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ACQUISITION OF 6 GRAPHITE LICENCES IN MOZAMBIQUE

Balama Graphite Highlights

- Agreed to acquire 100% of Balama Resources Pty Ltd (“Balama” or “Balama Resources”) which holds interests in 6 tenements in the highly sought after Mozambique graphite province of Balama making OGI the largest graphite tenement holder in the Balama area.
- Initial exploration work completed to de-risk assets and to prove up graphite mineralisation on the Balama tenements. Samples submitted to SGS Laboratories for analysis with preliminary results expected within next 4 weeks.
- Graphite outcrops & EM highs over extensive tenement portfolio along strike from major discoveries by Triton (ASX: TON) and Syrah (ASX: SYR).
- Mozambique confirmed as world-class graphite province with largest graphite resource in the world proximate to the OGI tenements. (Syrah Resources 1.2 billion ton graphite & vanadium deposit)
- Adjacent Triton Nicanda hills graphite deposit hailed as one of the world’s largest high grade graphite deposits (103Mt inferred) with a >500Mt exploration target.
- Balama graphite licences shows potential to host world-class graphite & vanadium deposits with graphite outcropping and positive EM results.
- Strong market fundamentals for graphite which has been declared as a strategic mineral by the USCG—selling for >US\$1,000 per ton (>US\$3,000 per ton for battery applications).
- OGI also acquired local market expertise, relationships and >10 years in country operational experience through the Balama acquisition.

Overview

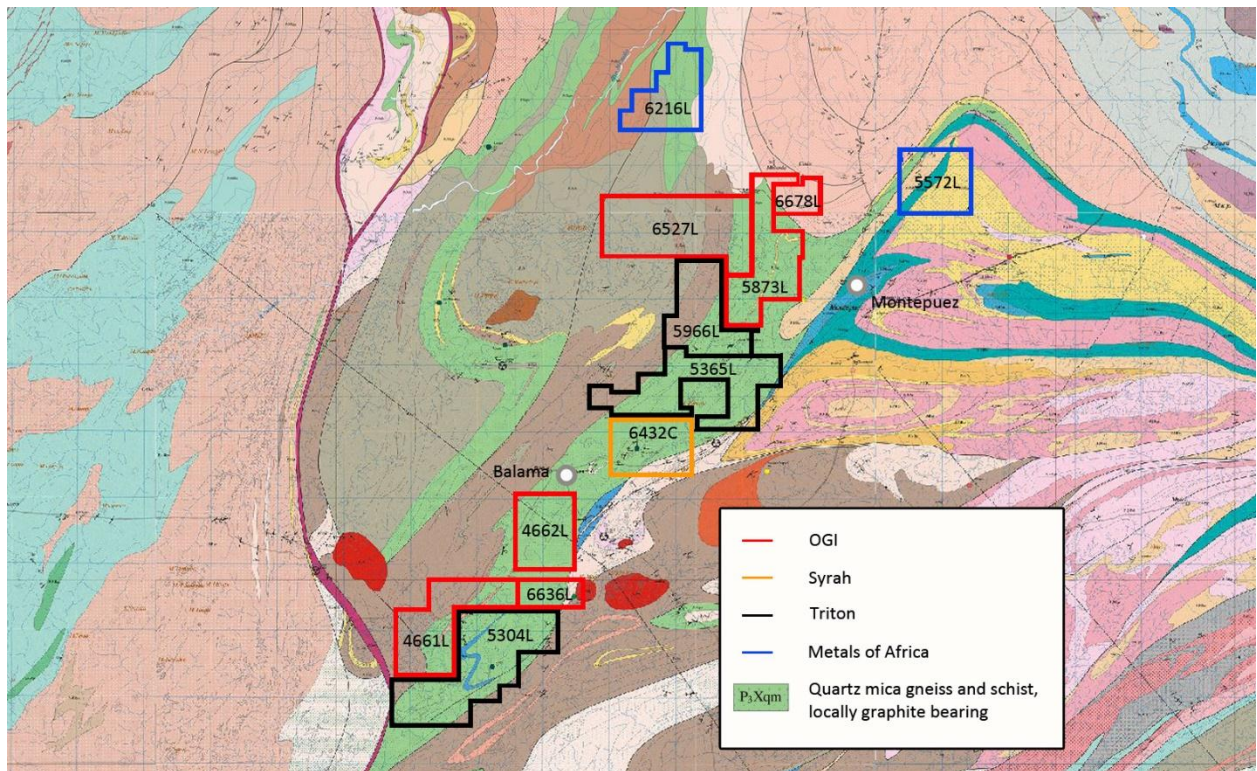
OGI through the acquisition of Balama Resources Pty Ltd has acquired a portfolio of 6 highly prospective tenements in Balama graphite province, Cabo Delgado, Mozambique. The Balama licences collectively make up >80,000ha (800sqkm) and are all underlain by the locally graphite bearing schists (green unit in the below map). Importantly, the tenements are all along geological strike of 2 recent major discoveries by Syrah Resources (ASX: SYR) and Triton Minerals (ASX:TON).

- Syrah has identified and proved up the world’s largest graphite deposit at Balama, containing high-grade zones combined with an exceptional quality product. Syrah has proven a 1.15 billion ton Graphite resource at 10.2% TGC and 0.23% V2O5.

- In February 2014, Triton delivered what looks to be the fourth largest graphite tonnage deposit by tonnage in the world at Cobra Plains, with a maiden Inferred Resource of 103 million tonnes at 5.52% TGC.

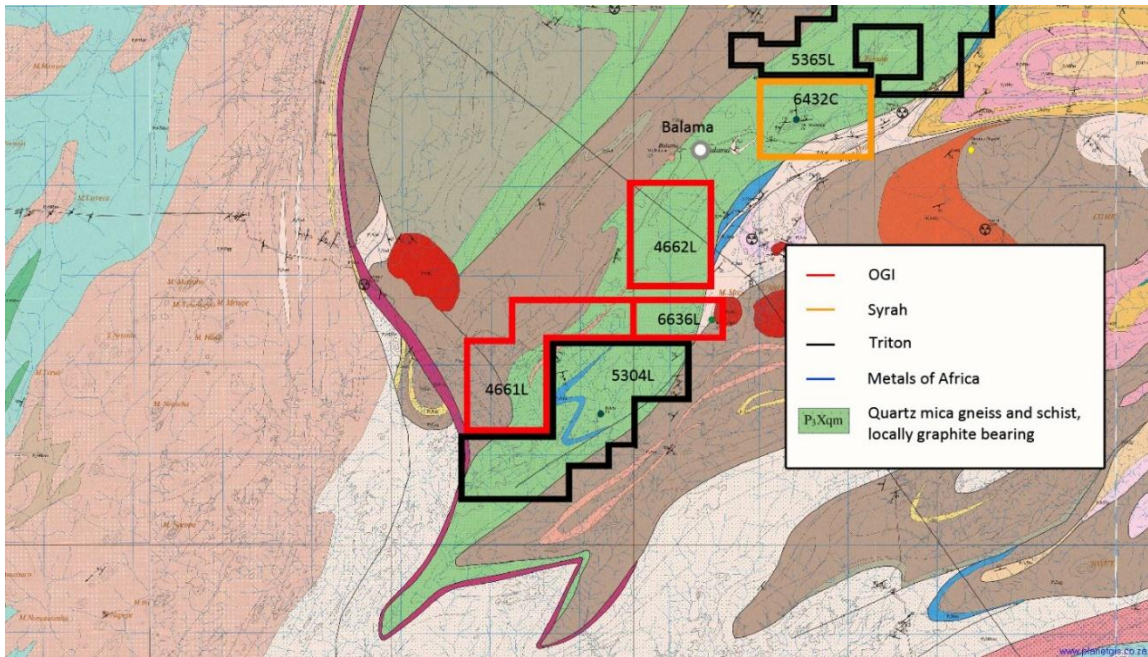
A recent exploration program conducted by Balama Resources has discovered numerous graphite outcrops as well as electromagnetic anomalies consistent with graphite mineralisation (as graphite is a highly conductive mineral).

Balama Graphite tenement map (licences marked as "OGI")

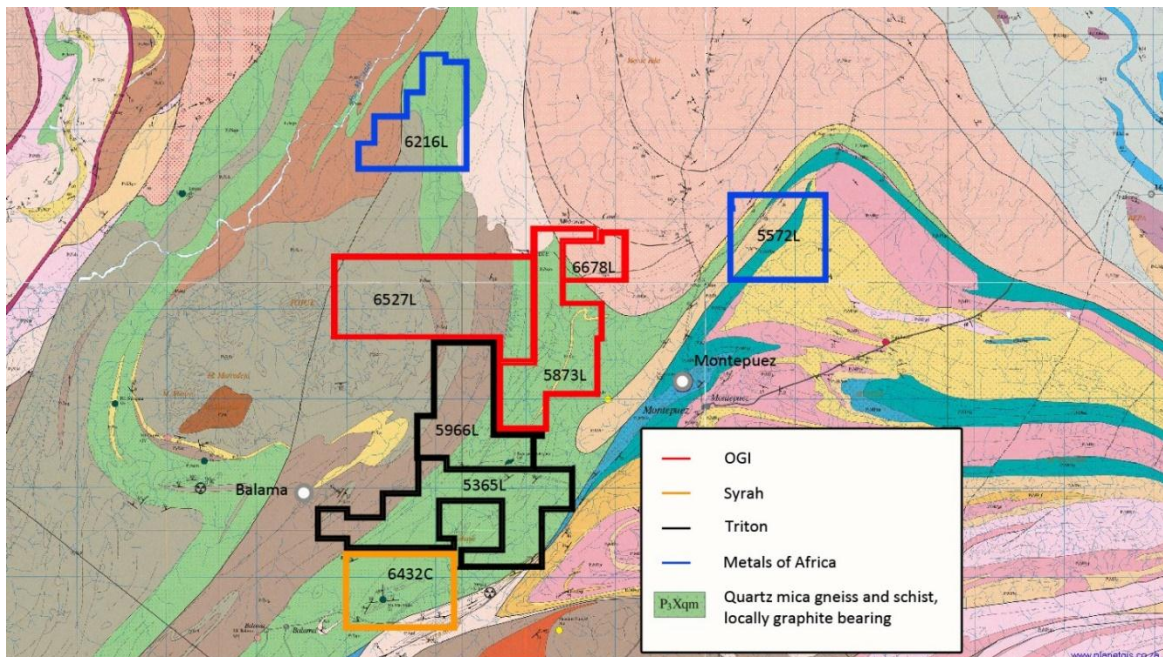


An extensive 42 line km ground electromagnetic survey (EM-34) was concluded on the Balama graphite tenements during September 2014 which provided evidence of multiple areas of potential graphite mineralisation in all the tenements, further validated by numerous graphite outcrops discovered on the Southern licences and the extrapolation of the neighbouring graphite deposit within licence 5966L into the Balama licence 5873L, directly north of it. Balama is currently processing all the gathered field data and further positive market announcements are expected over the next 4 weeks.

Balama Southern Graphite Licences

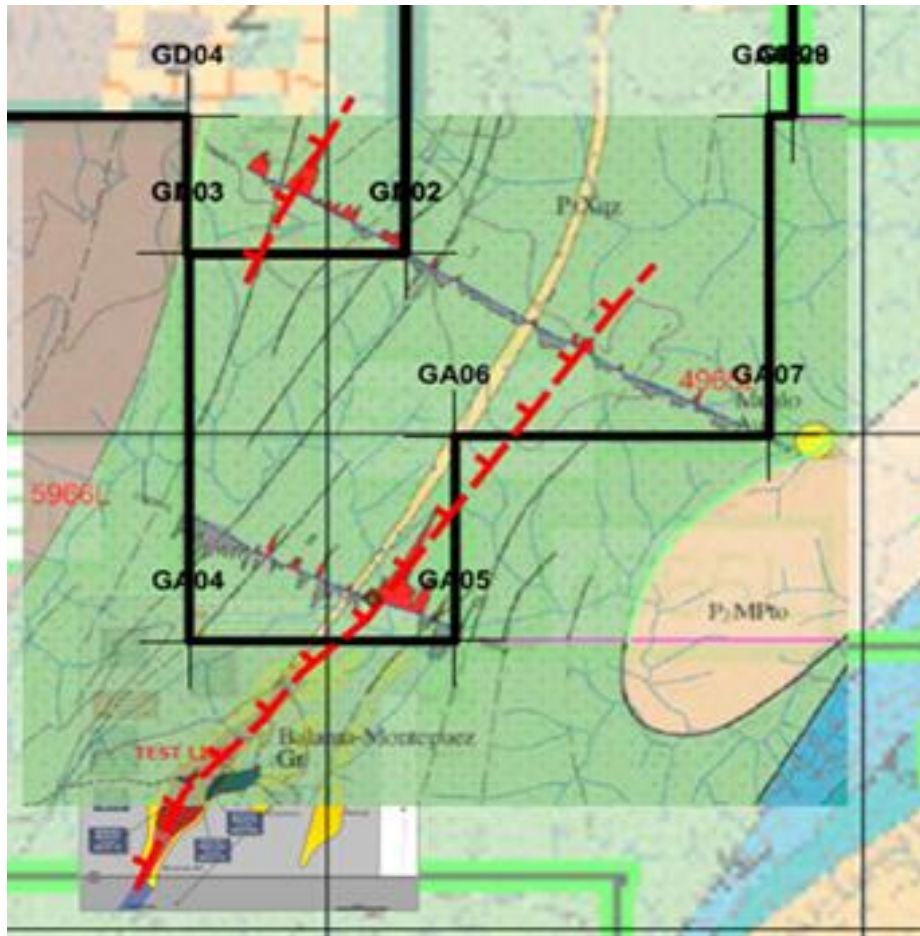


Balama Northern Graphite Licences



Within the Balama licences 5873L & 6527L a distinct positive anomaly is observed that strikes in a north-easterly direction from the established Graphitic carbon intersection on the neighbouring property (5966L) as illustrated in the below image providing very strong indications of graphite mineralisation on licence 5873L held by Balama.

EM-34 Anomalies/Highs on licences 5873L & 6527L



Graphite Market Dynamics

Graphite market currently dominated by China which has limited remaining reserves. Very strong demand growth being driven by multiple current & future industrial and specialist applications:

- Refractory (Carbon) Market: graphite is used for numerous carbon applications (pet coke) i.e. the steel & aluminium industry (price US\$1,000 to US\$3,000/ton)
- New growth Graphite market: Graphite is used for battery anodes in lithium ion batteries. 40kg of graphite used in a Nissan leaf li-ion battery and 100kg in a Tesla model-S. Electric vehicle growth driving demand increases for high quality graphite. 30% to 40% annual battery market growth forecasted with 20% CAG in the electric vehicle market (Price> US\$3,000/ton)
- Future market applications: Graphene– a specialist application of natural graphite in the high tech industry due to its unique characteristics the full scope of which is still uncertain (electronics, PV, energy storage, etc)

Growth in the graphite market estimated at 8.8% CAG up to 2020 due to the increased use of graphite in batteries. The growth of the battery market is estimated to add an additional 1.4Mt p.a market demand by 2020 (source: USGC and Industrial Minerals Magazine).

By 2020 more than 25 mines producing 40,000tpa graphite will be needed to meet expected demand. At present there is a market wide scramble for graphite production as investment in new capacity has lagged and supply falls far short of projected demand growth.

OGI considers that Mozambique will become one of the dominant graphite supply sources owing to its quality (>10% TGC) and enormous volumes (>1 billion tons proved to date). Additionally, the presence of high grades of associated vanadium (as a by-product), and lower labour and other OPEX costs means that Mozambique graphite mines can reasonably be expected to be more economical and profitable than graphite mines in the rest of the world.

Overview of Mozambique

- Political stability - multi party democracy
- One of the fastest growing economies in Africa
- GDP growth >8% forecast from 2014 onwards
- High inflows of Foreign Direct Investment (FDI)
- Sound economic policies supported by the World Bank and IMF
- Investment guarantees from MIGA (World Bank) to registered Mozambique projects
- Presence of high value commodities such as coal, natural gas, graphite, gold, gemstones, mineral sands, and iron ore proven
- Underexplored with many world class deposits remaining to be discovered

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 Balama Resources Pty Ltd (“Balama”) to acquire 100% of the issued capital of Balama. 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 Balama Resources 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 Balama 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.

Total consideration for the shares in Balama will be:

1. 10,000,000 Ordinary shares on completion of the transactions;
2. 14,000,000 performance rights A in the Buyer which will vest upon proving a JORC Compliant Inferred Graphite Resource of a minimum of 50 Million tons @ >5% TGC, on any of the licences; and
3. 14,000,000 performance rights B will vest following a successful upon proving a JORC Compliant Inferred & Indicated Graphite Resource of a minimum of 100 Million tons @ >5% Total Graphitic Content, on any of the licences (Vesting Condition); and
4. 14,000,000 performance rights C will vest following a successful upon proving a JORC Compliant Inferred & Indicated Graphite Resource greater than 500 Million tons @ >5% TGC, on any of the licences (Vesting Condition).
5. On completion of this agreement an amount of ~US\$300,000 is payable to Balama Shareholders.
6. Following vesting of performance rights B a payment of US\$1,500,000 is payable to the shareholders in Balama.

Capital Raising

As previously announced the Company will undertake a capital raising between \$3.5 million and \$6 million before costs pursuant to a prospectus is contemplated as part of the transaction. The minimum raising of \$3.5 million will be arranged on a best endeavours basis by Novus Capital Ltd. Novus have confirmed their full support to the Board for the acquisition and financing of this project.

Existing shareholders will be given the priority right to top up their shareholdings (\$2,000 per shareholder) pursuant to the prospectus.

Consolidation of Capital

As part of the transaction, and subject to the approval of shareholders, the Company will undertake a consolidation of its capital at a ratio of around 67:1 to meet ASX Listing Rule requirements.

Change of Activities

The Company's proposed acquisition of Balama and its Diamond Licence acquisitions through Sese Diamonds Pty Ltd ("Sese") and Save River Diamonds Pty Ltd ("Save") will result in a change in the Company's nature and scale of activities, and 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 Balama, SRD and Sese, including independent experts' reports on the transactions.

Change of Name

It will be proposed that the Company changes its name to reflect the proposed principal focus on diamond & graphite exploration and mining.

Indicative Capital Structure

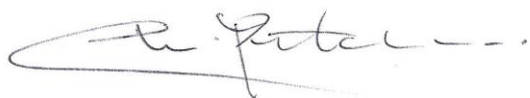
The indicative capital structure of the Company following completion of the acquisition of SRD and its re-instatement to trading on ASX is set out below (on a post-consolidation basis).

	Shares	Options	Performance Rights
Current issued Capital (pre-consolidation)	328,638,105	-	-
Estimated capital following Consolidation (67:1)	4,905,046	-	-
Proposed acquisition of Save	11,194,030	1,119,403	3,358,209
Proposed acquisition of Sese	11,194,030	1,119,403	3,358,209
Proposed acquisition of Balama	10,000,000	-	42,000,000
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	57,293,106	2,119,403	48,716,418

In the event all convertible notes are converted to fully paid ordinary shares an additional ~10,329,602 shares will be on issue, bringing total issued shares to ~67,662,708.

The Company is now set for rapid growth through the development of its graphite portfolio in Cabo Delgado Province and alluvial diamonds in the Save River downstream from the famous Marange diamond fields of Zimbabwe. A summary of the Save River Project is included at the end of this announcement. Both these projects have the potential to drive significant shareholder value through exploration success (graphite) and potential for near term cash flows (diamonds).

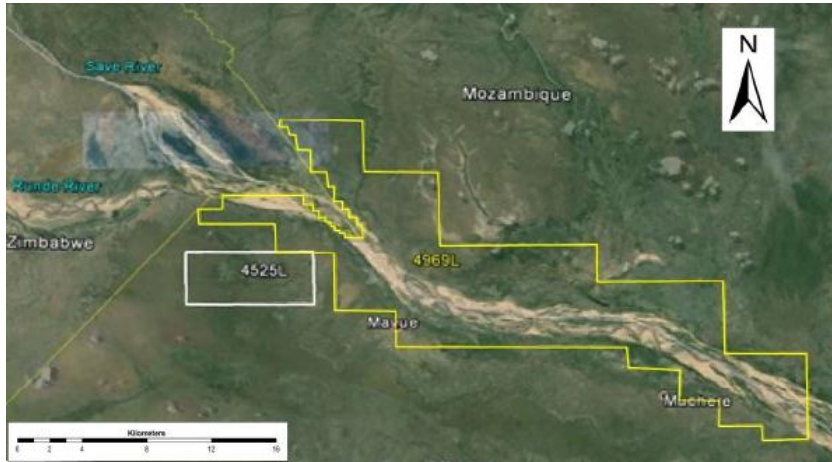
For and on behalf of the Board,



Chris Ritchie
Executive Director

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.

An 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 to commence immediately and 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.

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

