



OceanaGold Corporation

Date of Lodgement: 14/12/11

Title: “Company Insight – Didipio Site Visit & Feedback”

Highlights of Interview

- **Outlines major themes discussed – plus feedback from visitors to the site.**
- **Reiterates project parameters & financials.**
- **Milestones achieved so far, timetable to production & risks in achieving timeline.**
- **Discusses value of Didipio in the context of market capitalisation.**
- **Funding remainder of project & copper off take agreement.**
- **Progress on working with local communities.**
- **Expectations on size of workforce & possible expansions beyond base case output.**
- **Exploration at Didipio & regionally.**

Record of interview:

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OceanaGold Corporation (ASX, TSX, NZX code: OGC; market cap of ~\$640m) announced in the June Quarter 2011 that its Board had approved the development of the Didipio Project in the Philippines. On 1 December, you hosted a site visit for fund managers and stock broking analysts. What major themes did management pass on at the site visit?

MD & CEO, Mick Wilkes

This was an opportunity for the analysts and fund managers to see the construction progress to date and meet the key members of the project, construction and exploration teams. In addition, the visitors gained an insight into the strong relationship we have with the local communities. The Mayor of Kasibu, the Didipio Barangay Captain and President of the Didipio Community Development Corporation (Dicorp) participated in the site visit.

The key themes included:

- The fact that we’ve started construction and that we have ~480 people on site.

- Introducing the various key personnel at Didipio and highlighting their proven experience in developing and operating gold mines in Asia Pacific and around the world. We have a very strong management team in place and, importantly, we're building the project ourselves.
- Providing an overview of the work completed to date as well as the major project milestones in 2012.
- Exploration activities to accelerate in 2012 targeting near mine prospective geological anomalies.
- An update on procurement of key equipment items with the majority of remaining orders due for delivery to Philippines during the March quarter 2012.
- OceanaGold's initiatives to enhance relationships with the local and surrounding communities and the overall support and participation of these key stakeholder groups with the project.



Photo 1: Pouring of concrete

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What feedback did you receive from the people who attended?

MD & CEO, Mick Wilkes

Feedback from the visitors was very positive – we didn't receive any real issues of concern - with comments such as:

- “I feel much more comfortable with this project having met the project team and I am very impressed with the experience they bring.”
- “The project is more advanced that I thought and I look forward to watching the progress in 2012.”
- “It was reassuring to see the support from the local and municipal councils as well as the supportive words from the Mayor of Kasibu.”
- “It gives me increased confidence in the project and the significant opportunities in the Philippines.”



Photo 2: Alex Argus, Didipio Project Manager (left) reviews construction plans with site visit guests.

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Can you reiterate the current project parameters and financials (with assumptions)? How robust are the capital and operating cost numbers?

MD & CEO, Mick Wilkes

Didipio will be a 16 year mine life, large open pit operation and will produce, on average, 100,000 ounces of gold per annum and 14,000 tonnes of copper per annum. In the first 6 years, cash flow will be particularly strong because we will be producing 18,000 tonnes of copper per annum on average in addition to the gold.

The project economics remain very attractive with expected cash costs of negative \$79 per ounce for the first 6 years, assuming \$3/lb copper price for the by-product credits. Cash costs over the life of mine average \$356 per ounce of gold.

In June 2011 we announced Board approved project capital costs of \$185m. At the end of September, \$35m had been spent and we are tracking at approximately \$10m spend per month.

Operating cash flows back to OceanaGold will average \$150m per annum in the first 3 years, using spot prices for gold and copper. So the project will have a very quick capital payback and will generate strong cash flows for future expansion of the project to 5Mtpa ore throughput (~150,000 ounces of gold per annum plus 20,000 tonnes of copper per annum). If I'd started the project from scratch I probably would have begun with a 5mtpa project, but it was already well advanced with

key pieces of equipment completed when I joined the Company. It now makes sense to get it into production and grow it from there. We have designed the plant so it is readily expandable and will primarily need an extra crusher, ball mill, flotation train and thickening capacity to get to 5Mtpa.

As I said earlier, we are tracking to plan. We're also in a position now that most of the capital items are either on site or purchased. There is a low risk of a cost overrun or delay, although that is largely dependent on the weather. We're building the project ourselves and using good quality local contractors. The engineering is 82% complete and as a result, provides us with a high level of certainty regarding the project capital cost.

We're watching the capital budget closely and we'll obviously keep the market informed if there are any material variations.

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What milestones have you achieved so far? What is the timeline to production?

MD & CEO, Mick Wilkes

We said at the start of the year that we'd begin construction in July and would be pouring concrete in November. These were key benchmarks and we've hit them both on time. Another key milestone has been the arrival of the batch plant. The mining contract has been awarded and the contractor is starting to mobilise to site with mining to commence in early 2012 as planned.

Bulk earthworks for the batch plant and process plant have been completed. Our visitors to site were provided with a health and safety overview in the completed construction office and had lunch served from the camp kitchen. Phase II of the construction camp is close to completion.

From early 2012, we are scheduled to commence construction of the tailings storage facility and mining infrastructure with the key components for the process plant to be put together around mid-year 2012.

With all these logistics in place, we are on track for commissioning in late 2012.

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You mentioned weather as the main risk to delay. Are there any other major risks in reaching the operating parameters you are forecasting on time?

MD & CEO, Mick Wilkes

Weather is the only significant risk we see at the moment, but that is pretty common when building in the tropics. Just like at our Reefton operation, we get a fair bit of rain at Didipio and this can slow up earthworks activities and construction. In the Philippines it can be wet or very wet. We saw the effect of two typhoons through northern Luzon in September which slowed us up for a couple of weeks, but did not have a material impact on the schedule. We're doing everything we can to mitigate the weather risk such as proper drainage, but weather is the one thing we can't control.

We are fortunate that the construction team has decades of experience building in wet climates and this experience will be important as we move through 2012 and commissioning in the December quarter 2012.

The only other risks could be permitting risk or a civil action, but these are certainly not issues we are expecting. We do have a solid FTAA (Financial or Technical Assistance Agreement) in place with the national government and we're confident that it is a good foundation to get the project into production. There is plenty of available skilled labour in the Philippines, so that's not an issue.

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OceanaGold's market capitalisation is ~\$640 million and as at 30 September 2011 you had \$163 million in cash. With Didipio scheduled to commission in the December quarter 2012 combined with the New Zealand operations, the future cash flows for the Company will be significant. Why do you think the market is discounting the value of OceanaGold given you will be a 300,000-400,000 oz gold producer in 2013, including the New Zealand operations?

MD & CEO, Mick Wilkes

To use an analogy, there are a lot of people standing on the sidelines watching the game. They're not quite ready to put their boots on and get on the field. However, the fact that they're on the sidelines means they know there is a game happening and there is something interesting going on. They're waiting for the right opportunity and that opportunity for most investors should be between now and first production.

Investors should soon realise that Didipio will be a significant transformation of our Company. In our view, the current market capitalisation reflects little to no value for Didipio as we execute on our strategy to build it and establish a platform for growth in the region.

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How will you fund the remainder of Didipio?

MD & CEO, Mick Wilkes

The project is fully funded by cash in the bank, which is currently similar to the figure you quoted of \$163 million and from free cash flows from our New Zealand operations. We do have convertible notes maturing in December 2012 of A\$53 million and another A\$110 million in December 2013. We're currently negotiating with a number of banks to put in place a debt facility as an insurance policy to ensure we can refinance those convertible notes and also draw down additional funds, if required.

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Didipio will have a significant copper by-product credit, can you explain where you are at with an off take agreement?

MD & CEO, Mick Wilkes

We're in the advanced stages of negotiations with three of the world's largest trading houses to buy all of our copper/gold concentrate. We expect to have an agreement in place in the next few months. There has been no shortage of interest in the copper concentrate as it will be very clean with high gold content and high copper grades of ~25% and we are on the doorstep to one of the fastest growing regions in the world. There are many potential customers that would like to buy the concentrate and the Philippines is well located to export to major countries such as Japan, Korea, China and India. There is also a major smelter in the Philippines as a potential customer.

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You've spoken previously about OceanaGold's commitment to working closely with the local communities where you operate. Can you update progress on that front?

MD & CEO, Mick Wilkes

Working closely with our stakeholders is something the Company has a long and successful history with in New Zealand and more recently in the Philippines. We've made really good progress on working successfully with the local communities on Didipio including the Mayor of Kasibu and the Didipio Barangay Captain who both attended the site visit and spoke to investors. They are very supportive of the project and represent the views of the local community.

I have worked in SE Asia for 15 years building mines in remote communities and our commitment to sustainable development and the communities in which we operate is integral to our strategy to grow our business in the region.

At the site visit, Brennan Lang our General Manager for Didipio Operations outlined some of the initiatives that OGC is establishing and this includes the "Social Development and Management Plan" (SDMP) which, amongst many other priorities, calls for an amount equal to 1.5% of operating costs to be allocated to the SDMP. The majority of these funds will be managed by the host community (Didipio) and the neighbouring areas (barangays) with the balance to the State. An agreement is in place with the local communities on how they wish to invest these funds.

Capacity building is always an important part of constructing an operation in remote locations and we are working with the local community through the establishment of the "Didipio Community Development Corporation" (DiCorp) which is a cooperative made up of long term residents of Didipio. We are working with DiCorp to put the platform in place for them to tender on certain long term service contracts for such things as road maintenance, transport services and catering. Two contracts have already been awarded and we hope to see more of this as we progress - with the opportunity for contracts over the life of the mine being in the tens of millions of dollars. The locals also actually own shares in DiCorp.

We continue to mobilise our medical mission program throughout the region and this month alone we are planning eight in local communities. These are always well attended and it is a great program that we have been able to leverage well beyond the immediate Didipio community.

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Are there any permitting or land rights issues to overcome? What about any environmental issues?

MD & CEO, Mick Wilkes

We have negotiated with a number of illegal mining groups that have now moved out of the area. The major permits for the project have been in hand for some time. We do require various construction permits and local approvals as we progress the project and these will be an ongoing requirement in 2012. We feel we have a pretty good handle on the process and the local municipality has been very accommodating with assisting with this part of the project. We have acquired virtually all the required land for the mining footprint with only a couple of parcels in the final stages of negotiation and that process won't affect construction.

We have an existing Environmental Compliance Certificate (ECC) and have lodged an amendment in consultation with the Department of Environment and Natural Resources, covering the intended

expanded processing rate, which has been accepted and will be issued to OceanaGold in January 2012. That will give us the permit to operate, in addition to our existing permit to construct.

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What does the workforce currently look like and what is it expected to look like in 2012? What will the make-up be of the ongoing operations team?

MD & CEO, Mick Wilkes

We currently have around 480 construction personnel at the project now plus 80 operations people. The workforce will approach 700 by the June quarter 2012 during construction and will be a similar number once the project is in operation.

The Didipio operations team already has the key managers in place and they are now working towards a manning and recruitment plan for 2012. Currently, 76% of staff are from Nueva Viscaya and Quirino provinces with 95% from the Philippines. We have also stipulated with our mining contractors that 70% of their hires must be Didipio residents rising to 90% in two years.

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What is the exploration program to potentially extend Resources/Reserves and further underpin the long term value for Didipio?

MD & CEO, Mick Wilkes

Didipio currently has a 16 year mine life, but we think there is enormous potential for additional porphyry style mineralisation within the FTAA and our exploration team has identified some very prospective geochemical anomalies that we will focus on in early 2012. We've also done some soil sampling with one priority, Mogambos, having been grid sampled as well. It's a gold anomaly of one kilometre length and 400 metres width with more than 1 g/t gold in the soil samples. This is ready to drill and we're negotiating with a contractor to drill it in early in 2012.

We intend to invest ~\$5m in exploration in the Philippines in 2012, with around \$4m at Didipio and the rest in another part of the Philippines which is looking very promising. That's in addition to \$13m for exploration in New Zealand.

We believe we are very well placed to add significant value to the Company through developing Didipio, brownfields expansion, exploration and possible acquisitions.

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Thank you Mick.

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