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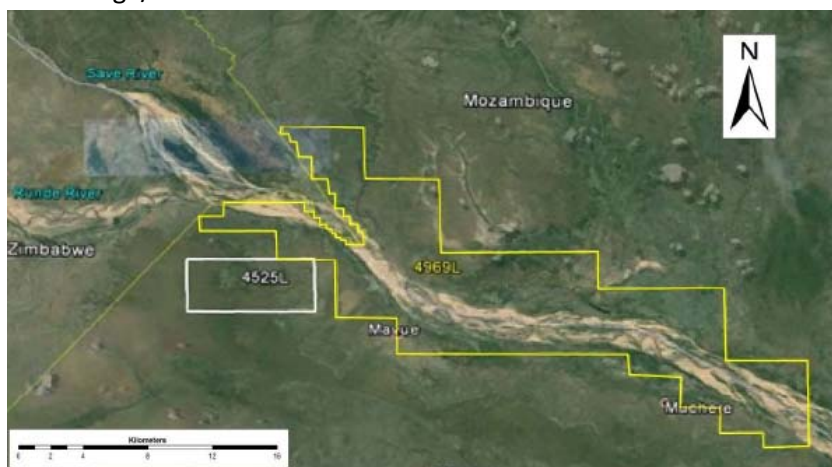
Additional Mozambique Diamond Project Acquisition

Highlights

- Further to the Company's announcement on 4 August 2014 it has secured the acquisition of 51.8% of the highly-prospective diamond licence 4525L which sits adjacent to 4969L downstream from the world-class Murowa and Marange diamond fields in Zimbabwe.
- The Bulk Sampling has now been expanded to include L4525 and testing the extensive alluvial gravels is progressing and to be completed before end December 2014.

Save River Diamonds Project

The Save River Diamonds Project is located in southern Mozambique, next to the border with Zimbabwe (Figure 1). The area of interest is along the Save River, after the confluence with the Runde River (Figure adjacent). The licence area is located where gravels, conglomerates and grits have been mapped on surface. The tertiary to quaternary aged sediments are potentially associated with alluvial diamonds. The geological model for this project is based on the Save and Runde Rivers having drained areas some 200 kms upstream with rich diamondiferous conglomerates and kimberlites (Murowa and Marange diamond fields in Zimbabwe) over millions of years. The profile of the Save/Runde Rivers from the Marange/Murowa areas in Zimbabwe to the Save River Diamonds Project shows a very steep gradient resulting in a high energy environment which the Save River maintains until it reaches the confluence with the Runde River. The topography then changes to a gentle and almost flat surface at the confluence of the rivers. This has resulted in a massive deposition of gravels on the concession area which is a substantial 40km x 10km in size.



Previous exploration work included radiometric images of the areas which showed channel features cutting across the concession. These features which are sub-parallel to the Save River, indicate that the river has migrated towards the north. Further airborne magnetic data confirmed the occurrence of a structure trending NE through the concession and is associated with structural displacements resulting in up-faulted sandstone units. The crosscutting structure formed a barrier which would have promoted the deposition of sediments and gravels on the west and eastern portion of the feature. In addition, a Ground Penetrating Radar Survey (“GPR”) over the concession area was completed by Terravision™ in April 2014. The GPR traverses confirmed the presence of a deep (14m) and wide (1-1.5km) palaeochannel in the western and central portion of the concession. Two GPR lines completed to the south of the concession mapped potential lower gravel terraces which have been affected by faulting and define a sandstone plateau and troughs with visible gravels on surface.

The exploration programme has been designed to validate the traverses and test for diamonds in all gravel settings. The programme will involve the collection of a minimum 50,000 tonnes and a maximum of 100,000 tonnes of material to test for diamonds. A preliminary budget of US\$1.7 million is proposed for this work with the programme with preliminary work having already commenced and to be completed during 2014. All gravels exposed during pitting and trenching will be processed for diamonds using rotary pans and Boesman jigs. Diamond size distribution and gravel volume estimates will be used to determine the grade of diamonds in the area and the depth continuity of troughs/grabens will be confirmed during pitting and trenching.

Overview of Mozambique and Diamond Market Conditions

- One of Africa’s best performing economies, achieving economic growth of over 7% between 1996 and 2013.
- Since the end of a civil war in the 1990s, the Government has introduced a mining law and framework that is investor friendly. This had been rewarded by an exploration boom in the country, particularly for coal and oil & gas.
- The country’s vast untapped coal reserves have attracted a number of multinationals. Alongside its natural resources, Mozambique’s long coastline positions it as a natural gateway to global markets for its land locked neighbouring countries.
- The global supply of rough diamonds has been falling steadily since 2005 with the prices of both rough and polished diamonds having increased since 2010. The year 2013 saw a return of price stability in the international diamond market which was underpinned with a company such as De Beers having doubled its operating profit year on year to US\$1 billion. China and India have been at the forefront in the global demand for rough diamonds.

Transaction overview

Share purchase agreement

Following a legally binding term sheet which has been entered into, the Company will enter into a Share Purchase Agreement (“SPA”) with the current shareholders of Sese Diamonds Pty Ltd (“Sese”) to acquire 74% of the issued capital of Sese. Giving the Company an effective 51.8% interest in Licence 4525L. The SPA will be legally binding subject to a number of conditions precedent, including the following:

- (1) due diligence is completed to the satisfaction of the OGI Board;
- (2) OGI shareholders approvals at an EGM for:
 - a. the issue of securities to the shareholders of Sese Diamonds Pty Ltd;
 - b. a change in the nature and scale of the Company’s activities;

- c. the consolidation of the issued capital of the Company to meet ASX Listing Rule requirements; and
 - d. the issue of shares pursuant to the Capital Raising.
- (3) OGI successfully completing the Capital Raising;
 - (4) OGI and Sese completing due diligence process;
 - (5) OGI obtaining all third party consents, approvals or waivers to the transaction; and
 - (6) OGI obtaining the conditional approval of ASX to re-instatement of its securities to quotation.

The SPA will also contain a number of standard items and conditions, including representations and warranties from each party, considered standard for an agreement of this nature.

Loan Agreement

As previously announced, the Company has provided a loan facility of US\$1.7 million (which remains unchanged and will now cover bulk sampling for both 4525L and 4969L areas) to Save River Diamonds Pty Ltd (SRD). The loan has an interest rate of LIBOR + 2.5% and is secured against the proceeds of all diamonds sold from the bulk sampling programme in priority to any distribution to shareholders. The maximum anticipated drawdown is US\$1.4 million under the budget for the bulk sampling programme.

The loan is repayable by SRD and Sese 3 months following confirmation the transaction will not proceed.

Change of Activities

The acquisition of 74% of Sese, as with SRD, will result in a change in the Company's nature and scale of activities, and will require shareholder approval under Chapter 11 of the ASX Listing Rules as well as requiring the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. The Company will despatch to shareholders as soon as practicable a notice of meeting seeking the relevant approvals to undertake this process, with such notice of meeting to contain detailed information relating to the acquisition of SRD and Sese, including independent experts' reports on the transaction.

Indicative Capital Structure

The indicative capital structure of the Company following completion of the acquisition of SRD and its re-instatement to trading on ASX is set out below (on a post-consolidation basis).

	Shares	Options	Performance Rights
Current issued Capital (pre-consolidation)	328,638,105	-	-
Estimated capital following Consolidation (67:1)	4,905,046	-	-
Issue of acquisition shares for 4969L	11,194,030	1,119,403	3,358,209
Issue of acquisition shares for 4525L	11,194,030	1,119,403	3,358,209
Proposed Issue of shares	20,000,000	1,000,000	-
Total estimate on completion of the matters contemplated by all Acquisition Resolutions on a post-consolidation basis	47,293,106	3,238,806	6,716,418

In the event all convertible notes are converted to fully paid ordinary shares an additional ~10,416,667 shares will be on issue, bringing total issued shares to ~57,709,773.

For and on behalf of the Board,

A handwritten signature in black ink, appearing to read "Chris Ritchie", with a long horizontal flourish extending to the right.

Chris Ritchie
Executive Director

Figure 1: Location of the Save River Diamonds Project near the border between Zimbabwe and Mozambique

