CPA Public Practice Certificate and is a registered Tax Agent.

Meetings of Directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2014, and the numbers of meetings attended by each director are as follows:

	Full meetings of directors		Meetings of committees			
			Audit		Remuneration	
	A	B	A	B	A	B
Kerry Parker	2	2	1	1	*	*
Athan Lekkas	8	8	2	2	1	1
Michael Clarke	8	8	2	2	1	1
Geoff Barnes	7	6	2	2	1	1
Russell Langusch	8	8	2	2	1	1
David Wildy	1	1	-	-	-	-

A = Number of meetings held during the time the director held office or was a member of the committee during the year
B = Number of meetings attended
* = Not a member of the relevant committee

Shares under Option

Unissued ordinary shares of Raya Group Limited under option at the date of this report are as follows:

Grant Date	Vest Date	Expiry Date	Exercise Price	Number of Options	
15/12/2011	Fully Vested	14/12/2016	$0.75	475,000	Unlisted
15/12/2011	Fully Vested	14/12/2016	$1.00	150,000	Unlisted
15/12/2011	Fully Vested	14/12/2016	$1.25	100,000	Unlisted
15/12/2011	Fully Vested	14/12/2016	$1.50	100,000	Unlisted
15/12/2011	Fully Vested	14/12/2016	$1.00	275,000	Unlisted
08/04/2013	Fully Vested	08/04/2016	$0.015	15,000,000	Unlisted
14/08/2012	Fully Vested	31/12/2014	$0.10	15,755,160	Listed - RYGO
21/07/2013	Fully Vested	21/07/2016	$0.015	274,466,667	Listed - RYGOB
				306,321,827	

No option holder has any right under the options to participate in any other share issue of the Group or any other entity.

Shares Issued on the Exercise of Options

During the year no options were exercised. Since the end of the financial year and up to the date of this report, no options have been exercised.

Remuneration Report

(a) Policy for determining the nature and amount of key management personnel remuneration

The remuneration committee of Raya Group Limited is responsible for determining and reviewing compensation arrangements for the Directors and the Executive Team. The Board's remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost to the Group.

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

(i) Non-Executive Director Remuneration

Objective
The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure
Remuneration of non-executive directors is determined by the Board, within the maximum amount approved by the shareholders from time to time (currently set at an aggregate of $200,000 per annum). The Board intends to undertake an annual review of its performance and the performance of the Board committees against goals set at the start of the year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from time to time from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Group. Directors who are called upon to perform extra services beyond the director's ordinary duties may be paid additional fees for those services.

The remuneration of non-executive directors for the year ended to 30 June 2014 is detailed in this Remuneration Report.

(ii) Senior Executive Remuneration

Objective
The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- Reward executives for Group and individual performance against targets set by reference to appropriate benchmarks;
- Align the interest of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards.

Structure
In determining the level and make-up of executive remuneration, the Board has had regard to market levels of remuneration for comparable executive roles. It is the Board's policy that employment contracts are entered into with all senior executives.

(iii) Variable Remuneration – Short and Long Term Incentives

Objective
The objectives of the incentive arrangements are to:

- Recognise the ability and efforts of the employees of the Group who have contributed to the success of the Group and to provide them with rewards where deemed appropriate;
- Provide an incentive to the employees to achieve the long term objectives of the Group and improve the performance of the Group; and
- Attract persons of experience and ability to employment with the Group and foster and promote loyalty between the Group and its employees.

Remuneration Report (continued)

Structure

No formal plan has been implemented at this time. It is proposed that long term incentives granted to senior executives will be delivered in the form of options. At the commencement of each financial year, the Group and each senior executive will agree upon a set of financial and non-financial objectives related to the senior executive's job responsibilities. The objectives will vary but all will be targeted directly to the Group's business and financial performance and thus to shareholder value. It is proposed that short term incentives will be in the form of bonuses paid on the achievement of key performance indicators as the Group and the executives may agree from time to time.

(b) Remuneration, Group performance and shareholder wealth

The development of remuneration policies and structure are considered in relation to the effect on Group performance and shareholder wealth. They are designed by the Board to align Director and Executive behaviour with improving Group performance and ultimately shareholder wealth.

The Board considers at this stage in the Group's development, that share price growth itself is an adequate measure of total shareholder return.

Executives are currently remunerated by basis of remuneration and options. The options granted are considered by the Board to provide an alignment between employees and shareholders interests.

The table below shows for the current financial year and previous four financial years the total remuneration cost of the key management personnel, earnings per ordinary share (EPS), dividends paid or declared, and the closing price of ordinary shares on ASX at year end.

Financial Year	Total Remuneration $	EPS (Cents)*	Dividends Cents	Share Price cents
2014	253,951	(0.27)	-	1.7
2013	1,131,599	(5.0)	-	1.4
2012	867,462	(6.4)	-	1
2011	997,265	(6.2)	-	2
2010	1,352,504	(13)	-	8

*adjusted for 1 for 10 share consolidation, where applicable

(c) Key management personnel

Unless otherwise stated, the following persons were key management personnel of Raya Group Limited during the financial year:

Name	*Date Appointed*	*Date Resigned*	*Position Held*
Kerry Parker	01/05/2013	26/08/2013	Non-Executive Director
Athan Lekkas	19/02/2013		Chairman
Michael Clarke	19/02/2013		Non-Executive Director
David Wildy	19/02/2013	12/08/2013	Non-Executive Director
Russell Langusch	12/08/2013		Non-Executive Director
Geoff Barnes	26/08/2013		Non-Executive Director

Subsequent to year end, on 22 July 2014 Mr Daniel Lanskey was appointed Chief Operating Officer and thus became a key management person effective from that date.

(d) Details of remuneration

Compensation paid payable or provided by the Group or on behalf of the Group, to key management personnel is set out below. Key management personnel include all directors of the Group and certain executives who, in the opinion of the Board and Managing Director, have authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly.

Remuneration Report (continued)

2014	Short-term employee benefits	Post-employment benefits	Termination benefits	Share-based payments		Total	Proportion of remuneration that is performance based
Name	Cash salary and fees $	Super-annuation $	Cash $	Shares $	Options $	Total $	%
Non-Executive Directors							
Kerry Parker	19,500	2,372	-	-	-	21,872	-
David Wildy	7,500	-	-	-	-	7,500	-
Michael Clarke	45,000	5,513	-	-	-	50,513	-
Russel Langusch	39,919	3,693	-	-	-	43,612	
Geoff Barnes	38,226	3,536	-	-	-	41,762	
Total Non-Executive Directors	**150,145**	**15,114**	-	-	**-**	**165,259**	
Executive Directors							
Athan Lekkas	78,000	10,692	-	-	-	88,692	-
Total Executive Directors	**78,000**	**10,692**	**-**	**-**	**-**	**88,692**	
Total Key Management Personnel Compensation	**228,145**	**25,806**	**-**	**-**	**-**	**253,951**	**-**

2013	Short-term employee benefits	Post-employment benefits	Termination benefits	Share-based payments		Total	Proportion of remuneration that is performance based
Name	Cash salary and fees $	Super-annuation $	Cash $	Shares $	Options $	Total $	%
Non-Executive Directors							
Kerry Parker	13,000	-	-	75,000	32,500	120,500	-
David Wildy	16,250	-	-	75,000	32,500	123,750	-
Michael Clarke	16,250	-	-	75,000	32,500	123,750	-
Gregory Martyr	23,500	2,115	-	-	3,384	28,999	-
Stephen Evans	19,375	1,744	-	-	3,384	24,503	-
Ian Reid	16,386	1,475	-	-	3,384	21,245	-
Total Non-Executive Directors	**104,761**	**5,334**	-	225,000	**107,652**	**442,747**	
Executive Directors							
Athan Lekkas	28,167	-	-	125,000	53,750	206,917	-
Kerry Parker	246,712	22,204	32,928	-	12,778	314,622	-
Total Executive Directors	**274,879**	**22,204**	**32,928**	**125,000**	**66,528**	**521,539**	
Other Key Management Personnel							
Kerry Angel	-	-	-	-	-	-	-
David Jenson	122,500	-	-	-	-	122,500	-
John Bruce	44,813	-	-	-	-	44,813	-
Total Other Key Management Personnel	**167,313**	**-**	**-**	**-**	**-**	**167,313**	**-**
Total Key Management Personnel Compensation	**546,953**	**27,538**	**32,928**	**350,000**	**174,180**	**1,131,599**	**-**

No bonuses were paid in 2013 or 2014.

(e) Service agreements

On appointment to the Board, all non-executive directors may enter into a service agreement with Raya Limited in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

Remuneration and other terms of employment for the Managing Director and the other key management personnel are also formalised in service agreements. Each of these agreements provides for the provision of performance-related cash bonuses.

No service agreements exist as at 30 June 2014.

Remuneration Report (continued)

(f) Share-based compensation

Options are granted to attract and retain key management personnel.

The board has rules that contain restrictions on removing the 'at risk' aspect of the options granted to executives. Executives may not enter into any transactions designed to remove the 'at risk' aspect of an instrument before it vests.

There are no performance hurdles attaching to the options granted other than service vesting conditions. In the event of termination (specified circumstances) only vested options are entitled to be exercised. Unvested options are forfeited.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

For each grant of options, the percentage of the grant that vested in the financial year, and the percentage that was forfeited because the person did not meet the service performance criteria is set out below. The options usually vest after 2-3 years. No options will vest if the service conditions are not satisfied, hence the minimum value of the options yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

There are currently no options affecting remuneration in the current or a future reporting period.

Options are granted to attract and retain key management personnel.

The board has rules that contain restrictions on removing the 'at risk' aspect of the options granted to executives. Executives may not enter into any transactions designed to remove the 'at risk' aspect of an instrument before it vests.

There are no performance hurdles attaching to the options granted other than service vesting conditions. In the event of termination (specified circumstances) only vested options are entitled to be exercised. Unvested options are forfeited.

During the year there were no alterations to the terms and conditions of options granted since their grant date.

No additional options were granted during the financial year, and all options that had vested were not forfeited at the date of resignation.

(g) Equity instruments disclosures relating to key management personnel

(i) Unlisted option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Raya Group Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2014 Name	Balance at start of the year	Granted as compensation	Exercised	Lapsed	Appointed/ (Resigned)	Balance at end of the year	Vested and exercisable	Unvested
Directors of Raya Group Limited								
K Parker	500,000	-	-	-	(500,000)	-	-	-
A Lekkas	-	-	-	-	-	-	-	-
G Barnes	-	-	-	-	-	-	-	-
R Langusch	-	-	-	-	-	-	-	-
M Clarke	-	-	-	-	-	-	-	-
D Wildy	-	-	-	-	-	-	-	-

(ii) Share holdings

The number of shares in the company held during the financial year by each director of Raya Group Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2014 Name	Balance at the start of the year	Acquired during the year	SPP Shortfall facility approved June 2013 Issue price $0.01	Appointed/ (Resigned)	Balance at the end of the year
***Directors of Raya Group Limited* Ordinary shares**					
K Parker	10,867,871	500,000	5,000,000	(16,367,871)	-
A Lekkas	14,500,000	11,112	5,000,000	-	19,511,112
M Clarke	8,325,000	2,775,000	5,000,000	-	16,100,000
D Wildy	7,774,956	172,396	2,500,000	(10,447,352)	-
R Langusch	-	-	-	-	-
G Barnes	-	1,450,598	-	9,500,000	10,950,598

(iii) Listed option holdings (ASX: RYGO)

2014 Name	Balance at the start of the year	Acquired / granted during the year	Appointed/ (Resigned)	Appointed/ (Resigned)	Balance at the end of the year
Directors of Raya Group Limited					
K Parker	257,145	-	(257,145)	-	-
A Lekkas	-	-	-	-	-
M Clarke	-	-	-	-	-
R Langusch	-	-	-	-	-
G Barnes	-	-	-	-	-

(iv) Listed option holdings (ASX: RYGOA)

2014 Name	Balance at the start of the year	Acquired / granted during the year	Appointed/ (Resigned)	Appointed/ (Resigned)	Balance at the end of the year
Directors of Raya Group Limited					
G Barnes	-	-	-	-	-
K Parker	114,579	-	(114,579)	-	-
A Lekkas	-	-	-	-	-
R Langusch	-	-	-	-	-
M Clarke	-	-	-	-	-
Other key management personnel of the Group					
J Bruce	-	-	-	-	-

(v) Listed option holdings (ASX: RYGOB)

2014 Name	Balance at the start of the year	Acquired During the year	Appointed/ (Resigned)	Appointed/ (Resigned)	Balance at the end of the year
Directors of Raya Group Limited					
G Barnes	-	1,500,000	10,500,000	-	12,000,000
R Langusch	-	-	-	-	-
A Lekkas	12,500,000	6,500,000	-	-	19,000,000
M Clarke	7,500,000	5,000,000	-	-	12,500,000
K Parker	7,500,000	6,500,000	(14,000,000)	-	-
D Wildy	7,500,000	2,500,000	(10,000,000)	-	-

(h) Loans to key management personnel

There were no loans to key management personnel at any time during the financial year.

(i) Other transactions with key management personnel

Mr Athan Lekkas, Mr Kerry Parker and Mr Michael Clarke are Directors and Shareholders of the Company "Resource Capital Finance and Advisory Pty Ltd" ("RCFA") which provided Company Secretarial and Management Services to Raya Group Limited at commercial rates. An agreed monthly charge of $15,000 per month plus GST is charged for these services with additional fees for capital raising and accounting services. During the financial year, an amount of $74,813 plus GST was charged by RCFA to Raya Group Limited (2013: $45,000). No amounts are owing by Raya Group to RCFA as at the end of the financial year.

There were no other transactions with key management personnel other than reimbursement of expenses incurred by them in performing their respective duties.

Insurance of Officers

During or since the end of the year, the Group has not given any indemnity to a current or former officer or auditor against a liability or made any agreement under which an officer or auditor may be given any indemnity of the kind covered by the *Corporations Act 2001*.

During the year, the Group paid premiums in respect of directors' and officers' indemnity insurance contracts for the period ended 30 June 2014. The insurance contracts offer continuing indemnity to officers of the Group where the person is no longer an officer at the time the claim is made. The Group paid a premium of $16,500 (2013: $15,194) to insure the directors of the Group during the financial year. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on Behalf of the Group

The Group is not aware that any person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings in which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the court under section 237 of the *Corporations Act 2001*.

Non-audit Services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group and/or the Group are important.

The Board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

Details of the amounts paid or payable to the auditor, Pitcher Partners, for audit services provided during the year are set out in Note 20 in the financial report.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2014 $	2013 $
Taxation services		
Pitcher Partners		
Tax compliance services	4,480	17,180
Total remuneration for non-audit services	4,480	17,180

Auditor's Independence Declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached to this report.

Auditor
Pitcher Partners continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of directors.

Athan Lekkas
Director

Brisbane
25 September 2014

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

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Queensland 4000

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Pitcher Partners is an association of independent firms
Brisbane | Melbourne | Sydney | Perth | Adelaide | Newcastle

The Directors
Raya Group Limited
Level 6, 412 Collins Street
Melbourne, Victoria. 3000

Dear Sirs

Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Raya Group Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Raya Group Limited and the entities it controlled during the period.

PITCHER PARTNERS

N BATTERS
Partner

Brisbane, Queensland
25 September 2014

Corporate Governance Statement

The Board of Directors of Raya Group Limited the "Company" is responsible for the corporate governance of the Company and is committed to achieving and demonstrating the highest standards of corporate governance.

Raya Group Limited's Corporate Governance Statement is structured with reference to the Australian Securities Exchange Corporate Governance Council's "Corporate Governance Principles and Recommendations" (including 2010 amendments) the Principles of which are as follows:

Principle 1. Lay solid foundations for management and oversight
Principle 2. Structure the board to add value
Principle 3. Promote ethical and responsible decision making
Principle 4. Safeguard integrity in financial reporting
Principle 5. Make timely and balanced disclosure
Principle 6. Respect the rights of shareholders
Principle 7. Recognise and manage risk
Principle 8. Remunerate fairly and responsibly

The Corporate Governance Statement contains certain specific information and discloses the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, the fact is disclosed, together with reasons for the departure.

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Companies should establish and disclose the respective roles and responsibilities of Board and management.

The board of directors
The board operates in accordance with the broad principles set out in this charter which is available from the corporate governance information section of the Company website at www.rayagroup.com.au. The charter details the board's composition and responsibilities.

Board composition
The charter states:
- the board will comprise a suitable mix of non-executive directors and executive directors. Non-executive directors bring a fresh perspective to the board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management;
- in recognition of the importance of independent views and the board's role in supervising the activities of management, it is preferred that the Chairman should be an independent non-executive director, the board must be independent of management and all directors are required to bring independent judgement to bear in their board decision making;
- the Chairman is elected by the full board and is required to meet regularly (either formally or informally) with the Managing Director;
- the Company is to maintain a mix of directors on the board from different backgrounds with complementary skills and experience; and
- the board is required to undertake an annual board performance review and consider the appropriate mix of skills required by the board to maximise its effectiveness and its contribution to the Group.

Responsibilities
The responsibilities of the board include:
- providing strategic guidance to the Company including contributing to the development of and approving the corporate strategy;
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- overseeing and monitoring :
  - organisational performance and the achievement of the Group's strategic goals and objectives;
  - compliance with the Company's Code of Conduct; and
  - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments;
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors;
- appointment, performance assessment and, if necessary, removal of the Managing Director;
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team;
- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organisation; and
- overseeing the operation of the Group's system for compliance and risk management reporting to shareholders.

2. STRUCTURE THE BOARD TO ADD VALUE

Companies should have a board with an effective composition, size and commitment to adequately discharge it responsibilities and duties.

Board members
There are three non-executive directors, two of whom are deemed independent under the principles set out below, and two executive directors.

The board seeks to ensure that:
- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or "fresh" perspective; and
- the size of the board is conducive to effective discussion and efficient decision-making.

Directors' independence
The board has adopted specific principles in relation to directors' independence. These state that to be deemed independent, a director must be a non-executive and:
- not be a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years, not have been employed in an executive capacity by the Company or any other Group member, or been a director after ceasing to hold any such employment;
- within the last three years not have been a principal of a material professional adviser or a material consultant to the Company or any other Group member, or an employee materially associated with the service provided;
- not be a material supplier or customer of the Company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- must have no material contractual relationship with the Company or a controlled entity other than as a director of the Group;
- not have been on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and / or
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. A transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance.

Non-executive directors
The non-executive directors are encouraged to meet regularly without the presence of management or executive directors, to discuss the operation of the board and a range of other matters. Relevant matters arising from these meetings are shared with the full board.

Term of office
The Company's Constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election, subject to attaining the age of 70 years when a director will retire, by agreement, at the next AGM and will not seek re-election.

Chairman and Managing Director (MD)
The Chairman is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the Company's senior executives.

The Managing Director is responsible for implementing Group strategies and policies. The board charter specifies that these are separate roles to be undertaken by separate people.

Commitment
The board is scheduled to meet formally on approximately six occasions during each calendar year, and more regularly and informally by telephone. This is considered adequate given the Company's current size and scale of operations.

Non-executive directors are expected to spend an appropriate portion of time per year preparing for and attending board and committee meetings and associated activities.

It is the Company's practice to allow its executive directors to accept appointments outside the Company with prior advice to and agreement by the board.

The commitments of non-executive directors are considered by the Board prior to the directors' appointment to the board of the Company and are reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

2. STRUCTURE THE BOARD TO ADD VALUE (continued)

Conflict of interests
Any and all potential conflicts of interest (whether relating to non-executive directors, or to executive directors) are to be notified by the individual director concerned, prior to the matter being formally discussed between Directors. In accordance with the board charter, the directors concerned declare their interests in those dealings to the Company and take no part in decisions relating to them or the preceding discussions. In addition, these directors do not receive any papers from the Group pertaining to those dealings.

Independent professional advice
Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this is not to be unreasonably withheld.

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Companies should actively promote ethical and responsible decision-making.

The Company supports and has adopted the Code of Conduct published by the Australian Institute of Company Directors in 2005. The code recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics and its commitment to ensuring compliance with the insider trading laws.

The insider trading provisions of the Corporations Act have been drawn to the attention of all Directors and executives and it has been agreed that this will be a continuing policy on a regular basis. Directors have all entered into agreements to notify the Company within three days of any dealing in the Company's securities and it is an employment condition that all executives notify the Company within three days of any dealing in the Company's securities.

Performance assessment
The board is encouraged to undertake an annual self assessment of its collective performance, the performance of the Chairman and of its committees. The results and any action plans are documented together with specific performance goals which are agreed for the coming year.

The Chairman is encouraged to undertake an annual assessment of the performance of individual directors and meets privately with each director to discuss this assessment.

Securities Trading Policy
The company's Securities Trading Policy (Policy) regulates dealings in shares and other securities of the company by directors, employees and contractors (restricted persons) of the Company. The Company is committed to ensuring that the Company and its employees act lawfully at all times in their dealings with securities and inside information. The company is also committed to avoiding any perception of unlawful or unethical conduct.

In addition to the legal restrictions outlined in the Policy, it is the Company's policy that restricted persons must not trade in securities in the Company in the following black-out periods ("Black-out Periods"):

During the two weeks prior to and the day after release of the following information:

- The Company's half year results to ASX.
- The Company's full year results to ASX.
- Quarterly activities and cashflow reports to ASX
- For any other period designated as a black-out period by the Board and advised to the Employees.

In accordance with the provisions of the Corporations Act and the Listing Rules of the Australian Securities Exchange, the Company advises the Exchange of any transaction conducted by directors in securities in the Company.

Diversity policy
The company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. The Company's objective is to promote an environment conducive to the appointment of well qualified employees, senior management and board candidates so that there is appropriate diversity to maximise the achievement of corporate goals.

The company is committed to identifying ways to promote a corporate culture which embraces diversity objectives in relation to gender, age, cultural background and ethnicity.

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING (continued)

The number of women in the organisation is:

Number of women employees in the whole organisation	Nil
Number of women in senior executive positions	Nil
Number of women on the board	Nil

The Company has not publicly disclosed a formal disclosure policy and therefore has not complied with recommendation 3.2 of the Corporate Governance Council. Given that the Company has less than ten employees, the board does not consider a public disclosure policy to be appropriate. The board takes ultimate responsibility for these matters.

4. SAFEGUARD INTEGRITY OF FINANCIAL REPORTING

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Corporate reporting
The Managing Director and Chief Financial Officer, at the end of each six month period, make the following certifications to the board:

1. that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards; and
2. that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

Audit committee
The audit committee consists of the following directors:

- Michael Clarke (Chairman)
- Athan Lekkas
- Geoff Barnes
- Russell Langusch

The audit committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Group operates.

The audit committee operates in accordance with a charter which is available on the Company website. The main responsibilities of the committee are to:

- review, assess and approve the annual report, the half-year financial report and all other financial information published by the Company or released to the market;
- assist the board in reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations
  - reliability of financial reporting;
  - compliance with applicable laws and regulations;
- determine the scope of potential internal audit requirements;
- oversee the effective operation of the risk management framework;
- recommend to the board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance;
- consider the independence and competence of the external auditor on an ongoing basis;
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- review and monitor related party transactions and assess their propriety; and
- report to the board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the audit committee:

- receives regular reports from management and external auditors;
- meets with external auditors at least twice each year, or more frequently if necessary;
- reviews the processes the MD and CFO have in place to support their certifications to the board;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- meets separately with the external auditors as required without the presence of management; and
- provides the external auditors with a clear line of direct communication at any time to either the Chairman of the audit committee or the Chairman of the board.

The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

4. SAFEGUARD INTEGRITY OF FINANCIAL REPORTING (continued)

External auditors

The Company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. Pitcher Partners, Chartered Accountants were appointed as the external auditor for the financial year 2008 onwards. It is Pitcher Partners policy to rotate audit engagement partners on listed companies at least every five years.

It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

5. MAKE TIMELY AND BALANCED DISCLOSURE

Companies should promote timely and balanced disclosure of all material matters concerning the company.

Continuous disclosure and shareholder communication

The Company has policies and procedures on continuous information disclosure that focus on timely and balanced disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings. A summary of these policies and procedures is available on the Company's website.

The company secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When presentations on aspects of the Group's operations are made, the material used in the presentation is released to the ASX and posted on the Company's web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

All shareholders currently receive a copy of the Company's annual report and quarterly reports. In addition, the Company seeks to provide opportunities for shareholders to participate through electronic means. Recent initiatives to facilitate this include making all Company announcements, media briefings, details of Company meetings, press releases for the last three years and financial reports for the last five years available on the Company's website.

The website also includes a feedback mechanism and an option for shareholders to register their email address for direct email updates on Company matters.

6. RESPECT THE RIGHTS OF SHAREHOLDERS

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are provided with all information necessary to assess the performance of the Company. Information is communicated to the shareholders through:

a. The Annual Report, which will be distributed to all shareholders (unless shareholders specifically indicate otherwise);
b. Quarterly Reports to all shareholders (to be issued within four weeks of the end of the quarter);
c. The Annual General Meeting, and other meetings called to obtain approval for Board action as appropriate; and
d. The Company's Corporate Internet site at www.rayagroup.com.au. This web site is actively maintained and includes all market announcements, research reports from analysts, briefings to shareholders, full texts of notices of meeting and explanatory material and compliance reports such as the quarterly cash flow report and annual report.

Shareholders are actively encouraged to become "online shareholders" by registering electronically with the Company to receive an email notification of announcements as they are made. The Company endeavours to respond to all shareholder queries on a prompt and courteous basis.

All information disclosed to the ASX is automatically posted on the Company's website as soon as it is disclosed to ASX.

7. RECOGNISE AND MANAGE RISK

Companies should establish a sound system of risk oversight, management and internal control.

Board committees

The board has established two sub-committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the board are the Remuneration and Audit Committees. The committee structure and membership is reviewed on an annual basis.

Each committee has its own charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis and are available on the Company website. All matters determined by committees are submitted to the full board as recommendations for board decisions.

Minutes of committee meetings are tabled at the subsequent committee meeting and are available to other directors. Additional requirements for specific reporting by the committees to the board are addressed in the charter of the individual committees.

Risk assessment and management

The board is responsible for ensuring there are adequate policies in place in relation to risk management, compliance and internal control systems. In summary, the Company policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. A formal delegation of authority document exists and is operational.

The Company risk management policy and the operation of the risk management and compliance system are regularly reviewed by the executive directors.

Detailed control procedures cover management accounting, financial reporting, project appraisal, environment, health and safety, IT security, compliance and other risk management issues.

In addition, the board requires that each major proposal submitted to the board for decision is accompanied by an appropriate review of risks and, where required, management's proposed mitigation strategies.

The environment, health and safety management system (EHSMS)

The Company recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance. To help meet this objective the EHSMS is currently being finalised to facilitate the systematic identification of environmental and OH&S issues and to ensure they are managed in a structured manner. This system will allow the Company to:

- monitor its compliance with all relevant legislation;
- continually assess and improve the impact of its operations on the environment;
- encourage employees to actively participate in the management of environmental and OH&S issues;
- work with trade associations representing the Group's businesses to raise standards;
- use energy and other resources efficiently, and
- encourage the adoption of similar standards by the Group's principal suppliers, contractors and distributors.

8. REMUNERATE FAIRLY AND RESPONSIBLY

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Remuneration committee

The remuneration committee consists of the following directors:

- Athan Lekkas (Chairman)
- Michael Clarke
- Geoff Barnes
- Russell Langusch

The remuneration committee operates in accordance with its charter which is available on the Company website. The remuneration committee advises the board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. Committee members have regard to external remuneration sources on recent developments on remuneration and related matters as required.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description.

Raya Group Limited ABN 89 122 203 196
Annual Financial Report – 30 June 2014

Contents

Annual Financial Report – 30 June 2014

These financial statements cover the consolidated entity consisting of Raya Group Limited and its subsidiaries. The financial report is presented in Australian currency.

Raya Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia and listed on the Australian Securities Exchange. Its registered office and principal place of business is:

Level 6, 412 Collins Street
Melbourne, Victoria 3000

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 2 to 4.

The financial statements were authorised for issue by the directors on 25 September 2014. The company has the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available at our Shareholders' Centre on our website: www.rayagroup.com.au.

	Notes	2014 $	2013 $
Revenue and other income from continuing operations	6	297,730	318,377
Employee and contracting expenses		(341,725)	(945,875)
Finance costs		(5,246)	(4,671)
Consulting and advisory fees		(270,451)	(255,272)
Office running costs		(156,036)	(189,912)
Travel		(87,860)	(164,445)
Reporting expenses		(66,972)	(106,272)
Office rentals		-	(89,201)
Accounting and audit fees		(88,500)	(86,428)
Depreciation and amortisation		-	(23,192)
Legal fees		(19,936)	(43,936)
Impairment of capitalised tenement costs	13	(1,563)	(1,976,358)
Impairment of capitalised joint venture costs	14	(132,509)	-
Fair value loss on investments		(8,333)	-
Other expenses		-	(67,770)
Loss before income tax		(881,401)	(3,634,955)
Income tax expense	8	-	-
Loss for the year		**(881,401)**	**(3,634,955)**
Other comprehensive income		-	-
Total comprehensive income		**(881,401)**	**(3,634,955)**
Loss attributable to:			
Owners of the parent		(881,401)	(3,634,955)
Non-controlling interests		-	-
		(881,401)	(3,634,955)
Total comprehensive income attributable to:			
Owners of the parent		(881,401)	(3,634,955)
Non-controlling interests		-	-
		(881,401)	(3,634,955)
Earnings per share for loss attributable to ordinary equity holders of the company			
		Cents	**Cents**
Basic and diluted (loss)	24	(0.27)	(5.0)*

* Weighted average number of ordinary shares has been adjusted to take into account the 1 for 10 share consolidation that occured with effect from 12 April 2013.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

	Notes	2014 $	2013 $
Current assets			
Cash and cash equivalents	9	528,062	187,672
Trade and other receivables	10	13,562	99,360
Other financial assets	11	191,667	100,000
Total current assets		**733,291**	**387,032**
Non-current assets			
Property, plant and equipment	12	-	-
Exploration and evaluation expenditure	13	1,953,997	1,955,560
Investments accounted for using the equity method	14	1,828,704	1,770,204
Total non-current assets		**3,782,701**	**3,725,764**
TOTAL ASSETS		**4,515,992**	**4,112,796**
Current liabilities			
Trade and other payables	16	126,628	278,305
Borrowings	17	13,227	37,122
Provisions	18	81,332	-
Total current liabilities		**221,187**	**315,427**
Non-current liabilities			
Provisions	18	189,774	271,106
Total non-current liabilities		**189,774**	**271,106**
TOTAL LIABILITIES		**410,961**	**586,533**
NET ASSETS		**4,105,031**	**3,526,263**
EQUITY			
Contributed equity	19	44,662,924	43,288,755
Reserves	20	2,416,204	2,330,204
Accumulated losses	20	(42,974,097)	(42,092,696)
TOTAL EQUITY		**4,105,031**	**3,526,263**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

	Contributed Equity $	Share-based Payments Reserve $	Accumulated Losses $	Total $
2014				
Balance at 1 July 2013	43,288,755	2,330,204	(42,092,696)	3,526,263
Loss for the year	-	-	(881,401)	(881,401)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(881,401)	(881,401)
Transactions with owners in their capacity as owners				
Shares issued during the year	1,760,000	-	-	1,760,000
Cost of share issue	(385,831)	-	-	(385,831)
Share based payments	-	86,000	-	86,000
Balance at 30 June 2014	**44,662,924**	**2,416,204**	**(42,974,097)**	**4,105,031**

	Contributed Equity $	Share-based Payments Reserve $	Accumulated Losses $	Total $
2013				
Balance at 1 July 2012	41,606,633	1,809,893	(38,457,741)	4,958,785
Loss for the year	-	-	(3,634,955)	(3,634,955)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(3,634,955)	(3,634,955)
Transactions with owners in their capacity as owners				
Shares issued during the year	1,962,664	-	-	1,962,664
Cost of share issue	(280,542)	-	-	(280,542)
Share based payments	-	520,311	-	520,311
Balance at 30 June 2013	**43,288,755**	**2,330,204**	**(42,092,696)**	**3,526,263**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	2014 $	2013 $
Cash flows from operating activities			
Interest received		12,918	10,092
Interest paid		(5,246)	(4,671)
R&D tax concession received		284,812	308,285
Payments to suppliers and employees		(1,011,357)	(1,368,029)
Net cash outflow from operating activities	23	**(718,873)**	**(1,054,323)**
Cash flows from investing activities			
Payments for exploration and evaluation assets		(191,011)	(815,007)
Proceeds from term deposits and others		-	33,272
Payments for other financial assets		(100,000)	-
Net cash outflow from investing activities		**(291,011)**	**(781,735)**
Cash flows from financing activities			
Repayment of borrowings		(99,830)	(10,179)
Proceeds from share issues		1,474,000	1,962,665
Share issue costs		(23,896)	(280,542)
Net cash inflow / (outflow) from financing activities		**1,350,274**	**1,671,944**
Net increase / (decrease) in cash and cash equivalents		340,390	(164,115)
Cash and cash equivalents at the beginning of the year		187,672	351,787
Cash and cash equivalents at the end of the year*	9	**528,062**	**187,672**

* The Group classifies term deposits with maturity dates greater than three months and term deposits which are held as securities for bank guarantees as other financial assets. As at 30 June 2014 the Group held, in addition to cash and cash equivalents above, $100,000 (2013: $100,000) in term deposits.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements relate to the consolidated entity consisting of Raya Group Limited and its subsidiaries. Separate financial statements of Raya Group Limited as an individual entity are no longer presented as a consequence of a change to the *Corporations Act 2001*. Limited financial information for the parent entity, however, is disclosed in Note 25. It has been prepared on the same basis as the consolidated financial statements, as set out below.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*. Raya Group Limited is a for-profit entity for the purpose of preparing financial statements.

Compliance with IFRS
This financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Historical cost convention
These financial statements have been prepared under the historical cost convention.

Critical accounting estimates and judgements
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

New and amended standards adopted by the group
A number of new and revised standards are effective for annual reporting periods beginning on or after 1 January 2013 and include:

- AASB 10 *Consolidated Financial Statements,* AASB 11 *Joint Arrangements,* AASB 12 *Disclosure of Interests in Other Entities,* AASB 128 *Investments in Associates and Joint Ventures,* AASB 127 *Separate Financial Statements;*
- AASB 13 *Fair Value Measurement*; and
- AASB 119 *Employee Benefits (September 2011)*.

The adoption of AASB 10, AASB 11, AASB 13 and AASB 119 and related amendments resulted in changes to accounting policies but no adjustments to the amounts recognised in the financial statements.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Raya Group Limited ("company" or "parent entity") as at 30 June 2014 and the results of all subsidiaries for the year then ended. Raya Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(f)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Raya Group Limited.

1. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(ii) *Joint arrangements*

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Raya Group Limited has both joint operations and joint ventures.

Joint operations

Raya Group Limited recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in note 29.

Joint ventures

Interests in joint ventures are accounted for using the equity method after initially being recognised at cost in the consolidated balance sheet.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

(d) Revenue and other income recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Interest revenue

Interest is recognised on a time proportion basis using the effective interest method.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are accounted for by deducting the grant in calculating the carrying amount of the asset. The grant is recognised in profit or loss over the life of the asset as a reduced amortisation expense. In the absence of amortisation, no benefit from the government grant is recognised in profit or loss.

1. Summary of significant accounting policies (continued)

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amounts and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation legislation

Raya Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax consolidated group, using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities or assets and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts referred to in the following section. Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustment to deferred tax assets arising from unused tax losses, as a result of revised assessments of the probability of recoverability, is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement, which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts.

The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity, in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements.

1. Summary of significant accounting policies (continued)

(f) Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(g) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

(h) Cash and cash equivalents

For cash-flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Exploration and evaluation expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in profit or loss.

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest or by its sale; or
(ii) activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the geothermal activity in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to property and development assets within property, plant and equipment.

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration and evaluation phases that give rise to the need for restoration. Accordingly, these costs will be recognised gradually over the life of the project as the phases occur.

1. Summary of significant accounting policies (continued)

(j) Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade and other receivables are generally due for settlement within 30 days.

(k) Investments and other financial assets
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available-for-sale, loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the assets were acquired. At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit and loss are expensed in the statement of comprehensive income in the period in which they occur.

The Group has no financial assets designated as available-for-sale.

Held-to-maturity investments
Held-to-maturity investments are subsequently carried at amortised cost using the effective interest method. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Fair value through profit and loss
Gains or losses arising from changes in the fair value of the financial assets at fair value through profit and loss are presented in the statement of changes in comprehensive income with other income or other expenses in the period in which they arise. Dividend income from financial assets through profit and loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when the group's right to receive payments is established.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest rate method. The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(l) Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Contributed equity
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(n) Leases
Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the estimated useful life of the asset. Where there is no reasonable certainty that the lessee will obtain ownership, the asset is depreciated over the shorter of the lease term and the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

1. Summary of significant accounting policies (continued)

(o) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of assets is calculated on the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. The depreciation rates used for each class of depreciable asset are:

Classification	*Rate*	*Depreciation Basis*
Plant and equipment	10 – 33%	Straight Line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(p) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(i) Other long-term employee benefits

The liability for long service leave and annual leave which is not expected to be wholly settled within 12 months after the end

of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expect future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(ii) Superannuation

The Group makes contributions to defined contribution superannuation funds. Contributions are recognised as an expense as they become payable.

(iii) Share-based payments

Share-based compensation benefits are provided to employees.

The fair value at grant date is determined using an option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

1. Summary of significant accounting policies (continued)

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(r) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

(s) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(t) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

1. Summary of significant accounting policies (continued)

(u) New accounting standards and interpretations

Relevant accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the year are as follows:

Standard/Interpretation	Application date of standard	Application date for the Group
AASB 9 *Financial Instruments – revised* and consequential amendments to other accounting standards resulting from its issue	1 Jan 2018	1 Jul 2018
AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*	1 Jan 2014	1 Jul 2014
AASB 2013-3 *Amendments to AASB136 – Recoverable Amount Disclosures for Non-Financial Assets*	1 Jan 2014	1 Jul 2014
AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*	1 Jan 2014	1 Jul 2014
AASB 2014-1 Part A *Amendments to Australian Accounting Standards – Annual Improvements 2010-2012 and 2011-2013*	1 Jul 2014	1 Jul 2014
Interpretation 21 *Levies*	1 Jan 2014	1 Jul 2014
IFRS 15* *Revenue from Contracts with Customers*	1 Jan 2017	1 Jul 2017
AASB 2014-4 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 Jan 2016	1 Jul 2016
AASB 2014-3 *Accounting for Acquisitions of Interests In Joint Operations*	1 Jan 2016	1 Jul 2016

** This IASB Standard was also issued but not yet effective, although the Australian equivalent standard has not yet been issued.*

The Directors anticipate that the adoption of these Standards and Interpretations in future years may have the following impacts:

AASB 9 – This revised standard provides guidance on the classification and measurement of financial assets, which is the first phase of a multi-phase project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. Under the new guidance, a financial asset is to be measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are payments solely of principal and interest (on the principal amount outstanding). All other financial assets are to be measured at fair value. Changes in the fair value of investments in equity securities that are not part of a trading activity may be reported directly in equity, but upon realisation those accumulated changes in value are not recycled to the profit or loss. Changes in the fair value of all other financial assets carried at fair value are reported in the profit or loss. The Group is yet to assess the impact of the new standard. In the second phase of the replacement project, the revised standard incorporates amended requirements for the classification and measurement of financial liabilities. The new requirements pertain to liabilities at fair value through profit or loss, whereby the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than profit or loss. There will be no impact on the Group's accounting for financial liabilities, as the Group does not have any liabilities at fair value through profit or loss. Recent amendments as part of the project introduced a new hedge accounting model to simplify hedge accounting requirements and more closely align hedge accounting with risk management activities. There will be no impact on the Group's accounting, as the Group does not utilise hedge accounting.

AASB 2012-3 – This amendment to AASB132 clarifies when an entity has a legally enforceable right to set-off financial assets and financial liabilities permitting entities to present balances net on the balance sheet. There will be no impact on the Group's accounting, as the Group does not off-set financial assets and liabilities.

AASB 2013-3 – These amendments introduce additional disclosure requirements where the recoverable amount of impaired assets is based on fair value less cost of disposal. There will be no impact on the Group's disclosures as the Group does not determine the recoverable amounts of impaired asset using fair value less cost of disposal.

AASB 2013-5 – These amendments to AASB10 (and others) define an investment entity and require that, with limited exceptions, an investment entity not consolidate its subsidiaries or apply AASB 3 when it obtains control of another entity. Instead, an investment entity is to measure unconsolidated subsidiaries at fair value through profit or loss in accordance with AASB 9. There will be no impact on the Group as it does not meet the definition of an investment entity.

1. Summary of significant accounting policies (continued)

(u) New accounting standards and interpretations (continued)

AASB 2014-1 Part A – These amendments introduce various changes to AASBs. The Group does not anticipate any significant changes resulting from the application of these amendments.

Interpretation 21 – This interpretation clarifies the circumstances which a liability to pay a levy imposed by a government, other than for income taxes and fines/breaches imposed for breaches of legislation, should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. The Group does not anticipate any significant changes resulting from the application of these amendments.

IFRS 15 – This new standard contains a single model that applies to contracts with customers and two approaches to recognising revenue. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised. The Group is yet to assess the impact of the new standard.

AASB 2014-4 – These amendments introduce a rebuttable presumption that the use of revenue-based depreciation/amortisation methods for intangible assets is inappropriate and for property, plant and equipment it cannot be used. There will be no impact on the Group's accounting as it does not use revenue-based depreciation/amortisation methods.

AASB 2014-3 – This amendment sets out the business combination accounting required to be applied to acquisitions of interests in a joint operation that meets the definition of a business. The Group is yet to assess the impact of the new standard, if any.

Other than as noted above, the adoption of the various Australian Accounting Standards and Interpretations and IFRSs on issue but not yet effective will not impact the Group's accounting policies. However, the pronouncements may result in changes to information currently disclosed in the financial statements. The Group does not intend to adopt any of these pronouncements before their effective dates.

(v) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operated ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Raya Group Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

1. Summary of significant accounting policies (continued)

(v) Foreign currency translation (continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

(w) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(x) General

Raya Group Limited is a publicly listed company limited by shares, incorporated and domiciled in Australia and listed on the Australian Securities Exchange (ASX: RYG). Its registered office is:

Level 6, 412 Collins Street
Melbourne
Victoria 3000

2. Ongoing operations

During the year the consolidated entity incurred a loss after tax of $881,401 (2013: loss of $3,634,955).

The Directors are of the view that the Company will be able to maintain the funding requirements for the Company on a minimal operating basis. Supplemented by the realisation of liquid financial assets and/or further money raised through shares issued there is sufficient cash reserves to be able to meet administration and corporate costs, and to maintain a minimal exploration program. Given this, these financial statements have been prepared on a going concern basis, which assumes that the Group will realise its assets and extinguish its liabilities in the normal course of business.

Ongoing operations are dependent upon the matters described above. Should Raya not obtain sufficient funding through the realisation of liquid financial assets or through the issuance of share capital, there is significant uncertainty that it will be able to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report. No adjustments have been made relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary, should Raya not continue as a going concern.

3. Financial risk management

The Group's principal financial instruments comprise cash, term deposits and investments. The main purpose of these financial instruments is to manage the finances for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables and short term borrowings, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in speculative financial instruments shall be undertaken. This does not prevent the Group from holding financial assets for strategic purposes. The main risks arising from the Group's financial instruments are cash flow interest rate risk and foreign currency risk.

During the year the Group has had some transactional currency exposures, principally to the US dollar. The Group has not entered into forward currency contracts to hedge these exposures due to the short time frame associated with the currency exposure and the relatively modest overall exposure at any one point in time.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

Primary responsibility for identification and control of financial risk rests with the board of directors. However, the day-to-day management of these risks is under the control of the Managing Director and Chief Executive Officer. The board agrees the strategy for managing future cash flow requirements and projections.

3. Financial risk management (continued)

(a) Financial instruments

The Group holds the following financial instruments:

	2014 $	2013 $
Financial Assets		
Cash and cash equivalents *	528,062	187,672
Trade and other receivables *	13,560	99,360
Other financial assets *	100,000	100,000
Financial assets at fair value through profit or loss	91,667	-
	733,289	387,032
Financial Liabilities		
Trade and other payables **	126,628	278,305
Borrowings **	13,227	37,122
	139,855	315,427

* Loans and receivables category
** Financial liabilities at amortised cost category

(b) Market risk

(i) Foreign exchange risk

The Group operates internationally and are exposed to foreign exchange risk arising from various currency exposures. The Group's policy is to convert its local currency to the foreign currency at the time of the transaction. Foreign exchange risk arises from future commercial transactions and recognised financial liabilities denominated in a currency that is not the Group's functional currency (which is the Australian dollar).

The Group manages foreign exchange risk on an as-needs basis. The risk is measured using sensitivity analysis and cash-flow forecasting.

The Group's exposure to foreign currency risk at the reporting date was $nil (2013: $nil):

(ii) Price risk

The Group is not exposed to any significant equity security or commodity price risk.

(iii) Interest rate risk

The Group's exposure to interest rate risk arises predominantly from cash and cash equivalents bearing variable interest rates, as the Group intends to hold any fixed rate financial assets to maturity. At the end of the reporting period the Group maintained the following variable rate accounts:

	30 June 2014		30 June 2013	
	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Cash and cash equivalents	2.00%	528,062	2.00%	187,672

At the end of the reporting period, if the interest rates had changed, as illustrated in the table below, with all other variables remaining constant, after-tax profit and equity would have been affected as follows:

	After-tax profit higher / (lower)		Equity higher / (lower)	
	2014 $	2013 $	2014 $	2013 $
+1% (100bp)	5,281	1,877	5,281	1,877
-1% (100bp)	(5,281)	(1,877)	(5,281)	(1,877)

3. Financial risk management (continued)

(c) Credit risk

Credit risk primarily arises from cash and cash equivalents and term deposits deposited with banks. Cash and cash equivalents and term deposits are currently placed with Westpac Banking Corporation and Commonwealth Banking Corporation, which has an independently rated credit rating of AA. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in the table above.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents in order to meet the Group's forecast requirements. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in bank deposits. At reporting date, the Group did not have access to any undrawn borrowing facilities.

Maturity of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

30 June 2014	**Less than 3 months**	**Total contractual cash flows**	**Carrying amount**
	$	**$**	**$**
Trade and other payables	126,628	126,628	126,628
Borrowings	13,227	14,248	13,227

30 June 2013	**Less than 3 months**	**Total contractual cash flows**	**Carrying amount**
	$	**$**	**$**
Trade and other payables	278,305	278,308	278,305
Borrowings	37,122	37,122	37,122

(e) Fair value

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using calculation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. Is all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date; and
- the fair value of the remaining financial instruments is determine using discounted cash flow analysis.

The group has only one financial instrument held at fair value – financial assets at fair value through the profit or loss. This asset is considered Level 1 as it consists of an investment in a listed entity and quoted market prices are used to determine the fair value.

The carrying amount of financial assets (net of any provision for impairment) and financial liabilities as disclosed above is assumed to approximate their fair values primarily due to their short maturities.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The critical estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Exploration and evaluation expenditure
Exploration and evaluation assets relating to Australian areas of interest have been fully impaired during the year (refer note 13). Exploration and evaluation activities in all other areas of interest have not reached a stage to allow a reasonable assessment to be made regarding the existence of economically recoverable reserves. Accordingly, these exploration and evaluation assets may be subject to impairment in the future.

Rehabilitation
The Group assesses rehabilitation requirements at each reporting date by evaluating costs both for close down and restoration and for environmental cleanup costs. Provision is made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs.

Tax Losses

As detailed in Note 8, the Group has unrecognised deferred tax assets relating to temporary differences and tax losses, of $8,037,410 as at 30 June 2014 (2013: $7,157,059). The Group has determined that the unrecognised deferred tax assets are available to offset future taxable profits.

Classification of joint arrangements

Sokoria Indonesia
The entity's joint venture, P.T Sokoria Geothermal Indonesia, makes up the investments accounted for using the equity method (refer note 14). The reporting entity holds 45% of the interest in the arrangement and 50% voting power. Under the joint arrangement agreement unanimous consent is required from all parties to the agreement for all relevant activities. The reporting entity and the parties to the agreement only have rights to the net assets of the company thought the terms of the contractual arrangements. Other facts and circumstances however have also been considered to determine the classification of this arrangement.

The level of output taken by the parties to the joint arrangement is not considered substantial to indicate that the arrangement has been set up primarily for the provision of output to the parties and that they have direct rights to substantially all of the economic benefits of the arrangement. Similarly, the parties are not considered to be substantially the only source of cash flows contributing to the continuity of the arrangement, indicating that the parties do not have a direct obligation for the liabilities relating to the arrangement.

This arrangement is therefore classified as a joint venture of the reporting entity.

Dairi Prima and Ngebel

The reporting entity currently recognises the joint arrangements referred to as Dairi Prima and Ngebel as joint operations (refer note 13). All parties that have joint control within the arrangements have rights to their share of the assets, and obligation for the liabilities incurred in relation to the joint arrangements.

These arrangements are therefore classified as joint operations of the reporting entity.

5. Operating segments

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on a geographic basis that is the location of the respective areas of interest (tenements). Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and meet the other aggregation criteria of AASB 8 Operating Segments.

Activity by segment

Penola Trough

The activities in this area focus on the company's activities in the GEL 223 area in the south-east of South Australia.

These tenements are all 100% owned by the Raya group.

Limestone Coast

The activities in this area focus on the company's activities in the GEL 611 area in the south-east of South Australia.

These tenements are all 100% owned by the Raya group.

Indonesia

Raya has executed an Alliance Agreement with PT Bakrie Power (part of the listed PT Bakrie and Brothers Group) to work co-operatively on geothermal development opportunities in Indonesia; securing interests in three geothermal projects in Indonesia – comprising:

- Sokoria Geothermal Project, under 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, under 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, under 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 in the Himalayan Geothermal Province of Northern India, in a joint venture between Raya and Geosyndicate Power Private, under which Raya is earning in to a 49% interest. Raya is the Operator of this Project. An impairment charge has been recorded against the full carrying value of the asset as at 30 June 2014, however the Company remains committed to the development of the project and its involvement in the project.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the board of directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

As at 30 June all operating activities of the Group relate to the exploration and evaluation of its geothermal exploration tenements, including investments in joint ventures. Except for impairment losses in relation to exploration and evaluation expenditure, income and expenditure as per the statement of comprehensive income consist of incidental revenue including interest and corporate overhead expenditure which are not allocated to the Group's operating segments.

Accordingly only exploration and evaluation expenditure assets and investments in joint ventures are allocated to the Group's operating segments. All other assets and liabilities relate to corporate activities and are not allocated to operating segments.

(5) Operating segments (continued)

(i) Segment performance

	Penola Trough $	Other Limestone Coast $	Cooper Basin $	Indonesia $	Other International $	Total $
30 June 2014						
Total segment revenue	-	-	-	-	-	-
Impairment of capitalised tenement and joint venture costs	-	-	-	(134,072)	-	(134,072)
Segment result	-	-	-	(134,072)	-	(134,072)
Reconciliation of segment result to Group loss before tax						
Interest and R & D tax concession						297,730
Total group revenue						297,730
Employee & contracting expenses						(341,725)
Finance costs						(5,246)
Corporate advisory fees						(270,451)
Office running costs						(156,036)
Travel						(87,860)
Reporting expenses						(66,972)
Accounting and audit fees						(88,500)
Fair value loss on investments						(8,333)
Legal fees						(19,936)
Group loss before tax						(881,401)

5. Operating segments (continued)

(i) Segment performance (continued)

	Penola Trough $	Other Limestone Coast $	Cooper Basin $	Indonesia $	Other International $	Total $
30 June 2013						
Total segment revenue	-	-	-	-	-	-
Impairment of capitalised tenement costs	(106,872)	(11,323)	(47,486)	-	(1,810,677)	(1,976,358)
Segment result	(106,872)	(11,323)	(47,486)	-	(1,810,677)	(1,976,358)
Reconciliation of segment result to Group loss before tax						
Interest and other income						318,377
Total group revenue						318,377
Employee & contracting expenses						(945,875)
Finance costs						(4,671)
Corporate advisory fees						(255,272)
Office running costs						(189,912)
Travel						(164,445)
Reporting expenses						(106,272)
Office rentals						(89,201)
Accounting and audit fees						(86,428)
Depreciation and amortisation						(23,192)
Legal fees						(43,936)
Other expenses						(67,770)
Group loss before tax						(3,634,955)

	Penola Trough $	Other Limestone Coast $	Cooper Basin $	Indonesia $	Other International $	Total $
30 June 2014						
Segment assets	-	-	-	3,782,703	-	3,782,703
Reconciliations of segment assets to Group assets						
Unallocated assets						
Cash and cash equivalents						528,062
Trade and other receivables						13,560
Other financial assets						100,000
Financial assets at fair value through profit and loss						91,667
Total Group assets						4,515,992
Segment asset movements for the year:						
Capital expenditure (refunds)	-	-	-	56,939	-	56,939
	-	-	-	56,939	-	56,939

5. Operating segments (continued)

(ii) Segment assets and liabilities

	Penola Trough $	Other Limestone Coast $	Cooper Basin $	Indonesia $	Other International $	Total $
30 June 2013						
Segment assets	-	-	-	3,725,764	-	3,725,764
Reconciliations of segment assets to Group assets						
Unallocated assets						
Cash and cash equivalents						187,672
Trade and other receivables						99,360
Other financial assets						100,000
Total Group assets						4,112,796
Segment asset movements for the year:						
Capital expenditure	106,872	11,323	47,486	649,326	-	815,007
Impairments	(106,872)	(11,323)	(47,486)	-	(1,810,677)	(1,976,358)
	-	-	-	649,326	(1,810,672)	(1,161,351)

6. Revenue and other income

	2014 $	2013 $
Interest revenue	12,918	10,092
R and D tax concession	284,812	308,285
	297,730	318,377

7. Expenses

Loss before income tax includes the following specific expenses:

	2014	2013
Rental expenses relating to operating leases – minimum lease rentals	-	47,336
Defined contribution superannuation expense	25,806	27,538

8. Income tax

	2014 $	2013 $
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
	-	-

	2014 $	2013 $
(b) Reconciliation of income tax expense to prima facie income tax		
Loss before income tax	(881,401)	(3,634,955)
Tax at the Australian tax rate of 30% (2013: 30%)	(264,420)	(1,090,487)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Sundry items	85,820	19,806
	(178,601)	(1,070,681)
Deferred tax asset not recognised	178,601	1,070,681
Income tax expense	-	-

	2014 $	2013 $
(c) Deferred tax assets / liabilities comprise		
Exploration & evaluation – geothermal	5,322,975	5,363,473
Property, plant and equipment	4,310	6,235
Accruals	-	28,010
Provision – rehabilitation	-	-
S 40-880 capital raising expenses and legal fees	84,094	179,093
S 40-880 legal fees	-	1,522
S 40-880 geothermal resources	6,978	389,961
Tax losses available for offset against future taxable income[(1)]	8,037,010	7,157,059
Net deferred tax assets	13,455,367	13,125,353
Deferred tax assets not recognised	(13,455,367)	(13,125,353)
	-	-

[1)] Includes capital losses of $483,539 (2013: $483,539).

8. Income tax (continued)

	2014 $	2013 $
(d) Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Temporary differences and tax losses at 30% (2013: 30%)	13,455,367	13,125,353

Tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits from the deferred tax assets.

(e) Tax consolidation legislation

Raya Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in note 1(e).

No amounts were recognised during the year (2013: $nil) as tax consolidation contributions by, or distributions to, equity participants.

9. Cash and cash equivalents

	2014 $	2013 $
Cash at bank and on hand	528,062	187,672

10. Trade and other receivables

	2014 $	2013 $
Current		
Other receivables and prepayments	13,560	99,360

Other receivables and prepayment as at 30 June 2013 mainly represent GST amounts awaiting reimbursement from Australian Taxation Office (in the ordinary course of business) and prepaid expenditure (2014: prepaid expenditure). None of the balances within other receivables are past due or contain impaired assets.

11. Other financial assets (current)

	2014 $	2013 $
Term deposits (i)	100,000	100,000
Investments in listed entities (ii)	91,667	-
	191,667	100,000

(i) Term deposits as at 30 June 2013 and 30 June 2014 are held as security in favour of the South Australian Government (PIRSA) for the Limestone Coast tenements. The term deposits are recognised and measured as Held-to-maturity financial assets.
(ii) Investments in listed entities are designated at Fair Value through Profit or Loss.

12. Property, plant and equipment

	2014 $	2013 $
Plant and equipment		
At cost	-	-
Accumulated depreciation	-	-
	-	-
Carrying amount at beginning of year	-	23,192
Additions	-	-
Disposals	-	-
Depreciation	-	(23,192)
Carrying amount at end of year	-	-

13. Exploration and evaluation expenditure

Tenements and information – geothermal energy	**2014 $**	**2013 $**
At cost	30,650,755	30,652,318
Less: Provision for impairment	(28,696,758)	(28,696,758)
	1,953,997	1,955,560

Carrying amount at beginning of year	1,955,560	3,352,894
Additions	-	579,024
Impairment of Exploration and evaluation expenditure(1)(2)	(1,563)	(1,976,358)
Carrying amount at end of year	1,953,997	1,955,560

The ultimate recoupment of these costs is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(1) During the 2013 year an impairment charge of $1,976,358 was been recorded in the profit and loss statement in relation to exploration and evaluation expenditure relating to all Indian areas of interest in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, as the Group has not made any advances on this project during the last 2 years. A further $165,681 costs relating to the Australian projects have been written-off as incurred. Impairment charge for 2013 relates to the decision by Directors during 2013 to provide in full for the carrying value of all of the Australian assets, principally due to lack of support for the geothermal sector in Australia by the Australian Federal Government.
(2) During the 2014 year an impairment charge of $1,563 was recorded in the statement of comprehensive income in relation to exploration and evaluation expenditure relating to Indonesian interests in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources.*

14. Investment accounted for using the equity method

	2014	2013
Interest in joint venture entity (refer note 29)	1,828,704	1,770,204
Carrying amount at beginning of year	1,770,204	1,534,221
Additions	191,009	235,983
Impairment(1)	(132,509)	-
Carrying amount at end of year	1,828,704	1,770,204

(1) During the 2014 year an impairment charge of $132,509 was recorded in the statement of comprehensive income in relation to expenditure relating to Indonesian interests in the joint venture.

15. Trade and other payables

	2014	2013
Trade payables	89,612	143,578
Accruals	37,016	134,727
Total trade and other payables	126,628	278,305

Trade payables and accruals are generally unsecured, non-interest bearing and are generally due 30 to 60 days from the date of recognition.

16. Borrowings

	2014	2013
Current		
Insurance premium funding	13,227	37,122

Insurance premium funding has a fixed interest rate of approximately 9.7% (2013: 5.5%) and is carried at amortised cost.

17. Provisions

	2014 $	2013 $
Current		
Rehabilitation	81,332	-
Non-current		
Rehabilitation	189,774	271,106
	271,106	271,106

The provision for rehabilitation relates to the Group's tenement interests that the group may be required to rehabilitate land and surrounding environment to its original condition. There have been no movements in the carrying value of the Provision for Rehabilitation during the last two financial years.

18. Contributed equity

	2014 $	2013 $
Ordinary shares – fully paid	44,662,924	43,288,755

(a) Movements in equity

	No. of Shares	$
Balance at 30 June 2012	**456,540,455**	**41,606,633**
Issue of shares – Rights Issue (i)	158,288,367	1,108,018
Issue of shares – Placement (ii)	150,000,000	225,000
Issue of shares – exercise options	164,677	1,646
Issue of shares – Deer Valley Management LLC (iii)	81,833,333	120,000
Total shares on issue prior to 1 for 10 share consolidation (iv)	846,826,832	43,061,297
Adjustment arising from 1 for 10 share consolidation (iv)	(762,143,803)	-
Issue of shares – Placement (v)	12,500,000	125,000
Issue of shares – Share Purchase Plan (vi)	34,800,000	348,000
Issue of shares – Directors Allotment (vii)	35,000,000	35,000
Share issue expenses	-	(280,542)
Balance at 30 June 2013	**166,983,029**	**43,288,755**
Issue of shares – Share Purchase Plan, Melbourne Capital (viii)	122,000,000	1,220,000
Issue of shares – Share Purchase Plan, Directors (viii)	17,500,000	175,000
Issue of shares – Share Purchase Plan, Sophisticated Investors (viii)	16,000,000	165,000
Issue of shares – Melbourne Capital compensation (viii)	20,000,000	200,000
Share issue expenses	-	(385,831)
Balance at 30 June 2014	**342,483,029**	44,662,924

(i) On 8 August 2012, Raya announced the completion of a pro-rata renounceable rights offer which closed on 3 August 2012. The issue raised $1.1 million before costs of the offer. The shares were issued at $0.007 per share and the shares issued also received listed options on the basis of one listed option for every two new shares subscribed for, with a strike price of $0.01 and exercisable on or before 31 December 2014. 158,288,367 shares and 79,144,163 listed options were issued on 14 August 2012. 78,571,429 listed options with a strike price of $0.01, exercisable on or before 31 December 2014 were also issued as part of the underwriting fee pursuant to the underwriting agreement were issued on 14 August 2012.

(ii) On 19 February 2013, the Company announced the completion of a placement to Sophisticated Investors to raise $225,000 at an issue price of $0.0015 per share. All shares issued under the placement received a one-for-one attaching unlisted option with a three year exercise period and a strike price of $0.0015 per share.

(iii) On 9 November 2012, the Company announced that it had secured a Share Placement Facility Agreement ("Facility") with New York based Deer Valley Management, LLC ("Deer Valley") to provide a working capital facility of $AUD 5 million, capable of being drawn upon by Raya over the next three years (being the three years commencing on 9 November 2012). The following share issues have taken place under this Facility during November and December 2012 - 8,500,000 shares issued at $0.004117 per share; 23,333,333 shares issued at $0.0015 per share, and 50,000,000 shares issued at $0.001 per share. The Facility was terminated on 18 February 2013.

18. Contributed equity (continued)

(a) Movements in equity (continued)

(iv) An Extra-Ordinary General Meeting of the Company held in April 2013 approved a consolidation of the Company's issues share capital on a 1 for 10 basis.

(v) On 1 May 2013, the Company announced the completion of a placement to Sophisticated Investors to raise $125,000 at an issue price of $0.01 per share. All shares issued under the placement received a one-for-one attaching listed option with a three year exercise period and a strike price of $0.015 per share.

(vi) On 1 May 2013, the Company announced a Share Purchase Plan to raise up to approximately $2.9 million at an issue price of $0.01 per share, with a one-for-one attaching listed option with a three year exercise period and a strike price of $0.015 per share. A portion of the Share Purchase Plan was settled prior to the end of the financial year, with the placement of a large portion of the Share Purchase Plan shortfall placed to Sophisticated Investors in July 2013 (refer (viii) below).

(vii) An Extra-Ordinary General Meeting of the Company held in June 2013 approved the issue of a total of 35,000,000 shares to Directors (Athan Lekkas for 12,500,000 shares, and each of Kerry Parker, Michael Clarke, and David Wildy for 7,500,000 shares each, all at an issue price of $0.001 per share)

(viii) On 21 July 2013, Raya announced the completion of the placement of shortfall amounts under its recently completed Share Purchase Plan ("SPP"). Following the closure of the SPP, Raya has been able to place an additional amount of $1,560,000 to Sophisticated Investors and Directors. The placement of the SPP shortfall was managed by Melbourne Capital Limited ("Melbourne Capital") under a Mandate Agreement between Raya and Melbourne Capital that was signed in May 2013.

Listed options (on a one-for-one basis) were also issued as part of the placement of the SPP shortfall and these are noted below. As part of the compensation under the Mandate Agreement, Melbourne Capital received 20,000,000 ordinary shares and attaching options. The fair value of services received was determined to be $286,000, split $200,000 to ordinary shares and $86,000 to options issued.

Effective 1 July, 1998 the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the parent does not have authorised capital nor par value in respect of its issued shares.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern and to maintain a structure that ensures the lowest cost of capital available and to ensure adequate capital is available for exploration and evaluation of tenements.

In order to maintain or adjust the capital structure, the Group may seek to issue new shares.

Consistent with others in the industry, the Group monitors capital on the basis of forecast exploration and exploration expenditure required to reach a stage which permits a reasonable assessment of the existence or otherwise of an economically recoverable reserves. Total capital is calculated as 'equity' as shown in the statement of financial position.

18. Contributed equity (continued)

(c) Share options

At 30 June 2014, the following options for ordinary shares in Raya Group Limited were on issue:

	2014 Number	2013 Number*
Employee options (refer note 24) (i)	1,455,000	1,535,000
Unlisted Option (ii)	15,000,000	15,000,000
Listed options (ASX: RYGOA) (iii)	7,223,617	7,223,617
Listed options (ASX: RYGO) (iv)	15,755,160	15,755,160
Listed options (ASX: RYGOB) (v)	257,800,000	-
	297,233,777	39,513,777

*adjusted for 1 for 10 share consolidation

(i) Unlisted options with strike prices of between $0.40 to $1.80 and expiring between 30 July 2014 and 14 December 2016.

(ii) On 19 February 2013, the Company announced the completion of a placement to Sophisticated Investors to raise $225,000 at an issue price of $0.0015 per share. All shares issued under the placement received a one-for-one attaching unlisted option with a three year exercise period and a strike price of $0.0015 per share.

(iii) Strike price of $0.40, expiring 8 July 2014.

(iv) Strike price of $0.10, expiring 31 December 2014. Issued during the 2013 financial year as part of the Rights Issue in August 2012.

(v) A total of 257,800,000 listed options over ordinary shares (ASX; RYGOB) were issued, with a strike price of $0.015 and an expiry date of 21 July 2016. Of these 35,000,000 were granted to directors. As these options were unconditionally approved on 21 June 2013 and vested immediately, the related share-based payment of $150,500 was expensed in the 2013 financial year.

19. Reserves and accumulated losses

	2014 $	2013 $
(a) Reserves		
Share-based payments reserve	2,416,204	2,330,204
Movements:		
Share based payments reserve		
Balance at beginning of year	2,330,204	1,809,893
Share-based payments expense	86,000	520,311
Balance at end of year	2,416,204	2,330,204
(b) Accumulated losses		
Movements:		
Balance at beginning of year	(42,092,696)	(38,457,741)
Loss for the year	(881,401)	(3,634,955)
Balance at end of year	(42,974,097)	(42,092,696)

(c) Nature and purpose of reserves

Share based payments reserve

The share based payments reserve is used to recognise the fair value of options issued but not exercised, and the value of any shares issued at a discount.

20. Remuneration of auditors

	2014 $	2013 $
During the year the following fees were paid or payable for services provided by the auditor of the group:		
1. Audit services		
Pitcher Partners:		
Audit and review of financial reports	38,020	65,000

Audit fees in the current year include an accrual of $27,000 (2013: $35,000) for the current year audit.

	2014 $	2013 $
2. Non-audit services		
Pitcher Partners:		
Tax compliance services	4,480	17,180

21. Key management personnel

(a) Key management personnel compensation

	2014 $	2013 $
Salary and fees	228,145	546,953
Post-employment benefits	25,806	27,538
Termination benefits	-	32,928
Share-based payments	-	520,311
	253,951	1,127,730

(b) Other transactions with key management personnel

Mr Athan Lekkas, Mr Kerry Parker and Mr Michael Clarke are Directors and Shareholders of the Company “Resource Capital Finance and Advisory Pty Ltd” (“RCFA”) which provided Company Secretarial and Management Services to Raya Group Limited at commercial rates. An agreed monthly charge of $15,000 per month plus GST is charged for these services with additional fees for capital raising and accounting services. During the financial year, an amount of $74,813 plus GST was charged by RCFA to Raya Group Limited (2013: $45,000). No amounts are owing by Raya Group to RCFA as at the end of the financial year.

There were no other transactions with key management personnel other than reimbursement of expenses incurred by them in performing their respective duties.

22. Cash flow information

(a) Reconciliation of loss after income tax to net cash outflow from operating activities

	2014 $	2013 $
Loss for the year	(881,401)	(3,634,955)
Impairment of capitalised tenement and joint venture costs	134,072	1,976,358
Non-cash – share based payments	86,000	520,311
Depreciation and amortisation	-	23,192
Change in fair value	8,333	
Change in operating assets and liabilities:		
(Increase)/decrease in trade or other receivables	85,800	(7,390)
Increase/(decrease) in trade and other payables	(151,677)	124,224
Increase/(decrease) in provisions	-	(56,063)
Net cash outflow from operating activities	(718,873)	(1,054,323)

(b) Non-cash investing and financing activities

There were nil (2013: $Nil) non-cash investing and financing activities.

23. Earnings per share

	2014 Cents	2013 Cents
(a) Basic and diluted earnings per share		
Loss attributable to the ordinary equity holders of the company	(0.27)	(5.0)

(b) Weighted average number of ordinary shares used as the denominator

	2014 Number	2013 Number
Number used in calculating basic and diluted earnings per share	331,904,947	73,424,334

(c) Information concerning earnings per share:

Options granted are considered to be potential ordinary shares. Details relating to options are set out in notes 18 and 24. In 2014 and 2013 the options are anti dilutive and are therefore not included in the calculation of diluted earnings per share. The options could potentially dilute basic earnings per share in the future.

The weighted average number of ordinary shares in 2013 has been adjusted to take into account the effect of the 1 for 10 share consolidation that occurred in April 2013.

24. Share-based payments

Options have been issued to all staff who have commenced with Raya. There is no formal employee share option plan. The number of options issued, the strike price of options issued and all other relevant terms have been set having regard to the persons position in the Group and level of experience. All employee options have a maximum life of 5 years. Such options vest according to the terms that are agreed at the time of grant between Raya and the employee. However options normally vest either immediately upon grant or progressively over the life of the option. Upon termination by either by Raya or by the employee, all vested options remain the property of the employee, with no change to the life of the option. Upon termination by either Raya or the employee, all unvested options normally lapse.

Set out below are summaries of options granted as share-based payments for services provided by directors and employees.

Grant Date	Expiry Date	Exercise Price *	Balance at start of the year Number	Lapsed during the year Number	Adjustment on 1 for 10 Share Consolidation	Granted during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
29/07/2011	28/07/2015	$0.040	157,500	-	-	-	157,500	157,500
29/07/2011	28/07/2015	$0.060	157,500	-	-	-	157,500	157,500
15/12/2011	14/12/2016	$0.075	475,000	-	-	-	475,000	475,000
15/12/2011	14/12/2016	$0.100	150,000	-	-	-	150,000	150,000
15/12/2011	14/12/2016	$0.125	100,000	-	-	-	100,000	100,000
15/12/2011	14/12/2016	$0.150	100,000	-	-	-	100,000	100,000
15/12/2011	14/12/2016	$0.100	275,000	-	-	-	275,000	275,000
12/06/2013*	21/07/2016	$0.015	35,000,000	-	-	-	35,000,000	35,000,000
			36,415,000	-	-	-	**36,415,000**	**36,415,000**
Weighted average exercise price			$0.018	-	-	-	$0.018	$0.018

Grant Date	Expiry Date	Exercise Price *	Balance at start of the year Number	Lapsed during the year Number	Adjustment on 1 for 10 Share Consolidation	Granted during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2013								
15/11/2007	18/11/2012	$0.200	2,000,000	(2,000,000)	-	-	-	-
15/11/2007	18/11/2012	$0.300	1,000,000	(1,000,000)	-	-	-	-
19/11/2007	19/11/2012	$0.200	100,000	(100,000)	-	-	-	-
04/02/2008	04/02/2013	$0.200	500,000	(500,000)	-	-	-	-
30/06/2008	30/06/2013	$0.200	200,000	(200,000)	-	-	-	-
01/07/2008	04/02/2013	$0.200	100,000	(100,000)	-	-	-	-
30/07/2009	25/12/2012	$0.180	400,000	(400,000)	-	-	-	-
25/11/2009	25/12/2012	$0.130	750,000	(750,000)	-	-	-	-
25/11/2009	25/12/2012	$0.250	500,000	(500,000)	-	-	-	-
29/07/2011	28/07/2015	$0.040	1,575,000	-	(1,417,500)	-	157,500	157,500
29/07/2011	28/07/2015	$0.060	1,575,000	-	(1,417,500)	-	157,500	157,500
15/12/2011	14/12/2016	$0.075	4,750,000	-	(4,275,000)	-	475,000	475,000
15/12/2011	14/12/2016	$0.100	1,500,000	-	(1,350,000)	-	150,000	150,000
15/12/2011	14/12/2016	$0.125	1,000,000	-	(900,000)	-	100,000	100,000
15/12/2011	14/12/2016	$0.150	1,000,000	-	(900,000)	-	100,000	100,000
15/12/2011	14/12/2016	$0.100	2,750,000	-	(2,475,000)	-	275,000	275,000
12/06/2013*	21/07/2016	$0.015	-	-	-	35,000,000	35,000,000	35,000,000
			19,700,000	**(5,550,000)**	**(12,735,000)**	**-**	**36,415,000**	**36,415,000**
Weighted average exercise price			$0.12	$0.02	$0.21	$0.09	$0.09	$0.09

*Exercise price is the amount after taking into consideration the 1 for 10 share consolidation.
** RYGOB listed options

The assessed fair value at grant date of options issued is determined using the Binomial Option Valuation Model which takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option. The valuation methodology applied has been crosschecked against the Black-Scholes Option Valuation Model as a reasonableness measure.

24. Share based payments (continued)

In addition to the above, 20,000,000 options (RYGOB) were issued to Melbourne Capital as part of their compensation. Refer note 18 for further details.

In respect of the options issued to directors and Melbourne Capital during the 2014 and 2013 year, the model inputs were as follows:

	Inputs
Consideration	Nil
Life	3 years
Share price at grant date	$0.011
Expected volatility	82.8%
Expected dividend yield	0%
Risk free interest rate	2.50%

The weighted average fair value of options granted in 2013 and 2014 (both being RYGOB listed options) was $0.0043. The expected price volatility is based on the historical volatility of a number of similar entities (based on a period with a similar life of the options).

	2014 $	2013 $
Expenses arising from share-based transactions		
Total expenses arising from share-based payment transactions recognised during the period as part of employee benefits expense were as follows:		
Options issued to directors and employees	-	520,311
Options issued to Melbourne Capital	86,000	-
	86,000	520,311

25. Parent entity disclosures

As at and throughout the financial year ending 30 June 2014 the parent entity of the Group was Raya Group Limited.

a) Summary financial information
The individual financial statements for the parent entity show the following aggregations.

	Raya Group Limited 2014 $	Raya Group Limited 2013 $
Results		
Loss for the year	(608,552)	(3,686,854)
Total comprehensive income/(loss) for the year	(608,552)	(3,686,854)
Financial Position		
Current assets	641,381	356,354
Non-current assets	3,864,406	3,473,386
	4,505,787	3,829,740
Current liabilities	139,856	315,425
Non-current liabilities	-	-
	139,856	315,425
Net Assets	4,365,931	3,514,315
Contributed equity	44,662,924	43,288,755
Share-based payments reserve	2,416,204	2,330,204
Accumulated losses	(42,713,197)	(42,104,644)
	4,365,931	3,514,315

25. Parent entity disclosures (continued)

b) Guarantees entered into by the parent entity

Raya Group Limited and its subsidiaries are parties to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of the group companies. Refer note 28.

c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013.

d) Contractual commitments for capital expenditure

The parent entity did not have any contractual commitments for capital expenditure as at 30 June 2014 (2013: $nil)

26. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

Name of entity	Country of incorporation	Class of shares	Equity holding (1) 2014 %	Equity holding (1) 2013 %
Panax Holdings Pty Ltd	Australia	Ordinary	100	100
Scopenergy Pty Ltd	Australia	Ordinary	100	100
Scopenergy Petroleum Pty Ltd (2)	Australia	Ordinary	100	100
Osiris Energy Ltd	Australia	Ordinary	100	100
Panax Geothermal (Singapore) No.1 Pte Ltd	Singapore	Ordinary	100	100
Panax Geothermal (Singapore) No. 2 Pte Ltd	Singapore	Ordinary	100	100
Panax Geothermal (Singapore) No. 3 Pte Ltd	Singapore	Ordinary	100	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.
(2) A 100% controlled entity of Scopenergy Pty Ltd.

27. Commitments

Operating leases

No operating leases existed as at 30 June 2014 (2013: Nil)

Exploration expenditure

In order to maintain an interest in the exploration tenements in which the Group is involved, the Group is committed to meet the conditions under which the tenements were granted. The timing and amount of exploration expenditure and obligations of the Group are subject to the minimum expenditure requirements of the relevant regulatory bodies and may vary significantly from the forecast based on the results of the work performed, which will determine the prospectivity of the relevant area of interest. The obligations are not provided for in the financial statements.

Commitments in relation to minimum statutory expenditures with respect to tenements:

	2014 $	2013 $
Within one year	33,000	102,000
Later than one year but not later than five years	8,099,000	18,817,000
Later than five years	-	-
	8,132,000	18,919,000

28. Deed of cross guarantee

Raya Group Limited, Panax Holdings Pty Ltd, Scopenergy Pty Ltd, Scopenergy Petroleum Pty Ltd and Osiris Energy Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirements to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The above companies represent a 'closed group' for the purposes of the Class Order. Panax Geothermal (Singapore) Number 1 Pte. Ltd., Panax Geothermal (Singapore) Number 2 Pte. Ltd and Panax Geothermal (Singapore) Number 3 Pte. Ltd are 100% controlled subsidiaries of the company, however they are not party to the deed of cross guarantee.

The subsidiaries outside the closed group were established in the prior year. The total combined comprehensive income for these subsidiaries was $Nil for the year (2013 : $Nil). Accordingly, the statement of comprehensive income for the closed group equals that of the group for the year ended 30 June 2014 and 30 June 2013.

Set out below is a consolidated statement of financial position as at 30 June 2014 of the closed group and a summary of movements in consolidated retained earnings.

	2014 $	2013 $
Current assets		
Cash and cash equivalents	527,821	171,331
Trade and other receivables	13,560	85,023
Other financial assets	100,000	100,000
Total current assets	**641,381**	**356,354**
Non-current assets		
Receivables	3,864,166	3,473,146
Other financial assets	240	240
Property, plant and equipment	-	-
Total non-current assets	**3,864,406**	**3,473,386**
TOTAL ASSETS	**4,505,787**	**3,829,740**
Current liabilities		
Trade and other payables	126,628	278,305
Borrowings	13,228	37,120
Provisions	-	-
Total current liabilities	**139,856**	**315,425**
Non-current liabilities		
Provisions	-	-
Total non-current liabilities	**-**	**-**
TOTAL LIABILITIES	**139,856**	**315,425**
NET ASSETS	**4,365,931**	**3,514,315**
EQUITY		
Contributed equity	44,662,924	43,288,755
Reserves	2,416,204	2,330,204
Accumulated losses	(42,713,197)	(42,104,644)
TOTAL EQUITY	**4,365,931**	**3,514,315**
Accumulated losses		
Opening balance at 1 July	(42,104,645)	(38,417,790)
Total comprehensive income/(loss) for the year	(608,552)	(3,686,854)
Closing balance at 30 June	**(42,713,197)**	**(42,104,644)**

29. Interests in joint arrangements

The Group has the following significant interests in joint arrangements.

(a) Joint Arrangements

The Group has a 45 per cent equity shareholding in P.T. Sokoria Geothermal Indonesia with 50% voting power, a joint venture established in Indonesia with P.T. Bakrie Power, the Group's joint venture partner, to pursue the development of the Sokoria geothermal Project on the island of Flores in Indonesia.

Share of joint venture entity's assets and liabilities

	2014 $	2013 $
Non-current assets		
Exploration and evaluation expenditure	1,828,704	1,770,204
Net assets	1,828,704	1,770,204
Share of joint venture entity's revenue, expenses and results		
Revenue	-	-
Expenses	-	-
Profit/(loss) before tax	-	-
Share of exploration expenditure commitments	-	-

(b) Joint operations

The Group has a 51 per cent interest in the Dairi prima Geothermal Project, a joint operation with P.T. Bakrie power to jointly develop spare capacity of the Sibayak geothermal reserves in Northern Sumatra, Indonesia, to be supplied to the Dairi Prima mine. The Group controls $634,798 (2013: $631,596) of assets which have been included in exploration and evaluation expenditure (refer note 13). There are no further amounts recognised by the Group in respect of this joint venture operation.

30. Subsequent events

The following events have occurred subsequent to the end of the financial year but prior to the date of this financial report, the financial effects of which have not been reflected in this financial report for the financial year ended 30 June 2014:

The following events have occurred subsequent to the end of the financial year but prior to the date of this financial report, the financial effects of which have not been reflected in this financial report for the financial year ended 30 June 2014:

- On 16 July 2014, Raya announced the lapsing of options ASX:RYGOA with an expiry of 8 July 2014.
- On 23 July 2014, Raya announced the appointment of Mr Daniel Lanskey as Chief Operating Officer and secured the services of ASC Resources (ASC) to assist in acquiring onshore oil and gas development projects in the USA.
- On 30 July 2014, Raya announced the completion of the first tranche placement to clients of Peloton Capital. The placement of the first tranche comprised the issue of 16,666,667 ordinary shares at 1.5 cents per share to raise $250,000 cash. Listed options (on a one-for-one basis) were also issued as part of the placement to the Sophisticated Investors
- The second tranche placement of $500,000 to be subscribed by ASC Resources Pty Ltd and/or its nominees awaits shareholder approval at the next Extraordinary General Meeting.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  (ii) giving a true and fair view of the group's financial position as at 30 June 2014 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a); and

(c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(d) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 28 will be able to meet any obligation or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 28.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of directors.

____
Athan Lekkas
Director

Brisbane
25 September 2014

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Independent Auditor's Report to the Members of Raya Group Limited

Report on the financial report

We have audited the accompanying financial report of Raya Group Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

a) the financial report of Raya Group Limited is in accordance with the *Corporations Act 2001*, including:
   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
   ii. complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*; and
b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the deferral of discretionary expenditure and the supplementation of funding through the realisation of liquid financial assets and/or further share capital issues. In the absence of being able to defer expenditure or supplement existing cash reserves as described in Note 2, a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern and therefore, the ability to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report contained on pages 9 to 14 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the Remuneration Report of Raya Group Limited for the year ended 30 June 2014 complies with Section 300A of the *Corporations Act 2001*.

PITCHER PARTNERS

N BATTERS
Partner

Brisbane, Queensland
25 September 2014