



OceanaGold Corporation

Date of Lodgement: 23/8/12

Title: “Company Insight – MD on Recent Important Events”

Highlights of Interview

- **Recent & expected improved operating performance of New Zealand operations.**
- **Strong progress at Didipio. Production timing, production levels & operating costs.**
- **Explains Philippines mining sector reform & implications for OGC.**
- **Success of locally owned Didipio Community Development Corporation (‘DiCorp’).**
- **Explains recently signed US\$225 million debt facility, giving funding flexibility.**
- **Feedback about OceanaGold from the Diggers & Dealers conference.**
- **Current investor proposition & future growth for the Company.**

Record of interview:

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OceanaGold Corporation (ASX code – OGC, market capitalisation of ~US\$660 million) recently announced several important events. Can you explain the results of your June 2012 quarterly report and the highlights including production, operating costs and exploration at the New Zealand operations?

MD & CEO, Mick Wilkes

The second quarter was stronger than the first quarter with a 10% increase in gold produced and a 9% decrease in our cash operating costs. We achieved higher production at Macraes both from the open pit and the underground and slightly improved production from Reefton.

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As you’ve said, the second quarter was an improvement on the first quarter, what is the expectation for the remainder of the year at the New Zealand operations?

MD & CEO, Mick Wilkes

We expect further improvement in the second half of calendar year 2012. We’ve previously given guidance that this would be the case.

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What is your full year guidance for 2012? How confident are you of achieving that?

MD & CEO, Mick Wilkes

Our guidance remains unchanged for 2012 at 230,000 to 250,000 ounces of gold at \$900 to \$980 per ounce cash operating cost. We're confident of achieving the guidance. We've had a good production performance in July and in the December quarter we expect to be mining higher grade areas in the Macraes Open Pit, and also some higher grade at Reefton.

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You have started mining at your Didipio Project in the Philippines. How is the project progressing and what are the key milestones for the project over the next few months?

MD & CEO, Mick Wilkes

We've made tremendous progress at Didipio. Mining commenced within the ore body in July. We're currently conducting grade control and we'll be mining fresh ore to be stored on the ROM pad in September.

Commissioning plans are well advanced and the project remains on track for commissioning in the December quarter this year. We have recruited all the people we need for commissioning and the recruitment process for the people required for the long term operation of the process plant is proceeding very well. We'll be commissioning the power station in September and expect to be doing the dry commissioning for the process plant in October and then milling ore in November.

Capital costs are on track to meet the revised budget of US\$220 million.

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You announced a capital cost update in July for Didipio, why has the cost increased from US\$185 million to US\$220 million?

MD & CEO, Mick Wilkes

There were increases in the costs for the engineering and procurement work which was done in Australia. That is consistent with increases we've seen across the industry in Australia over the last couple of years or so.

There were also increases in costs for construction of the tailings dam and also for site infrastructure generally. We also decided when we were doing the tendering work for construction that we would use high quality contractors to ensure the quality of the work and also to ensure we meet our commissioning dates. The contractors are Filipinos who have extensive experience working in mining operations around the world.

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Can you outline the production timing, annual production output and expected operating costs for Didipio?

MD & CEO, Mick Wilkes

Production of gold and copper will commence at the end of this year. We expect to be processing 2.5 million tonnes of ore in 2013 to produce 50-70,000 ounces of gold and 10-15,000 tonnes of copper. Our current expectations on cash operating costs are not dissimilar to previous guidance. We will have very low cash costs in the first 5 years of the operation due to high copper credits. The copper price is holding up well at around US\$3.40/lb and that would mean that our cash costs per ounce of gold will be largely offset by the copper credits.

When we include Didipio, it will bring cash operating costs for the Company down to around US\$600/oz for the next few years at least.

We're in the process of reviewing our budgets for the whole Company and will have revised 2013 production and cash operating cost guidance in the December quarter.



Image 1: Didipio process plant as at 17 August 2012



Image 2: Grinding mill motors installed, August 2012

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What are the main terms of the recently signed Heads of Agreement contract for Didipio?

MD & CEO, Mick Wilkes

A Heads of Agreement for the off take contract has been signed with Trafigura for the sale of the gold/copper concentrate and we're currently working on the finer points of that final agreement. Trafigura is a respected world commodities trader specialising in the supply and transport of concentrates. They have financial resources and networks to operate in South East Asia, particularly in the Philippines because of its proximity to the end users, the smelters.

We believe it's a very good deal for both parties. We will sell 100% of our concentrate to them for at least 5 years at competitive terms including treatment and refining charges. Trafigura will take delivery of the concentrate from the mine site and will be responsible for the logistics of transporting it by land and sea to the smelters. We are principally a gold producer so we don't want to have the added responsibility of transporting the copper/gold concentrate.

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What are the implications for OceanaGold after the Philippines Government signed the 'Executive Order 79' which covers Philippines mining sector reform?

MD & CEO, Mick Wilkes

The Executive Order is designed to ensure a more responsible, sustainable and equitable mining industry in the Philippines. So, we view the Executive Order as a positive for reform for the mining industry in the Philippines, but more importantly for us because it will clear the way for the approval for an extension of our current exploration permit. We expect this approval to come through in the next month or two and we are ready to drill some near mine prospects.

In my discussions with senior Government officials and the Department of Environment and Natural Resources, I was pleased to hear that they are fully committed to our current Financial or Technical Assistance Agreement (FTAA) and our current fiscal sharing arrangements.

Importantly, the Government has said they will regulate more rigorously small scale mining to improve environmental management. They also want to improve the transparency of the mining industry which will increase the confidence of foreign investors to invest in mining in the Philippines.

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The Company has discussed the strong local support for the project and the establishment of the locally-owned cooperative 'DiCorp'. Can you elaborate on DiCorp and how it is involved with the project?

MD & CEO, Mick Wilkes

The Didipio Community Development Corporation ('DiCorp') is an entity initiated by OceanaGold, and DiCorp's shareholders are long term residents around Didipio. Its purpose is to help develop skills to provide services for the long term operation of mines.

The shareholders will benefit from being able to develop these skills, but also through sharing in the profits that DiCorp generates. DiCorp already has around 80 employees and that will increase to around 200 over the next 6 months as more contracts are awarded at the Didipio mine site.

DiCorp is already contracted to maintain the access road, operate the employee bus service, carry out the waste collection service and it also has the cleaning contract for the mining camp.

These types of companies have been set up successfully in other countries and it is turning out to be very successful for DiCorp's shareholders and for OceanaGold.

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You recently signed a term and revolving credit facility for US\$225 million. Why have you done this? What amount might you possibly draw down?

MD & CEO, Mick Wilkes

This facility is to refinance our debt. We have convertible notes of about A\$58 million maturing in December this year and a further A\$110 million in December 2013. Shareholders sometimes get concerned as convertible notes approach maturity creating an overhang in the market where the share price can often be negatively impacted. These term and revolving facilities with a group of multinational banks gives us the balance sheet flexibility we need over the next few quarters.

After allowing for repayment of the convertible notes, the revolving credit facility will provide a funding buffer of US\$50 million for working capital.

We may draw down up to A\$58 million in December 2012 to pay out the convertible notes maturing then. We will be generating very strong cash flows from Didipio starting in the March quarter 2013, and from New Zealand. We would have access to draw down on the term facility to pay out the A\$110.7 million of convertible notes maturing in December 2013 if needed. However this is more of an insurance for the Company if production or commodity prices don't meet our expectations.

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You recently presented at the Diggers & Dealers conference in early August. What were the themes of the conference and what feedback are you getting from investors?

MD & CEO, Mick Wilkes

The broad reason for the conference is for companies to attract future investment and for industry networking.

OceanaGold received a lot of interest because of the impending start up of Didipio and the anticipated improvement in our New Zealand operations and the large operating cash flow that we will therefore generate from 2013 and beyond. This is at a time when other companies are looking for funds to either explore or to develop projects. It has been a hard couple of years for junior mining companies to raise funds if they haven't already got projects in production which are generating strong cash flows.

OceanaGold is entering a period of very strong cash flow from next year onwards. Our story is becoming more and more compelling for investors as we move from a period of high capital expenditure to having significant cash coming in.

Not surprisingly the feedback from investors was very positive. We are transforming into an intermediate gold producer with low cash costs. They can see that our capital commitments are reducing and that production and operating cash flow will be strongly increasing from Didipio and our New Zealand operations.

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A few Canadian brokers have recently published reports summarising the relative performance of gold producers in the sector. OceanaGold appears to be outperforming the peer group on average over the past few months. Why do you think this is the case?

MD & CEO, Mick Wilkes

I think it's really due to reasons we've already discussed. The market has been very harsh on companies that don't have cash flow or impending cash flow. OceanaGold stands out because we don't need to raise funds and, as I've explained, we will be generating very strong cash flow from next year onwards.

The future looks very bright for OceanaGold and therefore so does our investor proposition. We have outperformed our peers over the last few months in particular and would expect that to continue.

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As you've said, OceanaGold is well funded in comparison with many mining companies in today's market and you expect to be making significant operating cash flow from the combined New Zealand and Didipio operations next year. What opportunities does that open up for OceanaGold?

MD & CEO, Mick Wilkes

We'll soon be in a good position to look at acquisitions and particularly acquisitions of companies that may have discovered and drilled out a project, but are struggling to raise the funds to progress their projects further.

We will look at opportunities where we can provide finance - and our technical skills developed in New Zealand and at Didipio - to bring other assets into production.

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Thank you Mick.

For more information about OceanaGold, please visit www.oceanagold.com or contact OceanaGold Corporation Investor Relations, Nova Young or Darren Klinck in Melbourne on telephone + 61 3 9656 5300 or Sam Pazuki in Toronto on telephone +1 416 915 3123.

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