
ORION MINERALS GROUP LIMITED

INDEPENDENT ADVISERS REPORT

**In respect of the proposed buy-back and
cancellation of ordinary shares held by
Inversiones Barriga S.A. in Orion Minerals
Group Limited**

Prepared by

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CORPORATE ADVISORS

8 February 2010

TABLE OF CONTENTS

1. OVERVIEW	3
2. MERITS OF THE PROPOSED TRANSACTION & SHARE CANCELLATION	11
3. PROFILE OF ORION MINERALS GROUP	19
4. EVALUATION OF THE SHARE BUY-BACK & CONSIDERATION	28
APPENDIX I. SOURCES OF INFORMATION	
APPENDIX II. QUALIFICATIONS, DECLARATIONS & CONSENTS	

1. OVERVIEW

1.1 Introduction

Orion Minerals Group Limited (**OMG** or the **Company**) is listed on the alternative market operated by the New Zealand Exchange Limited (**NZAX**). The Company has a market capitalisation of approximately \$12 million¹ as at 19 January 2010 and an audited net book value of equity of \$9.56 million as at 30 June 2009.

OMG was incorporated on 27 June 2007 as RLV No. 3 Limited (**RLV**) and subsequently listed on the NZAX on 8 October 2007 with the objective of becoming a vehicle for a reverse listing. This objective was achieved on 30 December 2008 when RLV shareholders voted to acquire 100% of the shares in Minera Varry S.A. (**Minera Varry**) (the **Minera Varry Transaction**), a company incorporated in Chile which held mining tenements and concessions including iron ore deposits in Northern Chile.

The Minera Varry Transaction

Prior to the Minera Varry Transaction, Minera Varry was wholly owned by Inversiones Barriga S.A. (**Inversiones**) a private Chilean company owned by interests associated with former OMG director Mr Francisco Barriga.

The consideration paid by RLV for 100% of Minera Varry comprised;

- The issue of 510,000,000 new ordinary fully paid shares to Inversiones.
- The issue of 286,451,790 new ordinary fully paid shares to Minera Varry Minerals Limited (**MV Minerals**).
- The issue of 20,000,000 options to MV Minerals to acquire 20,000,000 ordinary shares in RLV at an exercise price of USD 12.5 cents per share, expiring on 27 February, 2009.
- The immediate payment of USD 1.0 million to Inversiones on completion of the Minera Varry Transaction and the further payment of up to USD 12.5 million to Inversiones subject to certain conditions being satisfied at a later date.

MV Minerals is incorporated in Hong Kong and is a wholly owned subsidiary of Rustem Limited (**Rustem**) another Hong Kong registered company. Rustem is a professional trustee company based in Hong Kong. MV Minerals holds shares on behalf of a number of international private investors. Further information on these investors is provided in Section 3 of this Report.

The Fengli Placement

Alongside the Minera Varry Transaction, RLV also completed a share and option placement to Fengli Group (Hong Kong) Co. Limited (**Fengli**) (the **Fengli Placement**) whereby Fengli agreed to subscribe for;

¹ All figures are in New Zealand dollars unless otherwise stated.

- Up to 200,000,000 ordinary shares in RLV (in two tranches of 100,000,000 shares) at an issue price of USD 0.125 per share subject to certain conditions being met.
- 50,000,000 options in RLV to acquire (for nil consideration) 50,000,000 ordinary shares in RLV at an exercise price of USD 0.125 per share on or before 10 December 2011.

The Minera Varry Transaction and associated agreement with Fengli were the subject of an Independent Advisers Report by Simmons Corporate Finance dated November 2008 (the **Simmons Report**). The Simmons Report concluded that the terms and conditions of the Minera Varry Transaction and the Fengli Placement were fair to RLV shareholders and that, in their view, the combined benefits of the Minera Varry Transaction and the Fengli Placement outweighed the combined disadvantages.

Following completion of the Minera Varry Transaction RLV changed its name to Orion Minerals Group Limited on 11 December 2008 and OMG completed the initial payment of USD 1.0 million to Inversiones. On 15 December 2008 Inversiones issued a substantial security holders notice to the NZAX to the effect that it held 510,000,000 shares in OMG.

On 8 January 2009 Fengli issued a substantial security holders notice to the NZAX to the effect that they had acquired the first tranche of 100,000,000 shares in OMG for USD 12.5 million.

On 23 November 2009 Fengli issued a further substantial security holders notice to the NZAX to the effect that they had acquired a further 25,000,000 shares in OMG. These shares were issued to Fengli for nil consideration as compensation for OMG not satisfying a contractual commitment to Fengli to provide, not later than 30 September 2009, evidence from an independent geologist that the mines owned by Minera Varry had not less than 100 million tonnes of proven reserves of iron ore located therein.

The subscription by Fengli for the second tranche of 100,000,000 shares at USD 0.125 per share was amended and is now conditional upon certain iron ore production milestones being achieved by Minera Varry on or before 31 March 2010. As part of this arrangement OMG has warranted to Fengli that it will supply a minimum of 2 millions tonnes of iron ore to Fengli prior to 31 December 2010.

We are advised by the Independent Directors of OMG that on 7 December 2009, a new shareholder, Marvel Fantasy Limited (**Marvel**) acquired 100,000,000 ordinary shares in OMG from MV Minerals. We understand from the Independent Directors of OMG that Marvel is a private Hong Kong registered company controlled by Mr Ke Di.

1.2 Proposed Share Buy-back Transaction & Share Cancellation

OMG announced on 15 October 2009 that it had determined that the Javiera mining concession (the only material mining property held by Minera Varry) was uneconomic to develop in its current form.

OMG also advised that it had entered into a conditional arrangement with Inversiones to share buy back the 510,000,000 shares held by Inversiones in OMG (the **Inversiones Shares**). The consideration offered for the Inversiones

Shares would comprise the transfer to Inversiones of 100% of the shares held by OMG in its wholly owned subsidiary Minera Varry less certain excluded assets (the **Proposed Transaction**). Following buy-back of the Inversiones Shares in OMG, these shares would be cancelled by OMG (**Share Cancellation**).

The excluded assets comprise the transfer to OMG or its nominee of various items of office equipment, vehicles located in Chile. Minera Varry's Chilean-based employees will also transfer to OMG or its nominee. Finally Minera Varry will transfer to OMG the contract to use the "Caldera Port" entered into by Minera Varry and Puerto Caldera S.A and others dated 7 October 2008.

We have referred to the aggregate transactions and share cancellation above as the **Proposed Transaction and Share Cancellation**.

Other Arrangements

The Proposed Transaction outlined above formed part of a wider agreement (the **Lock-in Deed**) dated October 2009 between OMG, Inversiones, Mr Barriga and Sociedad Minera Halcon Limitada. Under the Lock-in Deed the parties entered into the following additional arrangements;

- 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 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 will resign as a director and executive of each of OMG and its subsidiary companies.
- Mr Barriga and Inversiones entering to a Restraint of Trade agreement.
- No payments are payable by OMG or any of its subsidiaries to Mr Barriga.

The above arrangements have either taken place already or are in the process of being completed. These transfers and arrangements will not be unwound should the buyback of the Inversiones shares not be approved and are not subject to the satisfaction of any conditions relating to the Proposed Transaction.

Given that the transfer of these assets from Mr Barriga to OMG was not dependent or conditional upon the buyback and the transfer of the 510 million shares, there was no requirement for the transfer of these assets to be deferred until the holding of the special meeting of shareholders of OMG to approve the share buyback.

Neither Mr Barriga nor Inversiones is receiving any economic return for the transfer of the assets above.

Key Condition

As at the date of this Report, completion of the agreement in relation to the Proposed Transaction is conditional upon the approval by ordinary resolution of the OMG shareholders at the Special General Meeting to be held on 24 March 2010.

Shareholding following completion of the Proposed Transaction & Share Cancellation

Completion of the Proposed Transaction and Share Cancellation will result in the issued ordinary capital in OMG reducing from 924,550,000 shares to 414,550,000 shares.

Completion of the Proposed Transaction and Share Cancellation will result in MV Minerals increasing its shareholding position in OMG from 20.17% to 44.98%, Fengli increasing its shareholding position in OMG from 13.52% to 30.15%, Marvel Fantasy Limited increasing its shareholding position in OMG from 10.82% to 24.12%, and other OMG shareholders (1,594) increasing their collective shareholding position in OMG from 2.07% to 4.61%.

Details of these changes are outlined in the table below.

	Current		Proposed Transaction & Share Cancellation	
	No. of Shares	%	No. of Shares	%
Inversiones Barriga S.A.	510,000,000	55.16%	-	0.00%
Minera Varry Minerals Ltd	170,451,790	18.44%	170,451,790	41.12%
Fengli Group (Hong Kong) Co Ltd	125,000,000	13.52%	125,000,000	30.15%
Marvel Fantasy Limited	100,000,000	10.82%	100,000,000	24.12%
Other shareholders (1,596)	19,098,210	2.07%	19,098,210	4.61%
Total	924,550,000	100.00%	414,550,000	100.00%

Source: OMG

Options on Issue following completion of the Proposed Transaction & Share Cancellation

OMG currently has a total of 56,950,000 unlisted options on issue. The largest option holder is Fengli with 50,000,000 options exercisable at USD 0.125 per share on or before 10 December 2011.

Completion of the Proposed Transaction and Share Cancellation will result in no change to the number of options on issue or the terms of those options. However, the effect of the Share Cancellation will be to increase the relative percentage of options on issue measured against the total number of ordinary shares on issue from 5.8% to 12.08% as shown below.

Changes in OMG Options under the Proposed Transaction & Share Cancellation		
Option holder	Current	Proposed Transaction & Share Cancellation
	No. of Options	No. of Options
Fengli Group (Hong Kong) Co Ltd	50,000,000	50,000,000
OMG Directors (and nominees)	6,500,000	6,500,000
Former OMG Directors	450,000	450,000
Total	<u>56,950,000</u>	<u>56,950,000</u>
Ordinary shares on Issue	924,550,000	414,550,000
Fully Diluted shares on issue	981,500,000	471,500,000
<i>% increase in shares (fully diluted basis)</i>	<i>5.80%</i>	<i>12.08%</i>

Source: OMG

1.3 Shareholders Meeting

OMG is holding a Special General Meeting of shareholders (**SGM**) on 24 March 2010 at which shareholders will be asked to approve a number of ordinary resolutions in respect of the Proposed Transaction and Share Cancellation as summarised below:-

- **Resolution 1** – Buy-back and cancellation of 510,000,000 shares of OMG from Inversiones in consideration for OMG transferring all of the shares on issue in Minera Varry to Inversiones in accordance with the share sale deed entered into between OMG and Inversiones.
- **Resolution 2** – That, subject to the approval of resolutions 1, 3 and 4, MV Minerals be permitted to increase its percentage of voting rights held or controlled in OMG to a maximum of 41.12% that results from the buy-back and cancellation of 510,000,000 shares in OMG held by Inversiones in accordance with Resolution 1.
- **Resolution 3** – That, subject to the approval of resolutions 1, 2 and 4, Fengli be permitted to increase its percentage of voting rights held or controlled in OMG to a maximum of 30.15% that results from the buy-back and cancellation of 510,000,000 shares in OMG held by Inversiones in accordance with Resolution 1.
- **Resolution 4** – That, subject to the approval of resolutions 1, 2 and 3, Marvel be permitted to increase its percentage of voting rights held or controlled in OMG to a maximum of 24.12% that results from the buy-back and cancellation of 510,000,000 shares in OMG held by Inversiones in accordance with Resolution 1.

All the resolutions are ordinary resolutions (which are passed by a simple majority of votes cast). Inversiones will not be permitted to vote on Resolution 1, MV Minerals will not be permitted to vote on Resolution 2, Fengli will not be permitted to vote on Resolution 3 and Marvel will not be permitted to vote on Resolution 4.

1.4 Takeovers Code Requirements

OMG is a code company for the purposes of the Takeovers Code (the **Code**). Rule 6 of the Code states:

“6(1) Except as provided in Rule 7, a person who holds or controls

(a) no voting rights, or less than 20% of the voting rights, in a code company may not become the holder of an increased percentage of the voting rights in the code company unless, after that event, that person and that persons associates hold or control in total not more than 20% of the voting rights in the code company:

(b) 20% or more of the voting rights in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company.”

There are a number of exceptions to Rule 6 of the Code. These are set out in Rule 7 of the Code. Rule 7(c) of the Code states:

“7. A person may become the holder or controller of an increased percentage of the voting rights in a code company -...

(c) by an acquisition by the person of voting securities in the code company or in any other body corporate from 1 or more persons if the acquisition has been approved by an ordinary resolution of the code company in accordance with this code...”

The Proposed Transaction and Share Cancellation is being effected under clause 4 of the Takeovers Code (Class Exemptions) Notice (No 2) 2001 (the **Exemption Notice**) whereby every person who increases voting control as a result of the acquisition by a code company of its own voting securities is exempted from rule 6(1) of the Code, provided that certain conditions are met. These conditions include the requirement that;

“4(2)(c) the notice of meeting containing the proposed resolution contained, or was accompanied by,-...

(iv) a report (or a summary of a report) from an independent adviser in relation to the acquisition that complies with rule 18 of the Code (as if the references in that rule to acquisition under rule 7(c) of the Code and notice of meeting referred to in rule 15 of the Code were references to the acquisition and the notice respectively)”

Rule 18(1) requires that the directors of OMG obtain a report from an independent adviser on the merits of the Proposed Transaction and Share Cancellation under rule 7(c) having regard to the interests of those persons who may vote to approve the acquisition. OMG has engaged Campbell MacPherson Limited (**Campbell MacPherson**) to prepare this Independent Adviser's Report (**Report**) in accordance with Rule 18 of the Code.

The Independent Advisor's Report is required to be included in the Notice of Meeting (**Notice of Meeting**) pursuant to Rule 16(h). The Notice of Meeting and Explanatory Notes accompany this Report.

1.5 Exemptions from the Takeovers Code

OMG currently holds the follow exemptions under section 45 of the Takeovers Act 1993;

- To the Company, an exemption from Rule 16(b) in respect of the Notice of Meeting dated October 2008 describing the increase in voting control arising from the allotment of securities to Fengli Group (Hong Kong) Co. Limited as a result of the potential issue of a further 100,000,000 ordinary fully paid shares in the Company to Fengli and the exercise by Fengli of up to 50 million options to acquire ordinary shares in the Company.
- To Fengli, an exemption from Rule 7(d) of the Code to the extent that Rule 7(d) requires the Notice of Meeting dated October 2008 to be in accordance with Rules 16(b) of the Code in respect of any increase in their aggregated percentage of the voting rights held or controlled in the Company arising from the allotment of voting securities to Fengli as a result of the issue of a further 100,000,000 ordinary fully paid shares in the Company to Fengli and the exercise by Fengli of up to 50 million options to acquire ordinary shares in the Company.

The exemptions are subject to conditions regarding the maximum numbers and percentages of shares including a requirement that there is no change to the total number of voting securities on issue between the date of the Notice of Meeting in October 2008 and the expiry of the Exemption Notice.

The exemption granted in relation to the exercise of options by Fengli was also subject to the condition that Fengli could only increase its voting control in OMG through the exercise of its options.

Completion of the Proposed Transaction and Share Cancellation will result in an increase in Fengli's voting control in OMG other than by way of exercise of its options. The exemptions above will therefore fall away. The effect of the cancellation of these exemptions will be that Fengli will be unable to increase its aggregate percentage shareholding in OMG without first obtaining shareholder approval (or by obtaining a new exemption under the Takeovers Act).

1.6 Definition of Associates under the Takeovers Code

Rule 4 of the Code sets out the meaning of associates.

4. Meaning of Associate

(1) For the purposes of this code, a person is an associate of another person if:-

- a. the persons are acting jointly or in concert; or
- b. the first person acts, or is accustomed to act, in accordance with the wishes of the other person; or
- c. the persons are related companies; or
- d. the persons have a business relationship, personal relationship, or an ownership relationship such that they should under the circumstances be regarded as associates; or
- e. the first person is an associate of a third person who is an associate of the other person (in both cases under any of paragraphs (a) to (d) and the nature of the relationships between the third person, the third person, and the other person (or any of them) is such that, under the circumstances, the first person should be regarded as an associate of the other person.

The fundamental rule, Rule 6 of the Code prevents a person from increasing their shareholding to above 20% unless they use one of the exceptions set out in Rule 7 of the Code.

We note that the Simmons Report (page 7) indicated that MV Minerals owner Rustem Limited represented the interests of several parties associated with Mr Barriga. However we are advised by the independent directors of OMG that Fengli, Inversiones and MV Minerals are not associates under the Code in respect of the Proposed Transaction and Share Cancellation.

1.7 Purpose and Issue of this Report

The directors of OMG have engaged Campbell MacPherson Limited to prepare an Independent Adviser's Report (the **Report**) on the merits of the Proposed Transaction and Share Cancellation in accordance with Rule 18 of the Code. We note that our Report is not required to opine on the merits of the original Minera Varry Transaction.

Campbell MacPherson was approved by the Takeovers Panel on 13 November 2009 to prepare the Independent Adviser's Report.

Campbell MacPherson issues this Independent Adviser's Report to the independent directors of OMG (the **Independent Directors**) to assist shareholders of OMG, excluding Inversiones, MV Minerals, Fengli and Marvel Fantasy Limited where applicable (the **Non-associated Shareholders**) to form their own opinion on whether to vote for or against the resolutions in respect of the Proposed Transaction and Share Cancellation.

We note that each shareholder's circumstances and objectives are unique. Accordingly it is not possible to report on the merits of voting for or against the Resolutions in relation to each individual shareholder. This Report is therefore necessarily general in nature.

This Report is not to be used for any other purpose without our prior written consent.

2. MERITS OF THE PROPOSED TRANSACTION & SHARE CANCELLATION

2.1 Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the Proposed Transaction and Share Cancellation having regard to the interests of the Non-associated Shareholders. There is no legal definition of the term "merits" in New Zealand in either the Code or in any statute dealing with securities or commercial law. In the absence of an explicit definition of "merits", guidance can be taken from:-

- The Takeover Panel guidance note on the role of Independent Advisers dated July 2003;
- Definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction;
- Overseas precedents; and
- The ordinary meaning of the term "merits".

We are of the view that an assessment of the merits of the Proposed Transaction and Share Cancellation should focus on:-

- The rationale for the Proposed Transaction and Share Cancellation;
- The value of the OMG shares and the consideration being offered for the buy-back of the OMG shares by the Company.
- The likely impact of the Proposed Transaction and Share Cancellation on the control of OMG;
- The likely impact of the Proposed Transaction and Share Cancellation on OMG's share price;
- Other benefits and disadvantages to OMG's Non-associated Shareholders of the Proposed Transaction and Share Cancellation; and
- The implications of the resolutions in respect of the Proposed Transaction and Share Cancellation not being approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analysis together could create a misleading view of the rationale underlying the opinion.

2.2 Rationale for the Proposed Share Buy Back Transaction & Share Cancellation

OMG was formed in December 2008 as a result of the reverse listing of Minera Varry on the NZAX. OMG's primary objective continues to be exploration and mining of iron ore in Chile. The focus of OMG's activities has shifted from the Javiera concession to other mining concessions in Chile.

We are advised by the Independent Directors of OMG that they received technical advice from senior management and geological and engineering personnel that the Javiera mining concession will be more expensive to mine than originally contemplated by the executive of Minera Varry and that the

Javiera concession will ultimately be uneconomic to develop in its current form. We understand that this relates in particular to the nature of the deposit including its depth and minable width, which are now believed to only be amenable to underground mining, which is prohibitively expensive under current economic conditions.

The Independent Directors advise that the fundamental rationale for the Proposed Transaction and Share Cancellation is to unwind, as far as possible, and in an equitable manner, the Minera Varry Transaction previously approved by shareholders on 10 December 2008. The Independent Directors of OMG consider that, based on updated technical information on the mining economics, the Javiera concession owned by Minera Varry now has little or no value.

We note that there was no legal obligation on Inversiones or Mr Barriga to enter into the Lock-in Deed in respect of the Proposed Transaction and that the arrangements entered into by OMG were the result of negotiations between OMG, Inversiones and Mr Barriga in light of the revised economics of the Javiera concession.

We also note that the USD 1.0 million paid to Inversiones as part of the Minera Varry Transaction is not being refunded, nor are MV Minerals returning their 286,451,790 ordinary shares that were issued by OMG as part of the consideration for Minera Varry in December 2008.

2.3 Evaluation of the OMG Shares and Consideration

One of the key effects of the Proposed Transaction and Share Cancellation will be to increase the economic interest in OMG held by shareholders other than Inversiones. The Inversiones shares currently represent 55.16% of the total issued securities of the Company. Therefore completion of the Proposed Transaction and Share Cancellation will result in all other shareholders (excluding Inversiones) increasing their percentage holding in OMG by 2.23 times.

Campbell MacPherson's view is that OMG's 100% interest in Minera Varry has little or no value and therefore the consideration offered by OMG to Inversiones to buy-back Inversiones OMG shares has no material value i.e. the consideration is effectively nil.

Our view is based upon the audited accounts of the Company as at 30 June 2009 and discussions with the Independent Directors. The Independent Directors of OMG advise that the write-off of the shares in Minera Varry in the 30 June 2009 accounts was based upon a technical presentation from senior management made to the Board of OMG and corroborated by the Company's geologist and mining engineer at the time.

Given the negligible value of the consideration offered by OMG, a detailed analysis of the value of Inversiones shares in OMG is not, in our view likely to have a material impact on the merits of the offer other than to the extent that the value of Inversiones shareholding in OMG will clearly exceed the value of the consideration.

Our indicative valuation analysis suggests that the 510 million OMG shares held by Inversiones have an approximate value in the range of \$6.63 to \$6.92 million (\$0.013 to \$0.0136 per share). This effectively represents the aggregate

indicative economic value that will be transferred to other shareholders if the Proposed Transaction and Share Cancellation is completed.

2.4 Potential for Alternative Transactions

Following our discussions with the Independent Directors of OMG we believe there was little likelihood of an alternative transaction to the one put forward for shareholder approval.

We are advised that the Independent Directors negotiated with Mr Barriga on an arms length basis. The likelihood of finding iron ore in sufficient quantities and grade on the Javiera concession in the short to medium term was considered to be very low and the Independent Directors of OMG believe that the Company can achieve better results by focusing its limited financial and operating resources elsewhere in Chile.

2.5 Impact on Control of OMG

Ordinary resolutions require approval of more than 50% of the votes cast by shareholders. Special resolutions require approval of at least 75% of the votes cast by shareholders. A shareholder holding more than 25% of a company is able to block special resolutions. A shareholder holding more than 50% of the voting securities of a company is able to pass (or block) ordinary resolutions. A shareholder holding at least 75% of the voting securities of a company is able to pass (or block) both ordinary resolutions and special resolutions.

A shareholder's ability to influence voting on ordinary or special resolutions may be impacted by other legal and regulatory factors such as the Companies Act, Takeovers Code, NZX listing rules and the Company's constitution.

OMG currently has over 1,500 shareholders, however the vast majority of these shareholders have very small holdings. Key shareholders of OMG are currently Inversiones with 510,000,000 shares (55.16%), MV Minerals with 170,451,790 shares (18.44%), Fengli with 125,000,000 shares (13.52%) and Marvel with 100,000,000 shares (10.82%). The Company also has 56,950,000 unlisted options on issue including 50,000,000 issued to Fengli, 6,500,000 issued to current directors (and their nominees) of OMG and 450,000 issued to former directors (and their related parties) of OMG. The options issued to current directors form part of an incentive option plan approved by OMG shareholders which allows issue of up to 12,000,000 options to senior executive and directors of the Company.

As discussed in section 1.2, completion of the Proposed Transaction and Share Cancellation will result in MV Minerals increasing its shareholding position in OMG to 41.12%, Fengli increasing its shareholding position in OMG to 30.15%, Marvel increasing its shareholding position in OMG to 24.12%, and other OMG shareholders increasing their collective shareholding position in OMG to 4.61%.

A summary of the impact of the Proposed Transaction and Share Cancellation on an undiluted and fully diluted basis is shown below.

Changes in OMG Shares under the Proposed Transaction & Share Cancellation						
	Current		Proposed Transaction & Share Cancellation		Fully Diluted	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Inversiones Barriga SA	510,000,000	55.16%	-	0.00%	-	0.00%
Minera Varry Minerals Ltd	170,451,790	18.44%	170,451,790	41.12%	170,451,790	35.73%
Fengli Group (Hong Kong) Co Ltd	125,000,000	13.52%	125,000,000	30.15%	175,000,000	36.69%
Marvel Fantasy Limited	100,000,000	10.82%	100,000,000	24.12%	100,000,000	20.96%
Other shareholders (1,596)	19,098,210	2.07%	19,098,210	4.61%	19,548,210	4.10%
Executives	-	0.00%	-	0.00%	12,000,000 ¹	2.52%
Total	924,550,000	100.00%	414,550,000	100.00%	477,000,000	100.00%

Notes

1. Assuming the full entitlement of executive options are issued by the Company and exercised by the Executives.

On a fully diluted basis (including the issue and exercise of all executive incentive options and the exercise of all other options currently on issue), Fengli would hold 175,000,000 shares equivalent to 36.69% of the securities on issue, MV Minerals would continue to hold 170,451,790 ordinary shares equivalent to 36.69% of the securities on issue and Marvel would continue to hold 100,000,000 ordinary shares equivalent to 20.96% of the securities on issue.

Shareholder Control

OMG is a very closely held company in terms of its share ownership. The top four shareholders of OMG currently collectively hold 97.93% of the issued voting securities. If the Proposed Transaction and Share Cancellation proceeds then the top three shareholders of OMG will collectively hold 95.39% of the issued voting securities.

If the Proposed Transaction and Share Cancellation proceeds then, by virtue of holding more than 25% of the shares in OMG, both MV Minerals and Fengli will be able to separately block special resolutions but not ordinary resolutions of the Company's shareholders. Marvel would hold 24.12% of the shares in OMG, which would in practical terms potentially enable Marvel to separately block special resolutions as well, but not ordinary resolutions of the Company's shareholders.

If the Proposed Transaction and Share Cancellation proceeds then, by virtue of holding in aggregate more than 75% of the shares in OMG, MV Minerals, Fengli and Marvel (in the event that they chose to vote the same way) would be able to control the outcome of both special resolutions and ordinary resolutions of the Company's shareholders. We note that MV Minerals, Fengli and Marvel are not associates under the Takeovers Code and we have no reason to believe that these parties would necessarily act in concert.

Under the Companies Act 1993 (the Act), a special resolution is required to:-

- Adopt, alter or revoke a company's constitution
- Approve a major transaction
- Approve an amalgamation of a company
- Place a company in liquidation.

The effect of the Proposed Transaction and Share Cancellation will be to transfer significant voting control of OMG from Inversiones to MV Minerals, Fengli and Marvel.

MV Minerals, Fengli and Marvel will not be able to increase their shareholding in OMG unless they comply with the provisions of the Code and the NZAX listing rules. Effectively this means that they will each only be able to acquire more shares in OMG if:-

- They make a full or partial takeover offer, or;
- The acquisition of further shares is approved by way of an ordinary resolution of OMG shareholders, or;
- The Company makes an allotment of shares which is approved by way of an ordinary resolution of OMG shareholders, or;
- Fengli exercises its options, but only to the extent that other Non-associated Shareholders of Fengli also exercise their options with the effect that Fengli's percentage shareholding in OMG does not increase.

Board Control

Mr Barriga has resigned as the managing director of OMG and has resigned his executive roles in each of OMG and its subsidiaries. We note that neither MV Minerals nor Marvel currently have representatives or nominees on the Board of the Company and are therefore only able to effect control of the Company by virtue of their voting rights as shareholders.

Fengli has two nominated directors on the Board of OMG. These directors were appointed at the Company's AGM on 31 December 2009 and serve to strengthen and protect Fengli's interests in the governance of OMG.

As a NZAX listed company OMG must have a minimum of two resident New Zealand directors who are Roger Gower and Sean Joyce. Both Mr Gower and Mr Joyce are independent directors of OMG under the NZAX listing rules.

Management

Day-to-day operations of the business in Chile remain under the responsibility of Mr Juan Jose Gutierrez, the General Manager of OMG's Chilean subsidiary.

2.6 Impact on OMG Share Price

We note that OMG shares have experienced very limited trading over the past year. This reflects the low profile and start up nature of the Company and its closely held share register. The largest shareholder Inversiones is restricted from selling its 510,000,000 consideration shares for a period of 12 months after issue.

The announcement of the Proposed Transaction and Share Cancellation has already resulted in a rapid and precipitous decline in the share price of the Company from \$0.30 per share (closing price on 15 October 2009) to \$0.013 (closing price on 19 January 2010) albeit on very low trading volumes.

The Proposed Transaction and Share Cancellation will significantly increase the beneficial equity interest of the Non-associated shareholders in the Company. However the news that the transaction is to be largely unwound is likely to concern existing shareholders and potentially dissuade new investors from taking an interest in the stock until OMG delivers tangible exploration results and improved operating and financial performance.

2.7 Other Advantages to OMG Non-associated Shareholders

Completion of the Proposed Transaction and Share Cancellation will, in our view, have the following additional benefits for Non-associated Shareholders;

- The key advantage is the increased shareholding percentage interest in the Company that shareholders (other than Inversiones) will receive by virtue of the cancellation of the Inversiones shares.
- The return of the Javiera concession will allow the Company to focus on its other projects where it believes there is a better chance of successfully developing a new iron ore mine.
- OMG has retained first option to re-acquire the Javiera concession should economics change in the future.
- OMG will retain the experienced management team and organisational infrastructure in Chile to enable the Company to continue to operate and benefit from the local knowledge and expertise of those individuals.
- Optionholders will see the relative impact of exercising their options increase by 2.23x (due to the reduced number of shares on issue). However, in our view this has already been offset by the decrease in OMG's share price as a result of the announcement by the directors of the Company that Minera Varray has little or no value.

2.8 Other Disadvantages to OMG Non-associated Shareholders

Completion of the Proposed Transaction and Share Cancellation will, in our view, have the following potential disadvantages for Non-associated Shareholders;

- The loss of Mr Barriga's local knowledge, contacts and business relationships from the Company. However the OMG directors advise that Chile boasts an active exploration and mining sector with a number of skilled personnel available for employment or as consultants and OMG expects to be able to find a suitable replacement for Mr Barriga.
- The loss of Inversiones as a cornerstone shareholder will still leave three other major shareholders with significant stakes namely MV Minerals, Fengli and Marvel.

2.9 No Change in Business Risk for OMG

Completion of the Proposed Transaction and Share Cancellation will effectively result in the transfer by the Company of the Javiera concession back to

Inversiones via the transfer of OMG's interest in Minera Varry S.A. However, OMG intends to continue to explore and develop its other mining projects in Chile.

OMG will therefore remain a start up iron ore exploration and mining company in Chile. Its primary focus remains the development and mining of a significant economically viable iron ore deposit with sufficient volumes of ore to attract export customers.

As noted in the Simmons Report, OMG is not without a significant level of risk and is somewhat of a speculative investment. We do not consider that the Proposed Transaction and Share Cancellation will materially change the business risk currently faced by OMG.

2.10 Implications if the Resolutions Are Not Approved

Ordinary resolutions 1, 2, 3 and 4 are interdependent and therefore require sequential approval. So if resolutions 1, 2, 3 and 4 are not all approved the Proposed Transaction and Share Cancellation cannot proceed.

The Independent Directors of OMG have spent considerable time and cost negotiating the Proposed Transaction. If the Proposed Transaction is not approved then OMG will continue to own Minera Varry and the rights to the Javiera concession which are deemed by the directors of the Company to have little or no value. The Share Cancellation will not proceed and shareholders of OMG will not receive the benefit of increased percentage ownership in the Company that would have resulted from cancellation of the Inversiones shares.

The Directors of OMG advise that they have not yet considered what actions they would take should the Proposed Transaction and Share Cancellation not proceed. However, they consider that the Proposed Transaction and Share Cancellation is beneficial to all existing shareholders except Inversiones and is therefore likely to be approved.

2.11 Summary of Evaluation of Merits

In our view the Proposed Transaction and Share Cancellation will have significant benefits for OMG shareholders including:

- The consideration offered to Inversiones by the Company for the buy-back of OMG shares is considered by the Independent Directors of OMG to have little or no value.
- OMG has retained a first right of refusal to re-purchase the shares in Minera Varry and a first right of refusal to mine the Javiera concession.
- The 510 million shares in OMG held by Inversiones that will be bought back by the Company have an indicative value, in our opinion, of approximately \$6.63 to \$6.92 million.
- The cancellation of the 510 million shares will substantially increase other shareholders (excluding Inversiones) percentage equity interest in OMG by 2.23 times.
- Minera Varry will transfer to OMG the contract to use the Caldera Port.

- The Proposed Transaction and Share Cancellation may stimulate Fengli (through its increased shareholding in the Company) to take a more active role in the governance of OMG. (This has already been in evidence through the recent appointment of two Fengli representatives to the Board of the Company).
- Returning the Javiera concession to the former Vendor will allow OMG to focus on developing its other exploration prospects. OMG has also retained a first right of refusal on the Javiera concession.
- The transfer to OMG of the Pelicano 1 to 10 concession regardless of the Proposed Transaction and Share Cancellation proceeding.
- The right to lease and mine the Don Francisco concession regardless of the Proposed Transaction and Share Cancellation proceeding.

The Proposed Transaction and Share Cancellation has some potential negative features for OMG shareholders including:

- MV Minerals will become the largest shareholder in OMG. We are advised by the Independent Directors of OMG that MV Minerals is a passive investment company that intends to remain as a long-term shareholder of OMG without board representation.
- MV Minerals, Fengli and Marvel will be the three largest shareholders of OMG and will collectively hold and control more than 95% of voting securities in the Company. None of these shareholders will however have a controlling interest in OMG.

In summary we consider that the aggregate benefits of the Proposed Transaction and Share Cancellation outweigh the aggregate disadvantages.

2.12 Voting for or Against the Resolutions

Resolutions 1, 2, 3 and 4 are conditional upon all of the resolutions being approved. If shareholders vote against any of the resolutions then the Proposed Transaction and Share Cancellation will not proceed.

Voting for or against the resolutions in respect of the Proposed Transaction and Share Cancellation is a matter for individual shareholders to consider based on their own view as to value, control, future market conditions, state of the global economy, risk profile and other factors. Shareholders will need to consider carefully these consequences and consult their own professional adviser as appropriate.

3. PROFILE OF ORION MINERALS GROUP

3.1 Background

OMG was established on the NZAX on 11 December 2008 through the reverse acquisition of Minera Varry, a Chilean company which owns an iron ore mining project known as the Javeira concession in Northern Chile. Prior to this date the Company was known as RLV No. 3 Limited which had previously listed on the NZAX on 20 November 2007 with the sole purpose of providing a cost effective reverse listing vehicle.

OMG was established to develop an iron ore exploration, processing and export business in Chile, South America. The Minera Varry Transaction resulted in OMG becoming the owner of 100% of Minera Varry, holder of the Javiera concession. Inversiones and MV Minerals became substantial shareholders in OMG by virtue of receiving consideration shares as the joint vendors of Minera Varry.

Collateral to the Minera Varry Transaction Fengli subscribed for the first tranche of 100,000,000 shares in OMG at a price of USD 0.125 per share and became a substantial security holder in the Company. OMG also entered into an exclusive ten year Master Agency Agreement with Fengli which appointed Fengli as OMG's exclusive sales agent to assist with finding customers for the sale of iron ore. The Master Agency Agreement is conditional upon Fengli making the further Tranche 2 subscription payment of \$12.5 million for a further 100,000,000 shares.

Fengli is a Hong Kong based Group operating a range of Chinese metal trading companies with total assets of circa US\$500 million and over 1200 employees. The Fengli Group is wholly owned by a Chinese businessman, Mr Yueming Wu. The Fengli owner Mr Wu gained significant profile when in 2004 he invested in an Australian start up miner, Fortescue Metals Group Limited (**FMG**). FMG now is listed on the ASX with a market capitalisation of A\$13 billion. FMG mines iron ore in Western Australia which it exports to China and other countries.

On 14 September 2009 OMG announced that it had acquired, through its wholly owned Chilean subsidiary Orion Group Holdings Limitada (**OGHL**), all of the shares of Contractual Minera Varry (CMV). CMV is a Chilean incorporated company and is a special purpose vehicle which holds a 13 year lease with rights to a mining project known as "Resguardo".

On 15 October 2009 OMG announced that, following a re-assessment of the Javiera concession, it had determined that this mining concession was now uneconomic to develop and that OMG had therefore entered into various arrangements in relation to the Proposed Transaction.

3.2 Board of Directors

The current directors of OMG are:-

- Rodrigo Dupony
- Roger Gower
- Sean Joyce

- Richard Shi
- Ping Li

Mr Francisco Barriga resigned as a director on 15 October 2009. Mr Shi and Ms Li are representatives of Fengli. OMG shareholders approved the appointment of Mr Shi and Ms Li to the Board at the Company's Annual General Meeting on 31 December 2009.

3.3 Capital Structure

Ordinary Shares

OMG currently has 924,550,000 ordinary fully paid shares on issue held by approximately 1,600 shareholders. All shares are ordinary shares and have equal voting rights.

The names, number of shares held and percentage holding of the top ten shareholders as at 19 January 2010 is set out below.

OMG's Ten Largest Shareholders - Current		
Shareholders	No. of Shares Held	%
Inversiones Barriga SA	510,000,000	55.16%
Minera Varry Minerals Ltd	170,451,790	18.44%
Fengli Group (Hong Kong) Co Ltd	125,000,000	13.52%
Marvel Fantasy Limited	100,000,000	10.82%
Michael Jacomb	16,000,000	1.73%
Wilkinson & White Ltd	999,058	0.11%
Troubadour Holdings Ltd 2001	830,005	0.09%
Samuel Hamish Macdonald + Bm Trustee Company Ltd	170,000	0.02%
Kane Stevenson	159,900	0.02%
Asb Nominees Ltd	64,000	0.01%
Subtotal	<u>923,674,753</u>	<u>99.91%</u>
Others (1,591)	<u>875,247</u>	<u>0.09%</u>
Total	<u>924,550,000</u>	<u>100.00%</u>

Source: OMG

The largest single shareholder is currently Inversiones who holds 510,000,000 shares representing 55.16% of the issued securities of OMG. MV Minerals holds 170,451,790 shares representing 18.44% of the issued securities of OMG, Fengli holds 125,000,000 shares representing 13.52% of the issued securities of OMG and Marvel holds 100,000,000 shares representing 10.82% of the issued securities of OMG.

Options

The Company has the following share options on issue, none of which are listed.

- On 25 October 2007 the Company granted 4,500,000 share options to the former directors. These were consolidated on a ten for one basis to

450,000 options on 8 August 2008. The options have an exercise price of \$0.10 per share and expire on 31 October 2010.

- On 10 December 2008 the Company granted 50,000,000 options to Fengli. The exercise price is USD 0.125 per share and these options expire on 10 December 2011.
- On 11 December 2008 the Company granted 6,500,000 Executive options to two of the directors and their nominees. The exercise price is USD 0.125 per share and these options expire on 11 December 2011.

These options are summarised in the table below.

OMG Options currently outstanding					
Number of shares under option	Notes	Currency	Exercise Price	Consideration	Expiry
450,000		NZD	0.100	nil	31-Oct-10
50,000,000		USD	0.125	nil	10-Dec-11
6,500,000		USD	0.125	nil	11-Dec-11
Total Options on Issue					56,950,000
Weighted Average Exercise Price		NZD*			0.175

* Exercise price converted to NZD @ at an exchange rate of USD:NZD 0.71

We also note that on 11 December 2008 the Company granted 20,000,000 options to MV Minerals. The exercise price was USD 0.125 per share and these options lapsed on 27 February 2009.

The 6,500,000 options issued to executives form part of an incentive option plan of up to 12,000,000 options that has been approved by shareholders of OMG.

3.4 Key Shareholders

As discussed OMG is a very tightly held public company with the four largest shareholders, Inversiones, MV Minerals, Fengli and Marvel, currently collectively holding 97.93% of the issued voting securities. If the Proposed Transaction and Share Cancellation proceeds then the top three shareholders of OMG, MV Minerals, Fengli and Marvel, will collectively hold 95.39% of the issued voting securities.

Summary information on key shareholders is outlined below.

Inversiones Barriga S.A.

Inversiones currently holds 510,000,000 ordinary shares in OMG representing 55.16% of the issued voting securities of the Company. If the Proposed Transaction and Share Cancellation proceeds then Inversiones will no longer be a shareholder in OMG. Inversiones is controlled by interests associated with Francisco Barriga, a former director of OMG and the original vendor of the Minera Varry project to OMG.

Minera Varry Minerals Limited

MV Minerals currently holds 170,451,790 ordinary shares in OMG representing 18.44% of the issued voting securities of the Company. If the Proposed Transaction and Share Cancellation proceeds then MV Minerals will hold the same number of shares but will increase its holding from 18.44% to 41.12% of the issued voting securities of the Company.

The Independent Directors of OMG advise that there are no upstream controllers of MV Minerals. However there are a number of beneficial owners of MV Minerals for whom the shares in the Company are held on trust by MV Minerals. The names of these shareholders are shown below.

Townseley, Paul
Cornejo, Carlos Orlando Alarcón
Ubilla, Walter Rodrigo Campbell
López, Alejandra Merino
López, Luis Ignacio Merino
Ballyroney Family Trust
Seagar, Grant
Focas, Demetrius
Lorrette Park Trust
Laddara Pty Ltd
DPC Administration Pty Ltd
Gibson, Donald Mackenzie, Judith Estelle Burson and Demarche Limited
McConnell, Sheryl
Choy, Warwick
Wikeley, K D
Lyte, Anthony Kenneth
Troy Mobbs
John Collins
Andrew P Steele
Dmitriy Birukov
Debbie Price
Codrington Trust (Grant Seagar)
David Metcalf
S Reade [Spheera Super fund]
Richard Cashmore
Callum Rowe
Mike Maroney Ballymore Stables
Nortle Limited
P Hudson
APZ Limited
Juliana Xhu
Huang Haodong
Du Li

The Independent Directors of OMG advise that following due enquiry of MV Minerals they were advised that none of the shareholders in MV Minerals hold a beneficial interest in OMG exceeding 5% and that, should the Proposed Transaction and Share Cancellation proceed, this will still be the case.

We understand that the recent transfer of 16 million shares from MV Minerals to interests associated with Mr Michael Jacomb was pursuant to a declaration of trust for no consideration as Mr Jacomb was already the beneficial holder of those shares.

Fengli Group (Hong Kong) Co Limited

Fengli currently holds 125,000,000 ordinary shares in OMG representing 13.52% of the issued voting securities of the Company. If the Proposed Transaction and Share Cancellation proceeds then Fengli will hold the same number of shares but will increase its holding from 13.52% to 30.15% of the issued voting securities of the Company. Fengli also holds 50,000,000 options with an exercise price is USD 0.125 per share. These options expire on 10 December 2011.

Fengli is beneficially owned by Fengli Group Co Limited (**Fengli Group**) and Mr Yueming Wu. Fengli Group is based in the Jiangsu Province of China and operates 13 subsidiaries with total assets of approximately US\$500 million. Fengli Group's operations are primarily focussed upon steel manufacturing and distribution in China.

Mr Yueming Wu owns 100% of Fengli Group and was ranked 180th on the Forbes *The 400 Richest Chinese* list in 2009 with a personal net worth estimated at USD 570 million.

Fengli is the only shareholder since the Minera Varry Transaction to have provided an equity investment of cash to the Company, comprising a total of USD 12.5 million at a price of USD 0.125 per ordinary share.

Two Fengli representatives, Richard Shi and Ping Li, have recently been appointed as Directors of OMG effective 31 December 2009.

Marvel Fantasy Limited

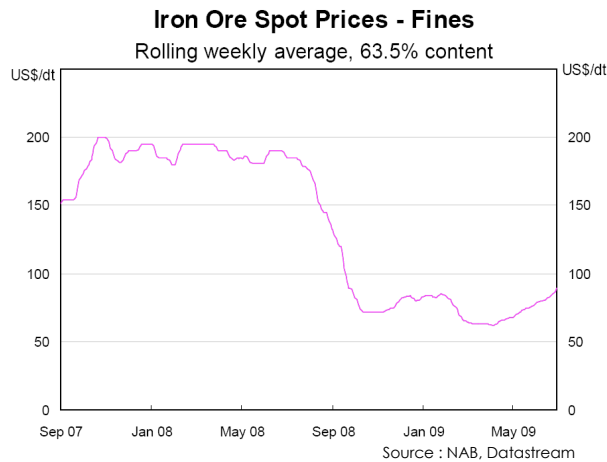
Marvel currently holds 100,000,000 ordinary shares in OMG representing 10.82% of the issued voting securities of the Company. If the Proposed Transaction and Share Cancellation proceeds then Marvel will hold the same number of shares but will increase its holding from 10.82% to 24.12% of the issued voting securities of the Company.

Marvel is beneficially owned and controlled by Mr Ke Di, a Hong Kong-based businessman.

3.5 Iron Ore Market

Chile is a recognised iron ore exporter along with Australia and Brazil. Iron is a commonly used metal accounting for over 90% of worldwide metal production. World production averages over one billion tonnes annually and the largest importers are China, Japan, South Korea, USA and European Union.

The Chinese market is the single largest consumer (and importer) of iron ore in the world and therefore attempts to set the international commodity price for iron ore. The global economic recession and reduced Chinese exports of steel (and steel based products) has driven down the market price as shown in the graph below.



In mid-2009 Nippon Steel of Japan set a benchmark price which represented a 33% reduction from the 2008 price for iron ore fines (to US\$61 per tonne) and a 44% price reduction for iron ore lumps. However the Chinese Iron and Steel Association which is negotiating on behalf of all Chinese Steel mills has declared the Nippon Steel price cuts insufficient given the market imbalance between supply, demand and stock piles.

Furthermore the iron ore negotiating climate has been strained considerably by Rio Tinto's decision to not allow the Chinese state owned enterprise Chinalco to invest and the recent arrest of Rio Tinto executives based in China on alleged bribery charges.

This international trading environment will make it very challenging for OMG as a new market entrant to dictate price and terms. OMG will therefore be a price taker and the prices achieved will be heavily dependent on global demand and consistent quantity and quality of the iron ore OMG is able to produce (if any) from its concessions in Chile.

3.6 Operations

Since listing in December 2008 OMG has progressed exploration for iron ore via its Chilean subsidiaries Minera Varray and Contractual Minera Varray. These entities own and lease mining tenements and concessions in northern Chile from which OMG plans to produce and export iron ore.

Javiera Mining Concession

In December 2008 OMG acquired the Javiera iron ore concession which covered 900 hectares of land in Copiapo County in the third region of Northern Chile. Previously an exploration drilling campaign covering 12 holes was undertaken. Early indications pre-2009 showed a wide range of iron ore concentrations between 15% and 58% of Magnetite and Haematite. Subsequently the OMG Independent Directors decided that the Javiera concession was uneconomic to mine. The following reasons have been provided to Campbell MacPherson for this decision:-

- The overburden ratio was too high to enable open cast mining;

- The Javiera mines would have to be developed using underground techniques;
- The current and projected international price for iron ore was insufficient to support the case for underground mining;
- Relative to its cost to investigate further and develop the resource, the Javiera concession was not of sufficient size to warrant additional OMG investment;
- OMG has limited resources and these needed to be invested where the financial returns were potentially greater and more certain; and
- OMG was now investigating iron ore deposits that were closer to export port facilities.

Resguardo Mining Concession

On 12 September 2009 OMG's wholly owned Chilean subsidiary OGHIL acquired CMV for a consideration of USD 3,294. CMV is a special purpose vehicle which holds a 13 year lease to exploit the mining prospect named Resguardo located in the Third Region of Chile.

The key terms of the Resguardo lease are:-

- The lessor is Southern Copper Corporation (**SCC**) a Peruvian company;
- The initial term is 13 years;
- There are limited rights of renewal;
- SCC will receive a royalty is based upon the percentage of iron (grade) in the iron ore found and the free onboard (FOB) selling price of any iron ore shipments from Resguardo;
- The minimum royalty is USD 1.00 per tonne;
- CMV is only entitled to mine iron ore from the concession and not other minerals.

At the time of acquisition, CMV had shareholder loans to Mr Barriga of USD 278,194. CMV is not required to repay this debt unless and until a minimum reserve of 30 million tonnes of iron ore with an iron percentage of between 30% to 55% is identified within the project area.

OMG has reported that CMV has undertaken exploration diamond drilling on the Resguardo project and OMG has stated that the drilling has identified mineralisation. However, no further information has been provided on the results of this drilling programme.

The OMG directors advise that they expect to receive definitive technical reports on the Resguardo concession and conclusive chemical analysis within the next few months.

Other Exploration Projects

OMG is also extending its exploration mineral portfolio in the search for iron ore and additional concessions in Northern Chile. As part of the Lock-in Deed OMG has received the following;

- Rights to the Pelicano 1 to 10 concession in Northern Chile.
- A right to lease and mine the Don Francisco concession on terms no less favourable to OMG as those afforded to CMV in respect of the Resguardo concession.
- First right of refusal to re-purchase the shares in Minera Varry and the Javiera concession and first right of refusal to mine the Javiera concession.

3.7 Financial Results

OMG was effectively established in December 2008. Relevant historical financial accounts are therefore limited and the Company does not provide any future earnings guidance.

A summary of OMG's audited financial results on a consolidated Group basis for the 12 months ended 31 December 2008 (**FY08**) and the six month period ended 30 June 2009 (**H109**) are set out below based on the 30 June 2009 Annual Report. OMG reports its accounts in USD.

OMG Summary Financial Performance		
USD \$000	6 Months Ended	12 Months Ended
	30-Jun-09	31-Dec-08
Revenue	-	-
Operating Expenses	(1,324)	(552)
Operating Loss	(1,324)	(552)
Realised exchange (loss)/gain	(101)	160
Net Finance Costs	(6)	(48)
Net Profit/ (Loss) before tax	(1,431)	(440)
Income tax credit	15	8
Net Profit/ (Loss) after income tax	(1,416)	(432)

Source: OMG Annual Report 2009

OMG is yet to bring any mining assets into production, operating revenues are therefore nil. Operating expenses for H109 were approximately USD 1.3 million including wages and salaries of USD 367,000 and goodwill impairment of USD 307,000 in relation to the Javiera concession.

The directors advise that there is no current indication on when or if OMG may begin mining operations that would generate material revenues for the Company.

OMG Summary Financial Position		
USD \$000	30-Jun-09	31-Dec-08
Current assets	10,086	1,402
Non-current assets	304	699
Total assets	10,390	2,101
Current liabilities	290	221
Non-current liabilities	539	742
Total Liabilities	829	963
Net Assets/ Equity	9,561	1,138

Source: OMG Annual Report 2009

As at 30 June 2009 OMG had a net book value of USD 9.56 million, principally comprised of cash and cash equivalents of USD 9.97 million. This represents a current net asset backing (at book value) of USD 0.0103 per share.

Non-current liabilities total USD 539,000 and are principally comprised of related party loans from MV Minerals (USD 200,000) and Inversiones (USD 291,000). No interest is charged on loans from related parties and the loans carry no fixed term. However, OMG has received written assurances from these parties that no demand will be made for repayment of these loans within 12 months of 30 June 2009.

OMG Summary Cash Flow		
USD \$000	6 Months Ended 30-Jun-09	12 Months Ended 31-Dec-08
Net cash provided by/ (used in) operating activities	(798)	(495)
Net cash provided by/ (used in) investing activities	(116)	(409)
Net cash provided by/ (used in) financing activities	9,506	2,210
Net increase/ (decrease) in cash and cash equivalents	8,592	1,306
Effect of exchange rate changes	60	-
Closing cash and cash equivalents	9,966	1,314

Source: OMG Annual Report 2009

Operating cashflows for H109 were USD -798,000, principally comprised of payments to suppliers and employees of USD 792,000.

Cashflows from financing activities for the same period were approximately net USD 9.51 million including approximately USD 9.84 million received from the issue of securities to Fengli and USD 0.44 million repaid on borrowings. A further USD 2.5 million was received from the issue of securities to Fengli in the prior period.

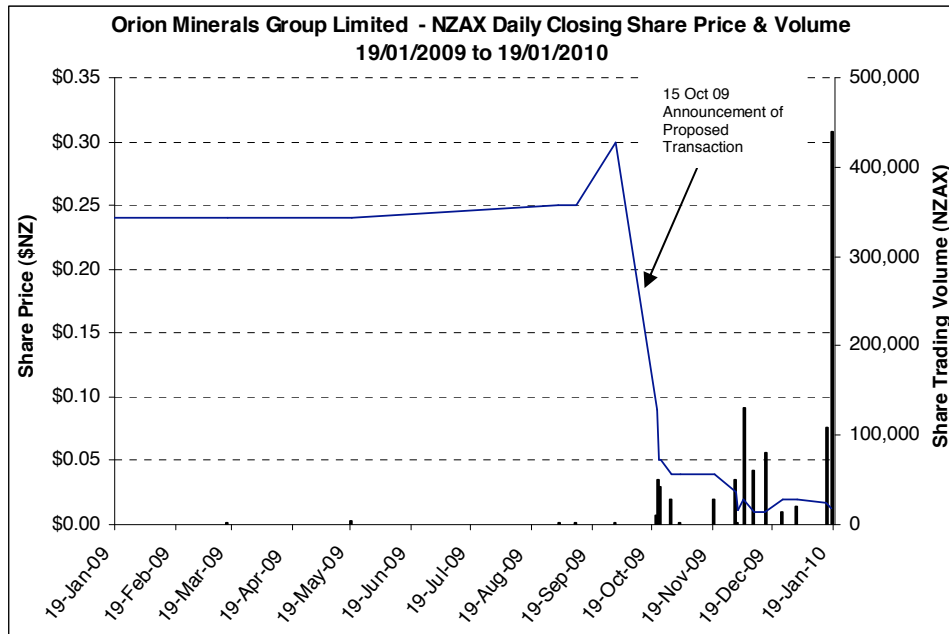
3.8 Share Price History

The current share price of OMG as at 19 January 2010 is \$0.013 per share. Prior to the announcement on 15 October 2009 OMG shares had traded at

between \$0.24 and \$0.30 per share over the previous six months. However, liquidity in OMG stock has been extremely low with only 9,000 shares traded in total on four days during this period.

Since the announcement of the Proposed Transaction and Share Cancellation, the OMG share price has fallen dramatically from \$0.30 per share to \$0.013 per share (as at 19 January 2010), a decrease of 95.7% on the price immediately prior to the announcement. The volume of shares traded in the period from the announcement to 19 January 2010 has totalled 1,066,353 shares, a significant increase on the previous six months but still only representing 0.12% of the total shares on issue.

The share price of OMG for the 12 months ending 19 January 2010 is shown below.



The Volume Weighted Average Price (**VWAP**) for OMG shares for the one month, three months and six months prior to the announcement is shown below, along with the VWAP for the period following the announcement up until 19 January 2010.

OMG VWAP				
	Prior to Announcement*			Post Announcement**
	1 month	3 months	6 months	
VWAP	0.300	0.270	0.253	0.021

Note: * The Proposed Transaction was announced on 15 Oct 2009

** 16 October 2009 to 18 January 2010

4. EVALUATION OF THE SHARE BUY-BACK & CONSIDERATION

4.1 Introduction

OMG intends to purchase 510,000,000 of its own shares back from Inversiones and cancel these shares. The directors of OMG have advised that the consideration offered to Inversiones for the buy-back of these shares will be 100% of the shares in Minera Varry, on the basis that the directors of OMG have determined that the Minera Varry shares have little or no value.

4.2 Increase in Economic Interest

The principal effect on existing shareholders (excluding Inversiones) of the Proposed Transaction and Share Cancellation will be that their relative economic interest (measured by their percentage holding in the issued securities of OMG) will increase on a pro-rata basis. The Inversiones shares currently represent 55.16% of the issued securities of the Company.

Therefore all other shareholders will increase their percentage holding in OMG by 2.23x as a result of completion of the Proposed Transaction and Share Cancellation.

4.3 Indicative Value of the Share Buy-back

We have undertaken an indicative valuation analysis of OMG based on two methodologies that we consider are relevant to the Proposed Transaction;

- Recent market price of OMG shares.
- Net Asset backing per OMG share.

Market Price of OMG Shares

Subject to sufficient levels of liquidity and depth of trading, we consider that recent market prices of public-listed companies are the best indicator of the value of minority share parcels. Such prices represent buyers and sellers views of the fair market value of minority parcels of shares at a given point in time and are generally determined with reference to the current share price and/or the recent VWAP over the relevant period.

As discussed in Section 3, the OMG share price has very limited liquidity. However, there has been a rapid and significant decrease in the share price of OMG in the period following the announcement in respect of the Proposed Transaction. In our view, this reflects investor's recognition that what was formerly considered to be the principal asset of the company (namely the Minera Varry project) has now been assessed by the directors of the Company as having little or no value.

Based on the current share price as at 19 January 2009 of \$0.013 per share, OMG has a market capitalisation of approximately \$12.02 million. Based on the VWAP for the period from 16 October 2009 (i.e. immediately post-

announcement) to 19 January 2010 of 0.021 per share OMG has a market capitalisation of approximately \$19.51 million.

OMG Market Capitalisation based on VWAP			
NZ\$m	Notes	Share Price \$	Market Capitalisation \$ million
Current	1	0.013	12.02
Post-announcement VWAP	2	0.021	19.51
1 Month VWAP (pre-announcement)	3	0.300	277.37
3 Month VWAP (pre-announcement)	3	0.270	249.54
6 Month VWAP (pre-announcement)	3	0.253	234.19

Notes

1. As at 19 January 2010
2. 16 October 2009 to 19 January 2010
3. The Proposed Transaction was announced on 15 October 2009

Given the very limited liquidity in OMG share trading we are cautious about using recent share price as a definitive guide to the value of minority parcels of shares. However, we do note that the current market capitalisation closely approximates to the net asset backing per share (on a book value basis) as at 30 June 2009 as discussed below. As such we consider that investors can place some degree of reliance on this share price as an indicative basis for the value of the Share buy-back. At 0.013 per share, the shares held by Inversiones would have an indicative aggregate valuation of \$6.63 million.

Net Asset Backing of OMG Shares

As outlined in Section 3, OMG's principal asset on the balance sheet (on a book value basis as at 30 June 2009) is represented by cash and cash equivalents of USD 9.966 million. This cash underpins the net book value of OMG of USD 9.561 million as at 30 June 2009.

We note that the net book value is inclusive of a write-down of USD 307,220 in respect of the total goodwill previously booked in respect of the Minera Varray acquisition.

Given the high component of cash within the net book value of OMG, and the lack of other material information on the economics of other rights to mining concessions held by OMG, we consider that the net book value provides a reasonable guide to the indicative equity value of the Company. The net asset backing on this basis equates to USD 0.010 per share, equivalent to \$0.0136 per share². At this price, the 510 million shares held by Inversiones would have an indicative aggregate valuation of \$6.92 million.

Summary

Whilst we have only undertaken an indicative analysis of the value of the Inversiones shares, we consider that these shares would have an approximate aggregate value in the range of \$6.63 to \$6.92 million (\$0.013 to \$0.0136 per share).

² Converted to New Zealand dollars at the USD:NZD exchange rate of 0.7370 as at 19 January 2010

4.4 Evaluation of the Consideration

The Proposed Transaction and Share Cancellation essentially represents a reversal (as far as possible) of the original transaction entered into by OMG in respect of the assets of Minera Varry.

The Simmons Report valued Minera Varry within a range of USD 65.4 million to USD 77.1 million per share. This assessment was based on a discounted cash flow (**DCF**) valuation using inputs, assumptions and projections provided by the Company at that time.

Subsequently the directors of OMG received further technical advice and information in relation to the economics of mining iron ore within the Javiera concession. This advice was provided to the Board by senior management of the Company and corroborated by the Company's geologist and mining engineer at the time.

As a result the Board of OMG determined that the Javiera Concession would be more expensive to mine than originally thought and would therefore be uneconomic to develop in its current form. This was reported in the audited accounts of the Company to 30 June 2009 and goodwill relating to the Javiera concession was written down to nil as at 30 June 2009.

On the basis of the Independent Directors advice and the audited accounts to 30 June 2009 we have placed a nil value on the consideration.

4.5 Summary of Evaluation

In our opinion the 510,000,000 OMG shares held by Inversiones that are the subject of the Proposed Transaction and Share Cancellation, have an indicative value in the range of \$6.63 to \$6.92 million.

This indicative value is considerably in excess of the value of the consideration offered by OMG for these shares (namely 100% of the shares in Minera Varry) which has little or no value.

The net effect of the Proposed Transaction and Share Cancellation will therefore be to transfer this economic value from Inversiones to the other shareholders of OMG.

APPENDIX I. SOURCES OF INFORMATION

I.a Sources of Information

The statements and opinions expressed in this Report are based on the following main sources of information:

- The draft OMG Notice of Special Meeting of Shareholders.
- Orion Minerals Group Limited Disclosure Document – Prospective Buy-back of Shares dated 23 November 2009.
- The OMG annual report for the period ended 30 June 2009 and various interim reports.
- Share data in respect of OMG from Bloomberg.
- The Lock-in Deed between OMG, Inversiones, Mr Barriga and Sociedad Minera Halcon Limitada dated October 2009.
- Various OMG NZX announcements.
- Profile of RLV No. 3 Limited Post-completion of the Prospective Acquisition of Minera Varry S.A. dated 21 November 2008

During the course of preparing this Report, we have had discussions with and/or received information from the Directors of OMG and their legal advisers.

The Directors of OMG have confirmed that we have been provided for the purpose of this Independent Adviser's Report with all information relevant to the Proposed Transaction and Share Cancellation that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is necessary for the purpose of preparing this Independent Adviser's Report.

In our opinion, the information set out in this Independent Adviser's Report is sufficient to enable the Directors and the Non-associated Shareholders to understand all the relevant factors and to make an informed decision in respect of the Proposed Transaction and Share Cancellation.

I.b Reliance on Information

In preparing this Report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by OMG and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an

appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of OMG. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

I.c Disclaimer

We have prepared this Report with care and diligence and the statements in the Report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of OMG will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of OMG and its directors and management. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the Report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the Report or assumptions reasonably taken as implicit.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation of undertaking to advise any person of any change in circumstances which comes to its attention after the date of this Report or to reviews, revise or update our Report.

We have had no involvement in the preparation of the Notice of Meeting issued by OMG and have not verified or approved the contents of the notice of meeting. We do not accept any responsibility for the contents of the notice of meeting except for this Report.

I.d Indemnity

OMG has agreed that, to the extent permitted by law, it will indemnify Campbell MacPherson and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the Report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. OMG has also agreed to indemnify Campbell MacPherson and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Campbell MacPherson or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or terms of reference Campbell MacPherson shall reimburse such costs.

APPENDIX II. QUALIFICATIONS, DECLARATIONS & CONSENTS

II.a Qualifications

Campbell MacPherson is an Auckland investment bank and corporate finance advisory firm. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The persons in the Company responsible for issuing this Report are Stephen Burns, Tony Haworth and Alistair Ward.

Campbell MacPherson has experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

II.b Independence

Campbell MacPherson does not have at the date of this Report, and has not had, any shareholding in or other relationship with OMG that could affect our ability to provide an unbiased opinion in relation to this transaction.

Campbell MacPherson has not had any part in the formulation of the Proposed Transaction and Share Cancellation, or any aspects thereof. Our sole involvement has been the preparation of this Report.

Campbell MacPherson will receive a fixed fee for the preparation of this Report. This fee is not contingent on the conclusions of this Report or the outcome of the Proposed Transaction and Share Cancellation. We will receive no other benefit from the preparation of this Report.

II.c Declarations

Advance drafts of this Report were provided to the Directors for their comments as to factual accuracy as opposed to opinions, which are the responsibility of Campbell MacPherson alone. Changes made to the Report as a result of the circulation of the drafts have not changed the methodology or conclusions reached by Campbell MacPherson.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the Report.

II.d Consents

We consent to the issuing of this Report in the form and context in which it is to be included in the Notice of Meeting to be sent to OMG shareholders. Neither the whole nor any part of this Report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.

8 February 2009.
Campbell MacPherson Ltd.