



## **MEDIA RELEASE**

15 June 2011

### **OCEANAGOLD ANNOUNCES COMMENCEMENT OF CONSTRUCTION AT THE DIDIPPIO PROJECT IN THE PHILIPPINES**

(MELBOURNE) OceanaGold Corporation (ASX: OGC, TSX: OGC, NZX: OGC) (“the Company”) is pleased to announce construction activities have commenced and will progressively ramp up in the coming weeks on the Didipio Project located in northern Luzon, Philippines. Further pre-development studies have identified opportunities to maximise project returns. The Project shows strong economics with cash costs for the first 6 years averaging negative \$79/oz (net of by-product credits using US\$3.00/lb Cu). Gold and copper reserves have increased significantly along with average annual gold production which is now 100,000 ounces per annum. The Board has formally approved the remaining capital expenditure to complete development of the Didipio Project.

In line with Canadian regulatory requirements, the Company will file an updated NI 43-101 compliant technical report relating to the Didipio Project.

#### **Highlights of the Didipio Project :**

- **Annual production of 100,000 oz Au (+45%) and 14,000 t Cu (+69%) on average over the Life of Mine**
- **Increased gold reserves by 19% 1.68M oz**
- **Increased copper reserves by 35% to 229kt**
- **Larger open pit with sustained higher ore supply rates**
- **Increased plant throughput rates from 2.5Mtpa ramping up to 3.5Mtpa by end of 2014 to end of mine life**
- **Internal Rate of Return (IRR) of 48% at current spot prices (US\$1530/oz Au & US\$4.05/lb Cu)**
- **Payback period of 2.2 years from January 1, 2013**
- **Average operating cash flow of \$150 million/year over first 3 years (using current spot metals prices)**

Mick Wilkes, Managing Director and CEO commented, “We are very pleased to have commenced construction that will see commissioning on schedule in the fourth quarter 2012. Over the past six months we have been working hard to unlock significant value through adjustments to the design of the mine, process plant and infrastructure which has seen average annual gold production increase by 45% and average annual copper production increase by 69% over the life of the mine. This robust project will be transformational for OceanaGold and give us a significant platform to expand further into the Philippines and throughout Asia Pacific.”

The Didipio project is expected to produce annually on average 100,000 ounces of gold and 14,000 tonnes of copper at cash costs of US\$356/oz Au (net of bi product credits at US\$3.00/lb Cu). For the first six years of operations, gold production will be approximately 100,000 ounces per annum. However, with higher annual copper production of 18,000 tonnes per annum, cash costs will average negative US\$79/oz (net of bi product credits) over the same period.

The project demonstrates an internal rate of return of 48% at spot metals prices.

The mine life has been shortened to 16 years with the open pit operating throughout and the underground operation expected to commence production in 2020. With the larger open pit design, the strip ratio has increased to 3.45:1.

Additional Inferred resources totalling 15 million tonnes fall within the currently designed open pit. These could potentially add 200,000 oz of Au and 20,000 tonnes of Cu to the mine plan.

The following table provides a summary of the Definitive Project Design:

**Table 1 – Definitive Project Summary**

	<b>Definitive Project Design</b>
<b>Mine Reserve Life</b>	16 Years
<b>Project Capex</b>	US\$185 million
<b>Remaining Capex</b>	US\$173 million
<b>Time to completion</b>	Commissioning Q4 2012
<b>Gold Reserves</b>	1.68 million ounces of gold
<b>Copper Reserves</b>	229,000 tonnes of copper
<b>Mining Method</b>	Open Pit for Life of Mine + Underground SLOS from Year 8 onwards
<b>Average Annual Production over Life of Mine</b>	100,000 ounces of gold (+45%) 14,000 tonnes of copper (+69%)
<b>Cash costs *</b>	(US\$79) per ounce of gold net of bi product credits over the first 6 years US\$356 per ounce of gold net of bi product credits over the life of mine
<b>Throughput</b>	Expected to reach 3.5Mtpa by end of 2014 with potential further expansions
<b>Strip Ratio</b>	3.45:1

\* Using US\$3.00/lb copper. Cash costs over the first 6 years of the mine life are Negative US\$79 per ounce.

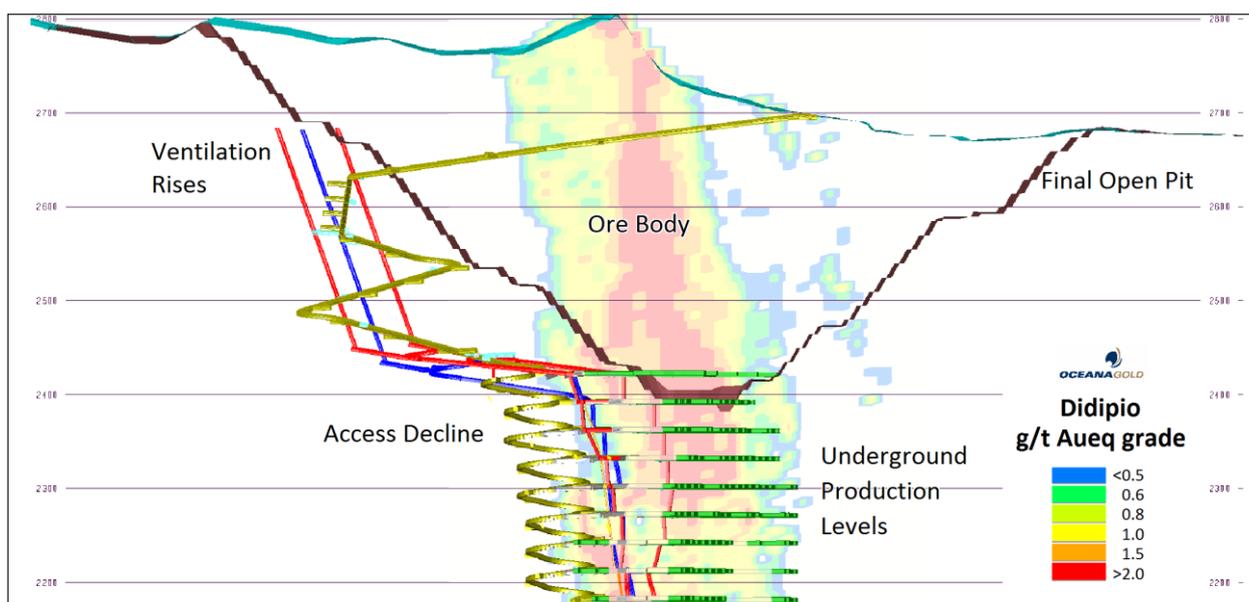
## Mining

Open pit mining at Didipio will be undertaken by a mining contractor and will comprise of six stages over 14 years taking the open pit to 270 meters below the valley floor. Access to the pit will be via a double ramp with the maximum planned mining rate of 24Mtpa. Total material moved over the life of mine will be 199Mt, of which 44.7Mt will be ore, resulting in a Life of Mine strip ratio of 3.45:1. The increased mining rates and larger open pit will allow for quicker access to the higher grade gold than would have been mined via underground methods later in the mine life.

Importantly, the new open pit design allows for high feed rates to the process plant to be sustained as well as greater leverage to strong metal prices by converting more of the resource into reserves.

Underground mining will be via a sub-level open stoping (SLOS) operation with cemented paste backfill. Access to the underground via decline from the side of the open pit will commence in 2016 with underground production currently planned for 2020, ramping up to 1.2Mtpa by 2023. Underground mining is expected to take place for at least six years and will run concurrently with the open pit operation.

**Figure 1 – Didipio Project Mine Design**



## Processing

The process plant will commence operations at 2.5Mtpa, then by utilising the modified conservative design, ramping up to 3.5Mtpa by the end of the second year. Various adjustments to the process plant have been built into the design in order to optimise throughputs and allow for significant expansion. Some of these changes include: addition of flash flotation to the flotation circuit to ensure optimal recovery with the expectation of a coarser grind in order to maximise throughputs; expansion of the tailings system now designed to 3.5 Mtpa; addition of expert systems and other plant automation to improve control and utilisation; and an adjustment to the plant layout to allow for relatively easy plant expansion in the future. Additionally, minor capital has been budgeted in the first year of operations to make upgrades to conveyor drives and pump drives if necessary to achieve the 3.5mtpa throughput rate.

## **Tailings Storage Facility**

The Tailings Storage Facility (TSF) has been re-designed resulting in changes to accommodate for an increased capacity to 50 million tonnes and the larger open pit footprint. Additionally, the location of the TSF has been moved to a tributary catchment of the Didipio valley to reduce the water catchment area making construction during the wet season easier to manage and therefore lowering the risk of weather related construction delays.

## **Capital Costs**

Total capital costs for the project are US\$185 million with approximately US\$12 million spent as at May 31, 2011 leaving US\$173 million left to spend to complete the project. Construction will take place over the next 15-18 months with commissioning of the process plant on schedule for Q4 2012.

The increase in the remaining capital for the project from US\$140 million to US\$185 million is reflective of the inflationary environment for mining projects globally today and a result of changes to the mine design in order to increase production rates and take full advantage of stronger metals prices earlier in the mine life. These changes to the mine design include:

- Addition of Flash Flotation
- A 33% increase to the power facility in order to facilitate increased mill throughputs
- Additional capacity in the Tailings Storage Facility
- Larger piping and pumping capacity to the tailings storage facility
- Addition of an expert milling system

The capital expenditure profile is estimated to have 35% spent over the remainder of 2011 and the remaining 65% spent during 2012. The additional working capital associated with the start-up of the operation will be expended primarily in H2 2012.

## **Operating Costs**

Cash operating costs for the project are expected to be negative US\$79 per ounce for the first 6 years of the operation net of copper bi product credits using US\$3.00/lb Cu. Over the life of mine, cash operating costs are expected to average US\$356/oz.

## **Implementation Plan**

The project detailed engineering and procurement contract re-commenced in Q1. The detailed engineering is expected to be completed over the next six months in line with the construction schedule.

Led by Martyn Creaney, Project Director – Didipio, the OceanaGold in-house construction and management team of 20 professionals is fully engaged with all aspects of the project with near term focus on mobilisation of local contractors for access road repairs, site infrastructure and accommodation camp construction.

Approximately 90% of the equipment for the process plant has been received or is under contract. All major items of equipment including the crusher, mills, flotation cells, motors and major pumps are in safe storage

or have been ordered. Tenders for site earthworks and infrastructure have been received and contracts have been placed for road upgrades and camp construction.

Expressions of interest have been received from potential mining contractors and tendering of the mining contract will commence in July.

### Community and Government Relations

OceanaGold continues to undertake social and medical programs in the communities of northern Luzon. Most recently the second phase of a clean water infrastructure system was completed providing potable water for members of the local community. Two medical missions were hosted in May treating more than 500 patients in Upper Tucod, Nueva Vizcaya and Lower Tucod, Quirino. Additionally, various capacity building training programs commenced in the areas of general book keeping and accounting, carpentry, masonry, plumbing as well as innovative programs in agriculture management.

Road repair contracts have been placed with locally based contractors and the Company also expects to sign a new Memorandum of Agreement in the coming months with the local Didipio Barangay Council which outlined OceanaGold's continued commitment and close partnership with the local communities.

### Reserves

The new reserve model for the project demonstrates a 70% increase to the reserve tonnage and now totals 50.7 million tonnes compared to the 29.7 million tonne reserve in the earlier design. This has resulted in a 19% increase in gold reserves and a 35% increase in copper reserves utilising a US\$950 / oz gold price and \$2.85 / lb copper.

### Mineral Resources

The estimate of Measured and Indicated Mineral Resources as at June 1, 2011 has increased by 0.13 Moz of gold and 0.02 Mt of copper compared to the Company's most recent resource/reserve update as at December 31, 2010, while the estimate of Inferred Mineral Resources has increased by 0.13 Moz of gold and 0.02 Mt of copper compared to the December 31, 2010 update. These increases are due to the lowering of the open pit / underground resource reporting boundary (from 2,540mRL to 2,390mRL) to the base of the expanded open pit. This has resulted in a greater proportion of the total resource being reported at the 0.4 g/t eqAu open pit cut-off.

Class	Mt	Au g/t	Cu %	Au Moz	Cu Mt
Measured	15.96	1.67	0.56	0.86	0.09
Indicated	54.21	0.73	0.37	1.27	0.20
<i>Measured &amp; Indicated</i>	<i>70.17</i>	<i>0.95</i>	<i>0.41</i>	<i>2.13</i>	<i>0.29</i>
Inferred	30.73	0.44	0.23	0.44	0.07

#### Notes:

1. Mineral Resources are inclusive of Mineral Reserves
2. Mineral Resources above the 2,180mRL and below the 2,390mRL at a 1.5 g/t eqAu cut-off grade, and above the 2,390mRL at a 0.4 g/t eqAu cut-off grade. Gold Equivalence (eqAu) = Au g/t + 2.06 x Cu %, based on metal prices of US\$950/ounce for gold and US\$2.85/pound for copper.
3. There can be no assurance that those portions of mineral resources that are not mineral reserves will ultimately be converted into mineral reserves. Mineral resources are not mineral reserves and do not have demonstrated economic viability. These mineral resource estimates include inferred mineral

resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorised as mineral reserves. There is also no certainty that these inferred resources will be converted to measured and indicated categories through further drilling, or into mineral reserves once economic considerations are applied.

### Mineral Reserves

Mineral reserve estimates as at June 1, 2011 have increased by 20.93 million tonnes compared to the December 31, 2010 resource/reserve update.

Source	Class	Tonnes	Au (g/t)	Cu (%)	Au (Moz)	Cu (kt)
Open Pit	Proven	13,790,000	1.60	0.59	0.71	81
	Probable	30,950,000	0.55	0.39	0.55	121
Underground	Probable	5,910,000	2.25	0.45	0.43	27
Total Proven		13,790,000	1.60	0.59	0.71	81
Total Probable		36,860,000	0.82	0.40	0.97	148
Total Proven and Probable		50,650,000	1.03	0.45	1.68	229

**Notes:** Reserves are based on the following metal price assumptions: US\$950/ounce Au and US\$2.85/lb Cu. Using a copper gold equivalence factor of Au (g/t) eq = 2.06 x Cu(%), the Cut-off grade for the open pit reserve is 0.5g/t AuEq and for the underground 1.9 g.t AuEq.

400kt @0.67 g/t and 0.24% Cu of the underground low grade "mineralised waste" is part of the ore inventory as it is necessary underground development material that must come to surface, at which point it is economically attractive to treat it rather than send it to waste based on processing, overheads and concentrate costs.

For further information on the Didipio Project, please refer to the "Technical Report for the Didipio Project" dated 29 October, 2010 which is available on SEDAR under OceanaGold Corporation.

### Qualified Persons

Mr. Jonathan Moore (BSc (Hons) Geology, GradDip (Physics)) Principal Resource Geologist for OceanaGold is the Qualified Person under NI 43-101 responsible for the Didipio Project resource estimates contained herein. Mr Moore has reviewed and approved the references to the resource estimate in this release.

Mr Rodney Redden (BE, mining, MBA, MAusIMM) Technical Services Manager for OceanaGold is the Qualified person under NI 43-101 responsible for the Didipio Project reserve estimates contained herein. Mr Redden has reviewed and approved the references to the reserve estimate in this release.

### Conference Call

The Company will host a conference call to discuss the Didipio Project at 9.00am on Wednesday 15 June 2011 (Melbourne time).

Local (toll free) dial in numbers are:

Australia: 02 9696 0911 or 03 8744 4600

New Zealand: 0800 452 573

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### **About OceanaGold**

OceanaGold Corporation is a significant Asia Pacific gold producer with projects located on the South Island of New Zealand and in the Philippines. The Company's assets encompass New Zealand's largest gold mining operation at the Macraes goldfield in Otago which is made up of the Macraes Open Pit and the Frasers Underground mines. Additionally on the west coast of the South Island, the Company operates the Reefton Open Pit mine. OceanaGold produces approximately 270,000 ounces of gold per annum from the New Zealand operations. The Company also owns the Didipio Project in northern Luzon, Philippines where construction activities are now underway.

OceanaGold is listed on the Toronto, Australian and New Zealand stock exchanges under the symbol *OGC*.

### **Cautionary Statement regarding Forward Looking Information**

Statements in this release may be forward-looking statements or forward-looking information within the meaning of applicable securities laws. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements. Such forward-looking statements include, without limitation, statements with respect to any future resources or reserves attributable to the Didipio Project, estimated production from the Company's existing properties, development of the Didipio Project, economic analysis relating to the Didipio Project and commencement of construction and completion of the Didipio Project. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements including, among others, the accuracy of mineral reserve and resource estimates and related assumptions, inherent operating risks and those risk factors identified in the Company's Annual Information Form prepared and filed with securities regulators in respect of its most recently completed financial year. There are no assurances the Company can fulfil such forward-looking statements and, subject to applicable securities laws, the Company undertakes no obligation to update such statements. Such forward-looking statements are only predictions based on current information available to management as of the date that such predictions are made; actual events or results may differ materially as a result of risks

facing the Company, some of which are beyond the Company's control. Accordingly, readers should not place undue reliance on forward-looking statements. It is also noted that mineral resources that are not mineral reserves do not have demonstrated economic viability.

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