



**OceanaGold Corporation**

**Date of Lodgement: 7/6/12**

**Title: “Company Insight – Didipio Site Visit & Update”**

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**Highlights of Interview**

- **Outlines main discussion points from Didipio site visit – project on schedule.**
- **Discusses status of constructing process plant & the mining activities.**
- **How Didipio is tracking against time & cost budgets.**
- **Operating parameters unchanged; current copper & gold prices well above Feasibility Study.**
- **Good access to required employees & skill sets. Continued excellent relationship with locals.**
- **Confident about planned exploration around Didipio.**
- **Updates New Zealand operation; improvement from March qtr for rest of year.**
- **New Zealand production guidance unchanged & outlines NZ exploration.**
- **Company remains well funded.**

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**Record of interview:**

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OceanaGold Corporation (ASX, TSX, NZX code: OGC; market cap of ~US\$580m) has just hosted a site visit to its Didipio Project in the Philippines. What was the agenda of the visit and the main issues outlined by management, including an update on construction? Who attended?

**MD & CEO, Mick Wilkes**

The senior management from OceanaGold who attended were the Chief Operating Officer, Mark Cadzow, the Project Director (Philippines), Martyn Creaney, our Head of Business Development, Darren Klinck and also senior on-site management.

The agenda was to bring investors and stockbrokers up to date on the progress at the Didipio site. We're running to schedule and we're happy with the way the project is taking shape.



*Image 1: Didpio General Manager – Project Execution discussing construction of tailings storage facility to analysts*

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How would you describe the recent progress on site - dividing that up between the most pleasing aspects and any areas which need improving?

**MD & CEO, Mick Wilkes**

The project is moving ahead at pace with construction about 65% complete. There are now around 1,300 people on site. All contracts have been awarded for the process plant and the infrastructure.

We've been enjoying some favourable weather over the last couple of months, which has helped us make very good progress. All the mechanical equipment is on-site. We now need to assemble the process plant before installing the piping and electrics. We expect to get the main electrical switchrooms and the generators on site within a month. These items are the last major items we need to get on site.

The mining is also going very well. We're blasting every second day to produce rock for the foundations for the tailings storage facility and other infrastructure such as roads. We've started drilling the ore body for grade control and we'll start mining the ore body in the next month or two.



*Image 2: Process plant construction progress end of May 2012*

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Overall, how is Didipio tracking versus time and capital cost budgets?

**MD & CEO, Mick Wilkes**

Overall it is going very well. We expect to be commissioning the plant in the fourth quarter this year. Capital costs are going ok, but as we mentioned in the first quarter, we are seeing some cost pressure on construction of the process plant. The project overall is a little higher than our first estimates and we will provide more details in the near future. That is certainly not unusual with new mining projects at the moment throughout the world.

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Are the other main project parameters unchanged from the previous most recent projections?

**MD & CEO, Mick Wilkes**

Broadly, yes. The mining costs are firming up as we had expected. Labour costs are in line with expectations. We are seeing a slight increase in power cost because of higher diesel consumption in the power plant, but this is relatively minor overall. However later in the year we plan to do a study to assess the potential to link into the electricity grid and that would reduce our power costs considerably. Assuming it is feasible, taking into account the capital expenditure to do that, it would reduce our processing costs by about one third.

On revenue, we did the Feasibility Study using a price of US\$3/lb and over the last 1-2 years copper prices have consistently been well above that. Gold prices have also stayed very strong and are currently above US\$1,600 per ounce with many commentators expecting it to go much higher with the current world economic problems. US\$1,600 per ounce is clearly well above the numbers we used in the Feasibility Study.

The production plan remains consistent with what we disclosed to the market in June last year when we commenced construction. Didipio will have 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. The project economics remain very attractive with expected cash costs of negative US\$79 per ounce for the first 6 years, assuming US\$3/lb copper price for the by-product credits. Cash costs over the life of mine average US\$372 per ounce of gold.

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How many employees are now on site? Are you accessing the breadth and depth of the skill sets required to bring a world class mine on line?

**MD & CEO, Mick Wilkes**

As I mentioned, we have around 1,300 people in total working on the project now. Nearly all of these are Filipinos because most of the contracts we have awarded have been to local companies. Of these workers around 50% are from around the Didipio area and we're very pleased about that. We've also brought in experienced mining engineers and managers from other parts of the Philippines. There are a large number of skilled people within the Philippines from other countries that we can draw from. We also have ongoing staff training on-site.

We have all the managers in place to complete the construction of the project and then to operate it. We're also recruiting for positions such as superintendants well before we need them so that we can build up their level of expertise. We have a large commissioning team assembled and many of those will work on after the commissioning phase because it's always handy to have excess people in case there are any issues.

We also have our teams in New Zealand that we can draw on. For example, we've used some of our New Zealand metallurgical team. That is a benefit of having more than one operation.

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Can you give an update on recent contracts awarded? Have all significant contracts now been awarded?

**MD & CEO, Mick Wilkes**

All significant contracts have been awarded. The most recent has been the electrical instrumentation contract and one of the contractors is already on site. That is a large Philippine company which does many international projects.

Most of our contractors are performing very well and have high standards for safety, which is always a priority. Overall, we're very happy with the way our Filipino contractors are performing.

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Has near mine site exploration at Didipio increased over 2012 as you had expected? What have been the main results?

**MD & CEO, Mick Wilkes**

We have done a fair bit of surface exploration near the Didipio project over the last 12 months and identified a number of anomalies which could lead to the discovery of additional ore bodies. We haven't been able to drill those prospects, not for want of trying, but we're waiting on the government to renew the exploration permit for drilling.

We expect that renewal in the near future, but there is a current freeze on issuing permits across the Philippines at the moment. The exploration upside for near Didipio and the wider area is significant and we look forward to drilling those prospects and others over the next 12 months.

The best prospects we've got at the moment include Mogambos which is only 5 kilometres north of the plant. It has surface expressions of high grade copper and gold anomalies. It's 1 kilometre wide and 2 kilometres long and obviously we're very keen to drill that. Another prospect is MMB, which is 10 kilometres to the northwest of the mine. We interpret that to be another porphyry system similar to Didipio. Both of these prospects have not been drilled before because they don't outcrop and we identified them through our surface sampling.

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OceanaGold has enjoyed good relationships with local and surrounding communities and key stakeholders in the Didipio Project. Can you give an update on your initiatives with these groups?

**MD & CEO, Mick Wilkes**

We set up 'DiCORP' (the Didipio Community Development Corporation) which is a cooperative that is owned by members of the local community. That body is working extremely well. It has been awarded a number of contracts such as road maintenance. They are employing many locals and we're extremely happy with its progress.

We're continuing with our local projects such as agriculture and health. We've developed a Social Development Management Plan which includes projects in environment and education services.

There is very strong support for the project from the local community and surrounding communities. I think that reflects the fact that they realise the benefits the project brings to them, but also our determination to make a success of the various initiatives we've established to help the local community. We were recently presented with an award by the Commission of Human Rights in the Philippines [Region 02] who commended us for "incorporating and observing a human rights perspective in the conduct of our business affairs and for giving due consideration for cultural rights as well".

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At your New Zealand operations, OceanaGold produced 50,842 ounces for the March 2012 quarter with the cash cost (per ounce sold) unusually high at \$1,126 per ounce. What are your expectations for cash costs and production for the rest of the year?

**MD & CEO, Mick Wilkes**

Firstly, the unusually high operating cost in the March quarter was basically the result of the same unit costs being spread over a lower production base. We mined less ore than we

treated during the quarter and that shortfall was replaced by lower grade tonnes. This was largely in line with expectations though because of the planned maintenance at Macraes and Reefton. Also, we experienced higher than expected ground movement at Frasers Underground and some of the ore drives were closed for routine access restricting access to a number of stoping areas. That redevelopment has been completed at Frasers and we've seen a turnaround in Underground operation where we are back stoping again.

Production will continue to improve during the year, in particular in the second half and with that, operating cash cost per ounce will go down over the year. We are expecting more tonnes to be mined at improved grades and therefore will see an improved head grade through the mill.

We're maintaining our guidance for the full calendar year at 230,000 to 250,000 ounces of gold at a cash cost of between \$900 and \$980 per ounce.

That guidance is unchanged from December 2011.

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Total Company Proven and Probable Reserves increased to 3.65 million ounces of gold and 229,000 tonnes of copper. Can you give detail on where these increases came from?

**MD & CEO, Mick Wilkes**

This was a significant increase in Ore Reserves year-on-year and resulted primarily from the sign-off of the new mine plan at Didipio. Included in those Company-wide Reserves was an increase at Didipio in gold ounces by 19% to 1.68 million and in copper tonnes by 35% to 229,000 tonnes.

We also undertook some successful development drilling at Frasers Underground which has extended mine life by another 3 years to 2017.

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What are the main areas of exploration planned for the rest of the year?

**MD & CEO, Mick Wilkes**

In New Zealand, we're currently drilling around the Macraes Open Pit. It looks like we might have another 2 years of open pit mine life there in addition to current Reserves.

We're also drilling some deep holes at Blackwater (Reefton) at around 650 metres down plunge and below previous mined workings, with the first hole encountering 1.0 metres (true width of 0.5 metres) at 23 g/t AU. This gives us great encouragement that the ore body continues well below previous workings. At Globe Deeps (Reefton) the only assay received to date returned 12 metres at 2.60 g/t AU from 229 metres.

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What is OceanaGold's overall funding position and major planned expenditure? Have world economic conditions influenced or affected the way you do business (apart from the impact on the share price)?

**MD & CEO, Mick Wilkes**

As at 31 March 2012, we held approximately US\$123 million cash and are generating cash from New Zealand. That keeps us on track in funding for Didipio, but we also are in advanced talks with several highly rated banks for a revolving credit facility which will help us for our financing needs over the next couple of years. This should be finalised in the next few weeks.

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Thank you Mick.

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For more information about OceanaGold, please visit [www.oceanagold.com](http://www.oceanagold.com) or contact Nova Young, Investor Relations Officer or Darren Klinck, Head of Business Development, OceanaGold Corporation, telephone + 61 3 9656 5300.

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