

Company Insight - Didipio Performs Strongly & Growth Outlook

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MELBOURNE, Australia, June 20, 2013 /CNW/ -

Highlights of Interview

- Excellent performance at Didipio including commercial production 3 months after commissioning.
- Expecting solid production and negative cash costs (after by-product credits) for 2013.
- Discusses schedule of shipping of concentrate and is meeting quality specifications.
- With Didipio in production, explains next steps at Didipio and more broadly in the Philippines.
- OceanaGold well placed in lower cost environment & how it aims to maximise profitability.
- Discusses media reports of possible changes to tax system; no changes for Didipio though.
- Plans for strong cash flow to be generated from Didipio including repaying bonds due Dec 2013.
- Guidance for 2013. Also, key catalysts/upside for investors.

Record of interview:

companyinsight.net.au: [OceanaGold Corporation](#) (ASX code: OGC; TSX code: OGC; NZX code: OGC; market cap of ~\$500m) recently declared commercial production at Didipio in only just over 3 months from first ore through the mills. How have the operations and the ramp-up been going at the new mine and are you on track for 2.5 million tonnes per annum (Mtpa) of ore this year?

Managing Director, Mick Wilkes: Commissioning at Didipio commenced on schedule at the end of 2012 and it has gone to plan. We announced commercial production as of 1 April 2013 so commissioning went extremely well. The production continues to ramp-up and we have been operating at well above the 2.5 Mtpa of ore throughput rate and we're confident that we will meet a total of 2.5 Mt throughput for 2013 as per our business plan.

Recovery has been strong for copper and gold and is meeting or exceeding our expectations; therefore the production of gold and copper is also meeting our expectations. 2013 production guidance for Didipio is 50,000 to 70,000 ounces of gold and 15,000 to 18,000 tonnes of copper at a cash cost range of negative US\$370 to negative US\$50 per ounce of gold after by-product credits. Overall, commissioning has gone extremely well and we're very pleased with the result.

Our plan is to ramp up the plant to 3.5 Mtpa throughput by the end of 2014 meaning that we should average 3 Mtpa in 2014 and then 3.5 Mtpa in 2015. This will be achieved through debottlenecking which will require only small amounts of capital expenditure of roughly a couple of million dollars.

companyinsight.net.au: In April, you announced the first shipment of copper-gold concentrate from port. How much concentrate have you shipped so far and is it meeting the necessary commercial specifications?

Managing Director, Mick Wilkes: Three ships have left port so far and each with 5,000 dry tonnes of concentrate. All the concentrate has met commercial specifications with a copper grade of around 26 to 28% and a gold grade of around half an ounce per tonne which will increase as we access higher grade areas of the pit. We have another two ships scheduled over the next four to six weeks and approximately 20,000

tonnes of concentrate on stockpile between the port and the mine site awaiting shipment.

companyinsight.net.au: What are the next steps for OceanaGold at Didipio and more broadly in the Philippines?

Managing Director, Mick Wilkes: Our focus is maximising the value of Didipio. We'll invest a couple of million dollars on debottlenecking the operation to lift throughput to 3.5 Mtpa. We'll also allocate some capital for some infrastructure items and we'll also work on reducing our unit costs of production. We're doing a feasibility study on constructing a power line to connect Didipio to the power grid.

We have a number of exploration tenements in the Philippines outside the Didipio mining permit and we're continuing to work with government to allow us to start exploring on those. We have commenced drilling two targets near-mine at Didipio within the mining permit and we're hopeful of getting the permits granted or renewed for the very prospective ground located within and adjacent to the Didipio FTAA in the near term.

Our plan is to diversify our resource base and in general there will be more management time available to chase new resources now that Didipio has reached commercial production. We're also starting to examine opportunities in other countries in addition to the Philippines.

companyinsight.net.au: The recent decline in the gold price has impacted gold equity performance significantly and resulted in the majority of the industry re-evaluating capital expenditure plans and undertaking cost cutting measures. How is OceanaGold placed for this new environment with its operations and what steps are you taking to maximize profitability in this lower price environment?

Managing Director, Mick Wilkes: At our operations in New Zealand we've always been focused on the marginal ounce to maximise profitability there. We're not strangers to a tight margin environment and we'll continue to focus on productivity and costs in New Zealand and at Didipio.

We're currently reviewing the mine plan at Macraes and more particularly Reefton in light of the lower gold price. We're looking to minimise the amount of capital expenditure, particularly on pre-stripping for future production and we're also looking at wages freezes and reviewing all discretionary expenditures to reduce unit operating costs. We will update the market on Reefton within the next six weeks but can expect that the mine schedule will likely reflect a shorter mine life with these new economic realities. We will ensure the New Zealand operations remain cash flow positive after sustaining capital expenditure and only spend capital that is absolutely necessary to meet the production plan.

I want to assure investors that no one operation will be subsidized by cash flow from another. In other words each operating mine will have to support its own capital expenditure requirements.

companyinsight.net.au: Recently there have been some media reports pertaining to Government discussions around royalty and tax changes for mining projects in the Philippines. Can you explain what this is and also what the effect on Didipio is likely to be?

Managing Director, Mick Wilkes: The Government has been reviewing the tax regime for new mining projects for almost a year in conjunction with E079 executive order which was released late last year. The stated intent of E079 was to increase the payments to government from future mining projects. The Government is currently working with the mining industry in the Philippines to draw up draft legislation and to present this to Congress which is expected to happen in the coming months. The Government is keen to push that legislation through.

Importantly, as the government has stated previously, there won't be any changes for the tax regime relating to existing MPSAs or FTAA's including that covering Didipio. In other words the new legislation will only be for new projects to be permitted and will not be retrospective so we don't expect any impact on Didipio.

companyinsight.net.au: There are currently a number of mines currently operating in the Philippines under a Mineral Production Sharing Agreement (MPSA) and Financial Technical Assistance Agreement (FTAA). How are these existing operations affected or impacted by the E079?

Managing Director, Mick Wilkes: Again, the government has publically stated that E079 would not be applied retrospectively and that it would primarily apply to new projects, those not currently in operation. In the E079 document which is available on the Department of Energy and Natural Resources (DENR) website it states "Mining contracts, agreements and concessions approved before the effectivity of the EO shall

continue to be valid, binding and enforceable." The document goes on to state that all existing operations would have to comply with the new environmental standards of more reporting and observation which we are highly supportive of and is an important component of a responsible mining sector.

companyinsight.net.au: The Company discussed in their First Quarter report in April that the Department of Environment and Natural Resources (DENR) in the Philippines along with a number of mining companies, including OceanaGold Philippines had been named in a legal case whereby an NGO group was challenging the constitutionality of the FTAA. We understand this case was started in 2008 with various written submissions made but was dormant for the past 2+ years until recently when the courts asked for further oral submissions. Can you explain what this is about?

Managing Director, Mick Wilkes: Since the Philippine Mining Act was re-affirmed in 2005, there have been a number of attempts by various interest groups to challenge its validity. All have failed and this one again is attempting to challenge the constitutionality of the Act and thus the government department for environment and natural resources has been named. As OGC is also named, we are working alongside the DENR and the other companies to file oral submissions as has been requested. We're confident that this will be dealt with expeditiously by the courts, but we will of course continue to strongly defend our position alongside the DENR and other parties named in the motion.

companyinsight.net.au: Even with the lower gold price, the Company is poised to generate good free operating cash flow. What is OceanaGold's strategy to deploy this free cash flow over the near-medium term?

Managing Director, Mick Wilkes: Our immediate priority is to reduce our gearing by paying down debt. That will strengthen our balance sheet and position us well for further opportunities. In order to pay down as much debt as we can we will be focused on reducing costs and increasing profitability at both the New Zealand and Didipio operations.

We are also looking at opportunities to diversify our asset base outside of New Zealand and the Philippines. We're in no hurry though and will continue to focus on our current operations.

As we will be generating significant free cash flow in the next several years we hope to also be reviewing a dividend policy next year as well.

companyinsight.net.au: OceanaGold has approximately A\$110 million of convertible bonds maturing in December 2013. What is the Company's strategy for when the bonds come due?

Managing Director, Mick Wilkes: We can use free cash flow to pay down some of those bonds. We also have a term credit facility which we can draw on to pay down the bonds in the absence of any other cash and so the repayment of the convertible bonds, maturing in December 2013, are fully funded.

companyinsight.net.au: What is OceanaGold's operating guidance for calendar year 2013?

Managing Director, Mick Wilkes: Our production guidance is for between 285,000 and 325,000 ounces of gold and for between 15,000 and 18,000 tonnes of copper. We're on track to achieve that after having a strong March quarter and a good June quarter. The cash cost guidance is for between \$650 to \$850 per ounce of gold after copper credits.

companyinsight.net.au: The general consensus amongst the mining analysts in Australia and Canada is that OceanaGold continues to be an undervalued company. What are the key catalysts for investors to look for moving forward?

Managing Director, Mick Wilkes: Primarily the market is looking for us to demonstrate the profitability of Didipio and therefore net cash flow received from the operation and cash at bank will be key catalysts for the market. The market will also be looking to see that the New Zealand operations are cash flow positive and contributing to the overall profitability of the Company. We hope to demonstrate this through our reporting over the next couple of months.

We will also be looking to add to mineral resources around Didipio, in other parts of the Philippines and in other countries and any success should also lift the share price.

We believe OceanaGold is in a very strong position relative to its peers. We have a strong balance sheet that

is getting stronger, a new low cost operation in Didipio where we have spent the capital and now have cash flow coming in, continuing positive cash flow from our New Zealand operations, significant exploration upside, potential to pay dividends next year and we are in a position to take advantage of low cost growth opportunities in the current environment. Within the next 5 years, we can see OceanaGold operating 3-4 mines in different countries, and we are well placed in the current market to take advantage of that.

companyinsight.net.au: Thank you Mick.

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