

## Acquisition of New Mining Prospect

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Orion Minerals Group Limited (“OMG”) has, through a wholly owned and recently formed Chilean incorporated subsidiary, Orion Group Holding Limitada, acquired ownership of Contractual Minera Varray (“CMV”) a Chilean incorporated company.

CMV is a special purpose vehicle which holds a 13 year lease to exploit a mining prospect called “Resguardo”, situated in the Third Region of Chile.

CMV is currently undertaking a drilling campaign with diamond drillings and the preliminary summary reports on these drillings show the presence of three iron ore deposits.

As OMG is a small company its capital and human resources are limited. Within these resource limits OMG must prioritise its activities so as to ensure that it exploits the most cost effective and profitable opportunities available to it. To this end, initial advice provided to the Board of OMG indicates that the Resguardo resource may have the following advantages over the existing Javiera mining prospect owned by OMG:

- Resguardo may be easier and more economical to mine;
- Resguardo is located closer to the port.

To date CMV has no definitive detailed reports on Resguardo which confirm the proven or inferred tonnes of iron ore present at the prospect, nor conclusive chemical analysis. These reports are expected to be available within the next three to four months.

On the above basis, the Board of OMG believes it prudent to fully explore the prospective Resguardo opportunity afforded to OMG before committing to the expenditure of the majority of OMG’s resources.

### Terms of the Resguardo Lease

The lease is between CMV and Southern Copper Corporation, a Peruvian based company.

The initial term of the Lease is for a term of 13 years.

There are limited rights of renewal, subject to either party resolving to terminate the lease at the end of the initial term of the lease, and any renewed term.

The royalty or rent for the Mining Property will be determined according to the percentage of iron in the iron concentrate product produced by CMV and the "freight on board" ("FOB") selling price of the iron ore shipment.

The base price for calculating the royalty is USD40.00 per tonne of iron ore concentrate shipped FOB, with a minimum grade of 64% Fe. At a sales price of USD40.00 FOB per tonne and a grade of 64% the royalty will be USD1.00 per tonne. If the FOB sale price is higher than the base price the royalty will increase according to the percentage Fe concentrate and the FOB price. The minimum royalty will be USD1.00 per tonne.

CMV is only able to mine iron ore and not other minerals that may be deposited within the prospect.

#### Terms of the Acquisition

The shares in CMV were acquired by Orion Group Holding Limitada from interests associated with Francisco Barriga, a director and significant shareholder of OMG for a consideration of USD3,294.

CMV has to date been funded by interests associated with Mr Barriga, and as at the date of the completion of the acquisition, CMV was indebted to Mr Barriga for a sum of approximately USD278,194. The parties have agreed that CMV will not be obliged to repay those sums unless the results of the drilling programme and geological and laboratory testing concludes that the mine possesses a minimum reserve of thirty million tonnes of iron ore with a Fe percentage of between 30 to 55 percent of total iron ore ("Condition Subsequent"). Similarly in the event that the Condition Subsequent is not satisfied, the entire transaction can be unwound at the option of OMG.

OMG will be responsible for funding the balance of the drilling programme currently being undertaken by CMV.

#### Javiera Mining Prospect

The prioritisation of OMG's resources to the Resguardo project means that OMG has spent little time developing its existing Javiera resource. However preliminary reports indicate that the Javiera mine may be more expensive to mine than originally contemplated by the executive of OMG, and further study may indicate the mine is uneconomic to develop at current levels. OMG is seeking further expert advice and analysis on this issue and, following receipt and consideration of this advice and analysis, will reassess the viability and carrying value of the Javiera Mining prospect.

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