

Buyback and Cancellation of 510 Million Shares

Orion Minerals Group Limited (“OMG”) has determined that the Javiera mining concession will be more expensive to mine than originally contemplated by the executive of Minera Varry S.A., and that the Javiera concession will ultimately be uneconomic to develop in its current form.

As a consequence of this development, the independent directors of OMG have been in discussions with Inversiones Barriga S.A (“Inversiones”), the single largest shareholder of OMG and the original vendor of the Javiera concession, with a view to reconciling both party’s economic interests in respect of the original transaction in an equitable manner.

Accordingly OMG has entered into a conditional arrangement with Inversiones to transfer to Inversiones the shares held by OMG in its wholly owned subsidiary, Minera Varry S.A, which company holds the Javiera concession, in consideration for OMG buying back and cancelling the 510 million OMG shares held by Inversiones (“the Inversiones Shares”).

The Board of OMG believes that:

- OMG’s limited financial resources are best focused on exploiting the Resguardo concession held by Contractual Minera Varry, another wholly owned subsidiary of the Company;
- the arrangement is in the best interests of OMG and its non interested shareholders, because the share capital of OMG will be reduced by 510 million shares in consideration for the disposal of an asset which has little or no value to OMG;
- The economic interests of the non interested shareholders in the remaining assets of OMG and its subsidiaries would increase as a consequence of the significant reduction in share capital.

Notwithstanding that Inversiones is acquiring the shares in Minera Varry, Inversiones has granted OMG a first right of refusal to purchase the shares in Minera Varry S.A and the Javiera mining concession. In addition, Inversiones has also granted OMG a first right of refusal to mine the Javiera mining concession.

The arrangement is conditional upon OMG complying with a number of procedural Companies Act issues associated with the buyback by OMG of the Inversiones Shares.

Francisco Barriga has a relevant interest in the Inversiones Shares and Inversiones Barriga S.A which are the subject of the transaction.

Disclosure Notice

Before OMG may formally acquire the Inversiones Shares, the Company is required to send a Disclosure Notice to all shareholders of OMG specifying that information required by section 62 of the Companies Act 1993.

A Disclosure Notice will be mailed out to all shareholders shortly and a copy of that Notice will be released to the market contemporaneously.

Special Meeting of Shareholders

Shareholders will be asked to vote on the acquisition, which is to be approved by special resolution, in accordance with the requirements of the NZAX Listing Rules and an ordinary resolution in accordance with the requirements of the Takeovers Code.

A Notice of Special Meeting of Shareholder's will be circulated to all Shareholders in due course. The Notice of Special Meeting will contain further information about the terms of the prospective sale of Minera Varry and the acquisition by the Company of the IBS Shares.

Other arrangements

In addition to the sale of the Minera Varry Shares by OMG and the purchase of the Inversiones Shares, the following arrangements have been entered into:

- Mr Barriga will transfer all of his interests in a prospective mining concession known as "Pelicano 1 to 10", located in Northern Chile, to OMG at no additional cost to OMG;
- Interests associated with Mr Barriga will grant to OMG (or its nominee), at OMG's election, the right to lease and mine a concession called the "Don Francisco concession" owned by interests associated with Mr Barriga, and located in northern Chile. The terms of the lease are to be no less favourable to OMG as those afforded to OMG's subsidiary company, Contractual Minera Varry ("CMV"), within the lease held by CMV in respect of the "Resguardo" mine between CMV and Southern Copper Corporation;
- Mr Barriga has resigned as a director and executive of each of OMG and its subsidiary companies, effective immediately;
- No payments are payable by OMG or any of its subsidiaries to Mr Barriga;

The above arrangements are effective immediately and not subject to the satisfaction of any conditions.

Impairment of Goodwill

OMG advises that its audited 2009 financial result will vary materially from the unaudited results released on 14 September 2009. The change will reflect the impairment of goodwill generated by the acquisition of the Minera Varry S.A. asset. As the Minera Varry S.A. transaction is now effectively being cancelled the Directors believe the goodwill should be written off. The impairment is expected to be approximately US\$307,220.

Obligation to issue new shares to Fengli

As previously advised to the market on 9 January 2009, OMG agreed as part of the subscription arrangements entered into with Fengli Group (Hong Kong) Co. Limited ("Fengli") that it would, not later than 30 September 2009, provide Fengli with evidence from an independent geologist that the mines owned by Minera Varry SA shall have not less than 100 million tonnes of proven reserves of iron ore located therein. The arrangements provided that should OMG not provide Fengli with such satisfactory evidence, then OMG would be obliged to issue to Fengli 25 million ordinary fully paid shares in the Company as compensation for not satisfying that requirement.

OMG has not satisfied this requirement, and accordingly OMG is required to issue a further 25 million ordinary shares to Fengli. OMG will issue these shares in due course.

ORION MINERALS GROUP LIMITED

Roger Gower
Director