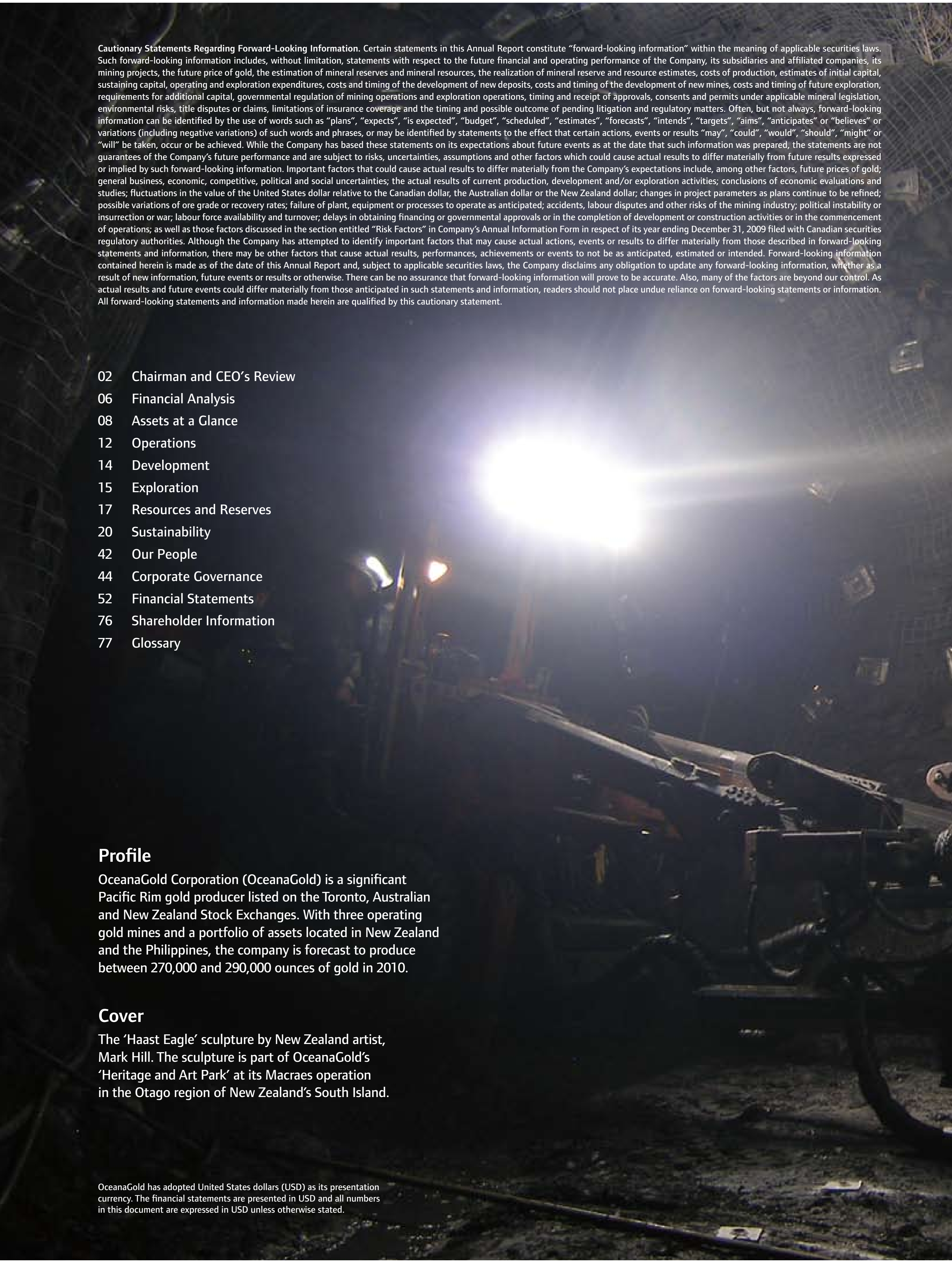
OceanaGold Corporation Annual Report 2009

UNLOCKING EMBEDDED VALUE



Cautionary Statements Regarding Forward-Looking Information. Certain statements in this Annual Report constitute "forward-looking information" within the meaning of applicable securities laws. Such forward-looking information includes, without limitation, statements with respect to the future financial and operating performance of the Company, its subsidiaries and affiliated companies, its mining projects, the future price of gold, the estimation of mineral reserves and mineral resources, the realization of mineral reserve and resource estimates, costs of production, estimates of initial capital, sustaining capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of the development of new mines, costs and timing of future exploration, requirements for additional capital, governmental regulation of mining operations and exploration operations, timing and receipt of approvals, consents and permits under applicable mineral legislation, environmental risks, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "targets", "aims", "anticipates" or "believes" or variations (including negative variations) of such words and phrases, or may be identified by statements to the effect that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. While the Company has based these statements on its expectations about future events as at the date that such information was prepared, the statements are not guarantees of the Company's future performance and are subject to risks, uncertainties, assumptions and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially from the Company's expectations include, among other factors, future prices of gold; general business, economic, competitive, political and social uncertainties; the actual results of current production, development and/or exploration activities; conclusions of economic evaluations and studies; fluctuations in the value of the United States dollar relative to the Canadian dollar, the Australian dollar or the New Zealand dollar; changes in project parameters as plans continue to be refined; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability or insurrection or war; labour force availability and turnover; delays in obtaining financing or governmental approvals or in the completion of development or construction activities or in the commencement of operations; as well as those factors discussed in the section entitled "Risk Factors" in Company's Annual Information Form in respect of its year ending December 31, 2009 filed with Canadian securities regulatory authorities. Although the Company has attempted to identify important factors that may cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actual results, performances, achievements or events to not be as anticipated, estimated or intended. Forward-looking information contained herein is made as of the date of this Annual Report and, subject to applicable securities laws, the Company disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking information will prove to be accurate. Also, many of the factors are beyond our control. As actual results and future events could differ materially from those anticipated in such statements and information, readers should not place undue reliance on forward-looking statements or information. All forward-looking statements and information made herein are qualified by this cautionary statement.

Profile

OceanaGold Corporation (OceanaGold) is a significant Pacific Rim gold producer listed on the Toronto, Australian and New Zealand Stock Exchanges. With three operating gold mines and a portfolio of assets located in New Zealand and the Philippines, the company is forecast to produce between 270,000 and 290,000 ounces of gold in 2010.

Cover

The 'Haast Eagle' sculpture by New Zealand artist, Mark Hill. The sculpture is part of OceanaGold's 'Heritage and Art Park' at its Macraes operation in the Otago region of New Zealand's South Island.

OceanaGold has adopted United States dollars (USD) as its presentation currency. The financial statements are presented in USD and all numbers in this document are expressed in USD unless otherwise stated.

CHAIRMAN AND CEO'S REPORT

Chairman and CEO's Review

Since last year's annual report was written, the company has undergone a significant transformation that has seen OceanaGold consolidate its operating base in New Zealand, make changes to the core management team, undertake measures to strengthen the balance sheet and most recently, successfully close out all remaining hedge contracts to create a 100% unhedged gold producer.

The business uncertainty however that characterised 2008, continued in 2009 with several major economies including the United States and Great Britain falling into recession and most listed companies continued to experience share price volatility as well as challenges managing balance sheet risk.

As the year progressed, the international capital markets began to stabilise and by the end of the year a degree of business optimism had returned. Throughout this, the US$ gold price remained strong as the safe haven investment continued to shine through with the yellow metal ending the year 25% higher at US$1088.

Although OceanaGold was impacted by the economic volatility and general uncertainty throughout the world, 2009 was a year that the company focused on optimising its core business and this, in turn, underpinned a very strong result for the New Zealand operations. OceanaGold produced some 300,000 ounces of gold for the year which was a record for the company.

By mid year, following a A$19 million capital raising, the company was well positioned to embark on a brownfields exploration program with the goal of extending the mine reserves at the New Zealand operations. A successful start to this program, combined with consistent operational performance, resulted in OceanaGold being rated as one of the top ten performing stocks of the year on the Australian All Ordinaries Index.

"2009 was a record breaking year in which the company posted better than expected results across most areas of the business and where the focus was on delivering on commitments. This will continue in 2010."

Replacing reserves at a rate that equals or exceeds depletion is imperative for a sustainable mining business and thus this is an area that has been a key focus in 2009. In less than six months, the brownfields exploration program has shown success in delivering an increase to existing resource estimates. In December 2009, OceanaGold announced an increase of 617,000 ounces of gold to the mineral reserve inventory at Macraes and Reefton. Additional increases were also announced early in 2010. The success of the exploration program re-affirmed the company's view that OceanaGold will be mining in New Zealand for many years to come.

In Luzon province, the Philippines, the Didipio gold-copper project remained on care and maintenance throughout 2009. During this period, the company undertook a comprehensive internal study of the project design and capital cost. This study will be subjected to an external independent review early in 2010 that will help determine development options for what is one of the highest grade gold-copper porphyries at development stage in the world today. OceanaGold's local team in the Philippines continued to work closely with key stakeholders throughout 2009 and the company contributed significant financial and human resources to a range of local community and environmental programs.

2009 was a record breaking year in which the company posted better than expected results across most areas of the business and where the focus was on *delivering on commitments*. This will continue in 2010. As the world's major economies claw their way out of recession, even in the face of global economic uncertainty, OceanaGold sees opportunities to further *unlock embedded value* within the company. As the fourth largest gold producer among Australasian based gold companies, with 100% of its operations in a stable jurisdiction in New Zealand and now 100% unhedged, OceanaGold is well-positioned to continue to increase its profile globally as a gold investment of choice.

OceanaGold's Board and management thanks its stakeholders for their support throughout 2009 which, following the challenges experienced in 2008, was a more positive, dynamic and notable year for the company. OceanaGold is excited about the performance prospects for precious metals and looks forward to opportunities that lie ahead in 2010.

As always the Board and management welcome your comments at:
info@oceanagold.com

Jim Askew
Chairman

Paul Bibby
Chief Executive Officer

1 April 2010

Financial Analysis

The company reported a 2009 operating profit, before interest, income tax, other expenses and unrealised gains and losses on hedges, of $40.3 million compared to $13.5 million in 2008.

Revenue increased during the year to $237.1 million with gold sales of 300,044 oz, an increase of 13.6% over 2008. Increased spot gold prices, production gains and higher grades all contributed to improved earnings from operations. There was some partial offset from delivery into hedges throughout the year.

Earnings before interest, tax, depreciation and amortisation and gains/losses on undesignated hedges was $106.2 million for the year, an increase of $40.1 million over 2008. This increase was driven primarily by production together with margins through a combination of higher gold prices and lower cash costs.

The market to market adjustment to the carrying value of derivative financial instruments resulted in an unrealised hedge gain of $58.2 million, in part as gold was delivered into hedges, compared with $73.1 million loss in 2008. Interest expense decreased to $15.1 million and the company reported net earnings of $54.5 million for the year (2008: $54.7 million loss).

Results from Operations

Gold production for the year was up 15.6% to 300,391 oz and represents a full year's production from the higher grade Frasers Underground mine in 2009. The company now has three gold producing operations in New Zealand, with the processing plant having simultaneous access to three different production streams operating efficiency gains achieved off-set by maintenance during the reline of the auto clave in April 2009. Gold production is expected to be between 270,000 oz and 290,000 oz in 2010 as the result of slightly lower average grades, when compared with 2009.

The average gold price per ounce achieved during the year was $790, a 3.9% decrease over the 2008 average price of $822 and was impacted by delivery of 35% of production into hedges compared to 2008 when the majority of sales were made directly into spot sales.

During the year, the prices of a number of key consumables such as electricity and diesel fuel, were well below the peaks experienced in 2008 and remained under plan for the full year. Offsetting these benefits were some increased maintenance costs and increased US dollar costs as the New Zealand dollar strengthened throughout the year. The company achieved cash costs per ounce sold of $411 in 2009; $121 per ounce lower than in 2008. Cash operating margins were $379 per ounce, a 31% improvement compared to 2008.

Cash Flow

Cash flow from operating activities for 2009 increased markedly to $94.2 million compared to $47.7 million in 2008. This improvement was achieved primarily through increased production volumes, significantly higher gold prices for spot sales, and reduced mining costs.

Cash utilised for investing activities during 2009 totalled $71.0 million which was $37.3 million less than in 2008 and largely attributable to the suspension of development work at the Didipio Gold Copper Project at the end of 2008. The majority of 2009 expenditure was associated with capitalised production costs at the New Zealand mining operations.

Financing related cash inflows in 2009 were $2.9 million compared to $49.1 million outflows during the previous year. These cash inflows were from an equity raising of $19.6 million in July offset by $16.6 million for loan and lease repayments.

INCREASED CASH FLOW FROM OPERATING ACTIVITIES TO

$94.2 MILLION,

A 97% INCREASE ON 2008

Funding and Capital Requirements

The company completed the year in a strong financial position with cash on hand of $42.4 million as at 31 December 2009 compared to $9.7 million at the close of 2008.

The table below provides a financial summary for the year ended December 31, 2009 in comparison to the previous year.

Table 1

Results Summary	**Year Ended 31 Dec 2009 US$'000**	**Year Ended 31 Dec 2008 US$'000**
As reported in the financial statements		
Sales revenue	237,057	217,214
Operating profit/(loss)	**40,287**	**13,454**
Profit/(loss) before income tax	83,849	(75,623)
Profit/(loss) after income tax	**54,512**	**(54,735)**
Excluding unrealised hedge gains/(losses)		
Sales revenue	237,057	217,214
Operating profit/(loss)	40,387	13,175
Profit/(loss) before income tax	25,608	(2,494)
Profit/(loss) after income tax	13,743	(3,545)

Table 2

Financial Statistics	**Year Ended 31 Dec 2009**	**Year Ended 31 Dec 2008**
Gold produced (ounces)	300,391	259,812
Gold sales (ounces)	300,044	264,124
Average price received ($ per ounce)	790	822
Cash operating cost		
Cash cost ($ per ounce)	411	532
Total cash operating cost ($ per ounce)	630	722
Non-cash cost ($ per ounce)	219	190
Gross cash operating margin ($ per ounce)	379	290
Total cash operating cost ($ per tonne processed)	17.84	20.80

ASSETS AT A GLANCE

Assets at a Glance

OceanaGold's management team successfully guided the company through the global financial downturn, ensuring it remained stable in the midst of widespread business and investor uncertainty. As market volatility began to subside, management took steps progressively throughout the year to begin unlocking value in the company's assets not recognised by the marketplace. In particularly, a focus was placed on the core New Zealand operation along with strengthening the balance sheet and progressing the Didipio project in the Philippines.

The commitment and experience within OceanaGold's management and operational team is substantial and includes a successful track record in project development and low cost mining.

This high level expertise and specialist attention to projects with superior exploration and/or development potential, has seen the company establish a solid production platform based on its three operational mines in New Zealand. OceanaGold's production achievements in New Zealand have earned it a reputation for operational excellence with metallurgically complex ore bodies in environmentally sensitive areas.

The company's robust production platform has also allowed it to operate at, or above plan for the last six quarters, culminating in an unprecedented gold sales result in 2009 of 300,044 ounces.

OceanaGold is now strongly positioned to deliver on its commitments to the market and will continue to enjoy the long-term benefits associated with having its major production assets located in a region with negligible geopolitical risk – New Zealand.

The company also controls the Didipio Gold Copper project in Luzon, Philippines. Didipio is a high-grade gold-copper porphyry project that is partially constructed and the company is currently evaluating strategies to maximize value of the asset.

ANNOUNCED A COMBINED MINERAL **RESERVE INCREASE** AT THE MACRAES MINE OF 754,000 OUNCES

Operations

Macraes

OceanaGold operates New Zealand's largest gold mine, Macraes, located 100 kilometres by road, north of Dunedin in the Otago region of the South Island of New Zealand. The Macraes Gold Project comprises two mines; Macraes open pit – which has been operating since 1990 and Frasers underground which was commissioned in January 2008.

In 2009, the company announced a mineral reserve increase of 495,000 ounces of gold at the Macraes mine. Subsequent to the year end an additional 259,000 ounces of gold was also added to reserves at Macraes. This is expected to extend the mine life to at least 2016. The mine life extension at Macraes is an important part of the company's strategy of extending and maintaining a mine life across the New Zealand operations of at least 7-8 years.

Reefton

Commissioned by OceanaGold in 2007, the Reefton mine is located seven kilometres southeast of the township of Reefton an historic mining district in the West Coast region of New Zealand's South Island.

The mine comprises a series of open pits developed along a major regional shear structure and its offshoots. The processing plant which has a design capacity of one million tonnes per annum exceeded that capacity by 28% in 2009. A gold bearing concentrate is produced at the facility which is then railed over 600 kilometres south to Palmerston from where it is trucked to the Macraes operation for final processing through the pressure oxidation and carbon in leach circuits.

Reefton produced a record 87,342 ounces of gold in 2009. Based on current reserves only, Reefton has an estimated four years of mine life remaining.

Development

Didipio Gold & Copper Project

The Didipio Project is located 270 kilometres north of Manila on Luzon Island in the Republic of the Philippines. The development project is held under a Financial & Technical Assistance Agreement (FTAA).

Based on the most recent 43-101 technical report in June 2008, the mine design forecasts an average annual production of 120,000 ounces of gold and 15,000 tonnes of copper in concentrate for the first decade of an anticipated 15 year mine life. Construction commenced on the project in 2008, however it was placed on care and maintenance in December 2008 following a general deterioration of global financial markets and a marked decline in copper and gold prices.

In 2009, OceanaGold undertook a comprehensive optimisation study of the project to examine and recommend avenues for project recommencement.

Exploration

OceanaGold exercises dominant control of the prospective Reefton and Macraes goldfields in New Zealand. The exploration focus is on near-mine surface mineable prospects as well as down-dip extensions for underground targets.

The company also owns an extensive gold-copper exploration portfolio in the Philippines, one of the world's most mineralogically prospective regions. This includes numerous prospects already identified within two kilometres of the company's Didipio deposit.

Operations

OceanaGold achieved annual gold sales of 300,044 ounces in 2009, a 14% increase on the previous year.

The results for the year were characterised by increased revenue from higher gold prices and production, compared with 2008, and supported by lower cash operating costs year on year.

The company recorded cash costs for the year of $411 per ounce, a 23% improvement on 2008 which, when combined with gold sales, comfortably exceeded the original market guidance set in early 2009 of 280,000–300,000 ounces at cash costs of $425–$475 per ounce. The significantly reduced cash costs were the result of the decline in many input costs from the peaks experienced in mid 2008 together with improved efficiencies and increased ounces of production.

Cash operating margins also remained robust throughout 2009 and were higher than 2008 by 30% at $379 per ounce. This result was reflected in the company's reported earnings before interest, tax, depreciation and amortisation (EBITDA) including gains/losses on undesignated hedges (EBITDA) of $106.2 million in 2009, compared with $66.1 million in 2008.

Cash flows from operating activities increased to $94.2 million compared to $47.7 million in 2008. Again, this increase was driven by higher gold revenue and lower costs.

Across the year, USD costs increased due to the exchange rate impact which saw the NZD increase by 25% during 2009, and higher maintenance costs which were offset, in part, by lower input costs for diesel and power, compared with 2008.

The company reported a net profit of $54.5 million in 2009, compared with a net loss of $54.7 million in 2008. The impact of non-cash charges for market to market gains and losses on hedges was significant between the periods. This does not affect cash flow in the reporting period but can have a significant impact on reported net earnings. As a result, EBITDA and EBIT before undesignated hedge gains/losses are reported as measures of operating performance on a consistent and comparable basis.

In 2009, the increase in gold production and average gold price received together with a decrease in the cost of sales, saw EBIT before fair value adjustment of hedges reach $25.6 million for the year, compared with a loss of $2.5 million in 2008.

OceanaGold finished 2009 as the fourth largest, Australasian-based gold producer.

Macraes

The Macraes project performed strongly in 2009, with record annual production of 232,900 ounces. This result was 27% higher than in 2008 and was attributed to an overall higher feed grade and increased tonnes from the combined Macraes open pit and Frasers underground operation.

Total material movement from the Macraes open pit was 55.2 million tonnes compared with 47.3 million tonnes in 2008. This improvement was driven by lower labour turnover than the previous year and enhanced truck and equipment utilisation. The Golden Bar road realignment was also completed ahead of schedule opening the Frasers East Waste Stack to full capacity and an improvement in rock haulage efficiencies is expected throughout 2010.

Mining continued in Stage 4 of the Frasers open pit and a cutback of the pit walls commenced in the Stage 5 area.

Mining will continue at a similar rate in 2010, while a number of production improvements are also planned, including improved haul road construction and increased truck efficiency.

The Frasers underground mine demonstrated quarter on quarter mining rate improvements during the year. Total ore mined from the Fraser's underground mine increased to 905,674 tonnes in 2009, a 26% improvement on 2008. More than 5.5 km of mine development was completed during the year, mainly associated with access to continue stoping the Panel 2 area. The mining method of retreat long hole open stoping continued to be successful and the mined grade of 2.83 g/t was in line with expectations.

Processing plant throughput for 2009 was 5.64 million tonnes, compared with 5.55 million tonnes in 2008 with grade through the mill reporting at 1.47 g/t which was also higher than last year. Slightly higher grades from the open pit combined with increased tonnes from the underground were the main contributors to the higher overall grade.

Overall gold recovery was 79.6% and was another improvement on the previous year. Process improvements implemented during the year included increased electowinning efficiency and modifications to the classification cyclones to increase capacity. A number of further recovery enhancement initiatives are planned for 2010 including expanding the capacity of the classification cyclones and further optimisation of the flotation circuit.

Process recovery improvements will continue to be a key area of focus in 2010.

REPORTED A NET PROFIT OF

$54.5 MILLION

AND A 23 PER CENT REDUCTION IN CASH COSTS ON 2008

Reefton

Higher head grade and further improvements to the tonnes processed resulted in a record production year for the Reefton mine. Annual production was 87,342 ounces, a 15% increase on 2008.

Major rebuilds of two excavators occurred during the year and following a short slump in overall mining productivity mid year, 2009 finished strongly. A healthy improvement in total material mined was achieved in 2009, rising from 13.8 million tonnes in 2008, to 14.4 million tonnes in 2009.

Total ore mined was 1.43 million tonnes and was an increase on the previous year, resulting in both tonnes and grade through the mill being higher.

As was the case in 2008, most of the material movement and ore mined was from the 'Globe Progress' pit, with minor amounts contributed by the 'Empress' and 'General Gordon' pits.

Overall gold recovery was 81.5% compared to 81.8% in 2008. Some improvements associated with concentrate filtering and handling as well as with the flotation circuit were undertaken during the year. These modifications have resulted in improved performance of the flotation circuit and concentrate filter which has removed bottlenecks in these areas of the process plant and increased consistency.

Development

Didipio Gold & Copper Project (Philippines)

The Didipio Gold and Copper Project remained on care and maintenance in 2009 while an internal study of project capital cost and execution strategy was completed. An external independent review of the internal study was also commenced late in the year.

Reduced workforce was maintained at the site during the year undertaking primarily care and maintenance focused activities in the areas of environment, safety and security of project property.

Site accommodation and office facilities were maintained for personnel to provide site security, maintenance, environmental management and community relations.

All community commitments were fulfilled and in some cases expanded, via ongoing financial support to assist development of priority projects identified in the local area. Key areas of community support relating to health, education and environmental initiatives were undertaken as noted in the sustainability report.

Didipio is one of the highest grade gold-copper porphyries at development stage today and OceanaGold is committed to a project development plan that maximises the social, economic and environmental benefits to local communities in the Philippines.

"Key areas of community support relating to health, education and environmental initiatives were undertaken."

Exploration

During 2009, $3.2 million was spent on exploration across New Zealand and the Philippines. An injection of capital to the New Zealand exploration budget late in the third quarter permitted an expanded brownfields program to be undertaken at the Macraes and Reefton goldfields.

Exploration activities in the Philippines focussed primarily on field community relations and geological reconnaissance works. Field sampling activities on Didipio regional exploration permits also was undertaken with results from these programs expected to be followed up in early 2010.

In New Zealand, the company has reported gold reserves of 1.9 million ounces and controls the two most prospective goldfields in the South Island. OceanaGold holds more than 28 kilometres of mineral tenements at Macraes, as well as more than 30 kilometres along the mineral trend at Reefton.

The outlook for gold continues to strengthen, and in 2010 the company will maintain focus on further brownfields programs and begin to look at greenfield opportunities at Macraes and Reefton. The improving outlook for gold is also expected to drive further review of the Macraes and Reefton open pits which will examine opportunities for future cut-backs and subsequently, increased reserve life.

The Philippines exploration program will focus largely on analysis of field samples assayed in the second half of 2009. The outcome of the analysis will determine the next steps for exploration in the permitted areas.

New Zealand

Macraes

Drilling activities at Macraes increased measurably in the third quarter as the brownfields exploration program commenced and continued to ramp up in the fourth quarter.

Significant focus was placed on the historic Round Hill deposit with parallel campaigns of "twinning" (completed) and "step-out" drilling aimed at increasing the confidence and growing the overall resource. By the end of 2009, 5,524 metres of drilling had been completed on both programs.

The results of the diamond drill "twinning" campaign undertaken were successful in increasing the confidence of the resource with no trend in grade bias being found when compared to previous wet RC drilling on the deposit. This has resulted in the upgrade from what was primarily an inferred resource to an indicated resource.

The back-road area generally to the east of the old Southern Pit underwent a wide spaced sterilisation program to allow for planning of future site infrastructure, namely a tailings storage facility and/or waste dumps. This 2,300 metre program was successful with no significant mineralisation encountered.

To the north of the existing Macraes operation, a comprehensive soil sampling program collected over 2,400 first pass and infill samples over a 36km^2 area was completed. This work identified a number of soil geochemical anomalies which will be followed up in 2010.

At the Frasers underground mine, three separate campaigns were initiated during the year. From surface, a nominal 200 metre spaced program stepped directly east and down-dip of current mining at Panel 2. Locally called the Panel 3 program, it involves six RC collared holes with diamond tails and once completed will be the deepest holes drilled on the Macraes field. All RC pre-collars were completed and diamond tails commenced by late 2009. A total of 4,170 metres were completed during the year.

Underground, OceanaGold committed to a 950 metre long exploration drive to establish a platform from which to test the eastern fringe of Panel 2. The total program approved includes 9,200 metres of which 2,297 metres were drilled in 2009.

> "The outlook for gold continues to strengthen, and in 2010 the company will maintain focus on further brownfields programs as well as begin to look at greenfield opportunities at Macraes and Reefton."

Reefton

Detailed structural mapping of the Globe Progress open pit in early 2009 substantially advanced the understanding of the ore body within the Reefton goldfield. To accelerate the Reefton exploration program, the exploration team was expanded. Since then, data compilation, followed by a structural and geochemical review over the field is nearing completion and has generated a number of near mine targets. These will be ranked and the most prospective targets drilled during 2010. The structural and geochemical review will then be rolled out over the remaining Reefton exploration area with a view to extending the life of the Reefton goldfield by advancing near mine targets.

Two diamond drill holes of 280 metres were completed to test deeper extensions of a high grade shoot beneath the Empress open pit located 500 metres to the south of the Globe Progress open pit. Significant results include 17 metres at 2.82 g/t, 9 metres at 3.19 g/t and 18 metres at 5.56 g/t Au.

A thirteen hole, 935 metre reverse circulation drilling program was also completed to infill and extend a high grade shoot within the Souvenir open pit located 700 metres to the south of the Globe Progress open pit. Significant results include 9 metres at 6.83 g/t, 15 metres at 6.50 g/t, 13 metres at 6.05 g/t and 12 metres at 8.26 g/t Au. A follow up program of thirteen holes is planned for early 2010 and is expected to increase the resource.

Australia

OceanaGold has an 18.8% interest in the Junction Reefs Joint Venture with Newcrest Mining Ltd and Barrick Gold Corporation on exploration leases near Orange, New South Wales.

Philippines

Didipio

Exploration activities at the Didipio Gold and Copper Project comprised field community relations including presentations to the community for various permit locations, in addition to geological reconnaissance works, mapping and geochemical sampling programs.

Other Prospects

The company controls a suite of exploration tenements in various parts of the Philippines. These tenements have been subject to varying degrees of exploration by OceanaGold and predecessor companies. Of these prospects, the main focus was on six Didipio regional exploration permits. Field community relations activities were completed and then followed by a field sampling program.

Resources
and Reserves

As at 31 December 2009, OceanaGold had total Measured and Indicated Mineral Resources of 5.83Moz of gold and 0.28Mt of copper and Inferred Mineral Resources of 3.34Moz of gold and 0.06Mt of copper. This includes Mineral Reserves of 3.57Moz of gold and 0.19Mt of copper.

The tables below summarise the company's Mineral Resource and Mineral Reserve inventories as at 31 December 2009. They supersede all previous statements of OceanaGold's Mineral Resource and Mineral Reserve inventories. The Mineral Resources stated include the Mineral Reserves.

Resource Statement as at December 31, 2009

Resource Area	Measured			Indicated			Measured & Indicated					Inferred Resource				
	Mt	Au g/t	Cu%	Mt	Au g/t	Cu%	Mt	Au g/t	Au Moz	Cu%	Cu Mt	Mt	Au g/t	Au Moz	Cu%	Cu Mt
Macraes	24.15	1.30	–	60.09	1.06	–	84.25	1.13	3.05	–	–	43.34	1.27	1.77	–	–
Reefton	2.11	2.69	–	9.06	1.88	–	11.17	2.03	0.73	–	–	3.01	4.81	0.47	–	–
Sams Creek	–	–	–	–	–	–	–	–	–	–	–	13.50	1.78	0.77	–	–
Didipio	15.73	1.71	0.57	47.54	0.77	0.40	63.27	1.01	2.05	0.44	0.28	23.80	0.43	0.33	0.25	0.06
Total	**42.00**	**1.53**	**–**	**116.69**	**1.01**	**–**	**158.69**	**1.14**	**5.83**	**–**	**0.28**	**83.66**	**1.24**	**3.34**	**–**	**0.06**

For Didipio the cut-off grade applied is 0.4 g/t EqAu >2550mRL and 1.0 g/t <2550mRL. No resource is reported below 2270mRL EqAu cut-off is gold equivalent based on US$500/oz gold and US$1.90/lb copper. The Didipio resource was updated in October, 2008 and is presented in this report. The Didipio reserve as stated in this report however, is based on the January 2007 resource estimate.

Recorded a net increase in the measured and indicated mineral resource inventory of

0.57 MILLION OUNCES OF GOLD

Reserve Statement as at December 31, 2009

Reserve Cut off Grade	Reserve Area	Proved			Probable			Total Reserve				
		Mt	Au g/t	Cu%	Mt	Au g/t	Cu%	Mt	Au g/t	Au Moz	Cu%	Cu Mt
0.5g/t	**Macraes**	16.42	1.30		22.89	1.17		39.31	1.23	1.55		
0.7g/t	**Reefton**	1.42	2.56		3.98	1.98		5.41	2.12	0.37		
0.56g/t	**Didipio**	21.82	1.82	0.59	13.00	0.89	0.50	34.82	1.48	1.65	0.56	0.19
	Total	**39.66**	**1.63**	**–**	**39.87**	**1.16**	**–**	**79.53**	**1.40**	**3.57**	**–**	**0.19**

The Macraes and Reefton cut-offs are based on a gold price of US$800/oz.

The Didipio cut-off is gold equivalent based on US$500/oz gold and US$1.9/lb copper; 0.56 g/t AuEq for open pit, 1.0 g/t AuEq for underground. A 0.7 g/t gold cut-off was used in the oxide zone.

The reserve figures are in-situ, delivered to ROM (no mill factor applied).

Technical Disclosure

The estimates of Mineral Reserves and Mineral Resources in this report were prepared in accordance with the standards set out in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves – The JORC Code" (December 2004) as published by the Joint Ore Reserve Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC) and in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") under the guidelines set out by the Canadian Institute of Mining, Metallurgy and Petroleum. The JORC Code is the accepted reporting standard for the Australian Stock Exchange and New Zealand Stock Exchange. Unless otherwise stated, the scientific and technical information in this Annual Report in respect of the mineral projects of the company, updates, and encompasses the following NI 43-101 compliant technical reports (collectively, the "Technical Reports") which have been filed and are available at www.sedar.com under the company's name: (a) "Technical Report for the Macraes Project located in the Province of Otago, New Zealand" dated February 12, 2010, prepared by R. Redden and J. G. Moore OceanaGold (New Zealand) limited;(b) "Independent Technical Report for the Reefton Project located in the Province of Westland, New Zealand" dated May 9, 2007, prepared by J. S. McIntyre, I. R. White and R. S. Frew of Behre Dolbear Australia Pty Limited, B. L. Gossage of RSG Global Pty Limited and R. R. Penter of GHD Limited; and(c) Independent Technical Report for the Didipio Gold-Copper Project located in Luzon, Philippines" dated June 23, 2008, prepared by A van der Heyden of Hellman and Schofield Proprietary Limited, J. Wyche of Australian Mine Design and Development Proprietary Limited and J. McIntyre of Behre Dolbear Australia Pty Limited. Each of the authors of the Technical Reports is a "qualified person" for purposes of NI 43-101 and is independent of the company within the meaning of NI 43-101. Where Mineral Reserves and Mineral Resources of the company's mineral properties have been shown to be depleted by annual production as at December 31, 2009, such information is based on information compiled by Jonathan Moore (Exploration and New Zealand Resources), Rod Redden (Macraes and Reefton Reserves) and John Wyche (Philippines Reserves) . Jonathan Moore and Rod Redden are Members of the Australasian Institute of Mining and Metallurgy and are full-time employees of OceanaGold (New Zealand) Limited. John Wyche is a member of the Australian Institute of Mining and Metallurgy and is a full-time employee of Australian Mine Design and Development Pty Ltd. All such persons are "qualified persons" for purposes of NI 43-101 and have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Messrs Moore, Redden and Wyche consent to inclusion in the report of the matters based on their information in the form and context in which it appears.

Comparison of 2008 and 2009 Inventories

During 2009 OceanaGold realised significant resource and reserve increases due to an increase to the gold price assumptions used to calculate reserves, in addition to upgrading of resources from inferred to indicated which were then subsequently put through an economic analysis.

Mineral Resources

	Measured		Indicated		Inferred	
	2008 Moz	2009 Moz	2008 Moz	2009 Moz	2008 Moz	2009 Moz
Macraes	0.71	1.01	1.69	2.05	1.00	1.77
Reefton	0.09	0.18	0.67	0.55	0.49	0.47
Sams Creek	–	–	–	–	0.77	0.77
Didipio	0.91	0.86	1.21	1.18	0.31	0.33
Total	**1.71**	**2.07**	**3.57**	**3.78**	**2.57**	**3.34**

Mineral Reserves

	Proved		Probable		Total	
	2008 Moz	2009 Moz	2008 Moz	2009 Moz	2008 Moz	2009 Moz
Macraes	0.53	0.69	0.57	0.86	1.10	1.55
Reefton	0.07	0.12	0.28	0.25	0.35	0.37
Didipio	1.28	1.28	0.37	0.37	1.65	1.65
Total	**1.87**	**2.08**	**1.23**	**1.49**	**3.10**	**3.57**

Mineral Resources

The company's Measured and Indicated Mineral Resource inventory showed a net increase of 0.57Moz of gold between 31 December 2008 and 31 December 2009 due to:

Decreases resulting from:

- Mining at Frasers Underground mine, Frasers open pit and stockpiles at Macraes and mining at Globe Progress, General Gordon and Empress open pits at Reefton.

Increases resulting from:

- The reintroduction of Round Hill, Southern Pit and Innes Mills resources at Macraes to the inventory.
- Expansion of the Frasers open pit allowing transferral of resource from the underground inventory to the open pit inventory. This reintroduced stockwork resource to the inventory.
- The infill drilling and remodeling of Panel 2 Deeps at Frasers Underground.
- The remodeling of the Globe Progress resource.

OceanaGold's Inferred Mineral Resource inventory showed a net increase of 0.77Moz of gold between 31 December 2008 and 31 December 2009 largely as a result of the reintroduction of Round Hill resource to the inventory.

Mineral Reserves

The company's Mineral Reserve inventory showed a net increase of 0.47Moz between 31 December 2008 and 31 December 2009 due to:

Decreases resulting from:

- Mining at Frasers Underground, Frasers open pit and stockpiles at Macraes and mining of Globe Progress, General Gordon, Empress open pits and stockpiles at Reefton.
- Remodelling and reoptimisation of Coronation open pit at Macraes.
- Transferral of a significant portion of Panel 1 reserves at Frasers Underground to open pit reserves.

Increases resulting from:

- The addition of Southern Pit at Macraes.
- Reoptimisation of the Frasers open pit at Macraes.
- The addition of some Panel 2 Deeps material.
- Remodeling and reoptimisation of the Globe Progress and General Gordon open pits at Reefton.

Looking Forward

During 2010, OceanaGold intends to increase its resource base net of mining depletion through concurrent exploration campaigns at Macraes, Reefton and the Philippines.

The Macraes program includes defining near-surface, open-pittable, resources at the northern end of the Hyde-Macraes Shear Zone (HMSZ) both via drilling, stepping off known Coronation type mineralisation, and soil sampling along untested strike. A two-pronged approach has been undertaken to identify additional underground mineralisation in proximity to Panel 2 of the Fraser's Underground mine; surface drilling to test mineralisation more than 200 metres down-dip of the current eastern limit of drilling has commenced, as has the development of an underground drilling drive, both to prove up sparsely drilled resource and to extend mineralisation northwards, towards the Macraes Fault.

In early 2009, a detailed structural map was produced for the Globe Progress pit at Reefton. Since then structural interpretation has been completed over the central portion of the gold field. This work is ongoing and will be extended over the remaining areas of the gold field. Regional soil and rock sampling programs are being conducted over areas of geological interest. A number of these targets will be drill tested during 2010.

In the light of improving economic parameters, the company continues to review its Macraes and Reefton open pits for cut-back opportunities.

SUSTAINABILITY

Heritage and Art Park
(Macraes)

Sustainability

Sustainability Performance Highlights

Governance and Policy

- Reviewed company wide security procedures.
- Implemented sustainability Key Performance Indicators (KPI) and data collection protocols.
- Developed a 'Sustainable Procurement Guidance Document' and commenced working with company suppliers to improve their management of sustainability issues.

Environment

- Successfully tracked, documented and reported environmental compliance and management programs, energy and greenhouse, water, waste and biodiversity and rehabilitation performance across all operational business units.
- Maintained and further enhanced the Macraes Wetlands project to ensure optimum biodiversity preservation.
- Produced 7650 trout for release and 50,000 ova (from broodstock) at the Macraes Trout Hatchery.
- Achieved Reefton certification under the Negotiated Greenhouse Gas Agreement with the New Zealand Government. The Company's two New Zealand mines, Macraes and Reefton, now operate under this Agreement.
- Completed another four hectares of rehabilitation planting at the Reefton site. To date, 12.5 hectares of the site has been restored. The Year 6, 2010 Annual Work and Restoration Plan was also approved and an Authority to Enter and Operate granted by the Department of Conservation.
- Recognised for outstanding environmental achievement by the Philippine Department of Environment and Natural Resources (DENR). The *2009 Best Forestry Program by a Mining Company Award* covers a range of environmental rehabilitation programs within the mining lease and adjoining communities. OceanaGold was selected the award winner from a group of nominee minerals companies who were judged against the criteria contained in the DENR National Executive Committee Circular No. 2008-01.
- Extended the Didipio tree planting program by a further 8.8 hectares and continued the Didipio tree nursery expansion. Since 2007, OceanaGold has planted approximately 60,000 seedlings raised from the nursery. The majority of these seedlings were planted in new reforestation areas, while a smaller portion were used for enrichment planting in old reforestation areas.

Community

- Allocated over half the operational spend of the Macraes and Reefton operations (52.9 per cent) to suppliers with a base and/or operations in New Zealand via the sustainable procurement strategy.
- Undertook targeted promotion of the Heritage and Art Park at Macraes in New Zealand to build greater public awareness of the initiative and attract more visitors to the area.
- Struck a new partnership agreement with Basketball Otago that will bring a national basketball team back to Dunedin for the first time in many years. The partnership will also develop new, and enhance existing, grassroots level youth basketball programs while encouraging youth participation and athletics development throughout the Otago region.
- Increased funding for the DARE (Decision-making, Assertiveness, Responsibility and Esteem program of the DARE Foundation) West Coast Program in Reefton, New Zealand.
- Maintained funding for 'The Inangahua Vision 2010' project that raises funds for investment into Reefton's local community initiatives.
- Began an ongoing series of 'Medical Missions' in the Philippines in partnership with local health units, municipal and provincial government agencies and Red Cross volunteers. The missions bring free professional medical assistance, dental and optical services and supplies to areas where access to these facilities is limited and/or non-existent. In total, 10 medical missions were undertaken and over 3,500 people treated.
- Remained an active and dedicated member of the Global Fund Movement Against Malaria, with particular focus on the delivery of malaria prevention programs in regions close to the Didipio project in Northern Luzon, Philippines. The effectiveness of the initiative was dramatically demonstrated by the province of Quirino in Northern Luzon where malaria cases fell from a high of 1,230 in 2003, to only five by the close of 2009. This is a 99 per cent reduction in total malaria cases for the province.
- Continued the OceanaGold scholarship program in the Philippines for a fourth year providing a total to date of 143 university scholarships to Filipino students.

RECOGNISED FOR OUTSTANDING
environmental achievement by the Philippines Department of Environment and Natural Resources

- Continued financial support to the broader Didipio community through a Memorandum of Agreement with the Didipio Community Development Association (DCDA). Together with the DCDA, the local Barangay Council and community representatives, a number of infrastructure projects were completed by the company including three overflow bridges, the upgrading and rehabilitation of two water systems, a community multi-purpose hall building and perimeter fence and upgrade of 450 metres of circumferential road.

  Free education for high school students at the Didipio Green Valley Institute, elementary pupils at the Didipio Elementary School and children attending Didipio's four day care centres was also provided through funds managed by the DCDA.

Health and Safety

- Standardised health and safety reporting across the Macraes and Reefton sites and contractor compliance was robustly audited to ensure adherence to company health and safety standards.
- Ran numerous training programs across the Macraes and Reefton operations including work and rescue at heights, vertical and rope rescue, pre hospital care training, advanced first aid, BG4 and CABBA breathing apparatus use, confined space and rescue in toxic atmospheres and underground rescue training. A 'Healthy Heart' program was also introduced along with health checks for all employees.
- Introduced a new health and safety policy at the Macraes and Reefton operations requiring all employees to be re-inducted before accessing the process area. This was later expanded to include the induction of all major and minor contractors off site in their own work places to ensure all are satisfactorily inducted before site entry.
- Reduced workers compensation claims at the Macraes and Didipio operations.
- Maintained the Didipio Health and Safety clinic in the Philippines. The clinic comprises Red Cross trained paramedics and is backed by an emergency response team of select security personnel with first aid and life support training. Clinic personnel assisted hundreds of local community members with a range of minor and serious afflictions.

What Sustainability Means to OceanaGold: Future Generations

OceanaGold is committed to the principles of sustainable development. For OceanaGold, sustainability means operating in a way that protects and supports social integrity, environmental biodiversity and equitable economic development.

Many of the company's programs and projects are now based on these criteria, while further work will be undertaken in the future to more fully integrate sustainability principles into company decision making and management.

OceanaGold is guided by its ethics and held to account by its policies, stakeholders and shareholders.

The company's core sustainability objective is the creation of a positive, lasting legacy that ensures benefits continue well beyond the life cycle of its projects. It aims to meet and where possible, exceed industry benchmarks for excellence in environment, community and health and safety programs.

In 2007, OceanaGold established a roadmap to help it achieve its sustainability goals. Three years on, the results are encouraging and demonstrate the consistent progress OceanaGold has made in implementing a wide range of effective and innovative sustainability initiatives across the business.

Action

Track data using procedures for inclusion in 2009 report

Measurement

Compile second 'Towards Sustainability' report

Accountability

Stakeholder and shareholder feedback

Key Policy and Process Developments

OceanaGold retained the services of specialist sustainability consultancy, Net Balance, who reviewed the capture of company sustainability data.

This review aimed to ensure that OceanaGold continues to build on the work undertaken in 2008. It will also ensure that the company continues to collect robust performance data over time.

The company's Corporate Social Responsibility (CSR) Policy was approved by the OceanaGold Board in early 2009. This policy outlines the company's sustainability philosophy and can be found on the company's website **www.oceanagold.com**

Through the CSR policy, OceanaGold aims to add value consistent with international best practice in mineral exploration and extraction, environmental stewardship, safety and community engagement. Simply put, OceanaGold believes it can help transform communities in a way that reflects broader global sustainability initiatives centred on economic development, poverty alleviation and improved health outcomes.

OceanaGold's commitment to building strong and lasting partnerships with the local communities in which it operates has seen the company work with a large and varied number of organisations throughout 2009, the primary goal of which has been to deliver long term, positive change.

CASE STUDY

SUSTAINABLE PROCUREMENT IN NEW ZEALAND

In 2007, OceanaGold developed its first sustainable procurement strategy via development of a Sustainable Procurement framework. The framework established a focal point for guiding supply and detailed a clear preference for pursuing a local community supply base wherever possible.

Subsequent implementation of the framework at the company's Macraes and Reefton operations in New Zealand also saw development of Supplier Prequalification Forms that sought information on a supplier's financial stability, commitment to OceanaGold company policies, the local community and continuous improvement. Contract schedule sustainability registers were also introduced.

Within two years, these initiatives have enabled Macraes and Reefton to allocate over half their operational spend (52.9 per cent) to suppliers with a base and/or operations in New Zealand including Otago, West Coast, Canterbury, Nelson, Wellington and Auckland. This is a better than anticipated result which the company is set to further expand in 2010.

CASE STUDY

OCEANAGOLD WINS TOP PHILIPPINES ENVIRONMENTAL AWARD

The Philippine Department of Environment and Natural Resources (DENR) recognised OceanaGold with one of its top environmental awards in 2009.

The '2009 Best Forestry Program by a Mining Company' covers a wide range of environmental rehabilitation programs within the mining lease and adjoining communities.

OceanaGold was selected from a group of minerals companies who were nominated for the award judged against the criteria contained in the DENR National Executive Committee Circular No. 2008-01.

The company received the award at the Philippine Mine Safety and Environment Conference in Baguio City in November. The Conference is staged annually by the Philippine Mine Safety and Environment Association (PMSEA), the Mines and Geosciences Bureau (MGB) and the DENR.

Environment

OceanaGold places great importance on responsible environmental management at its operations globally. While compliance with all applicable statutory requirements in the countries in which it operates remains the overarching goal, the company has also developed and expanded a number of unique and innovative environmental programs.

OceanaGold is committed to continued improvement in the identification, assessment, mitigation and monitoring of the environmental effects of its operations. The company works hard to plan and implement environmental projects that protect and support the natural environments associated with its operations and that demonstrate its focus on international best practice environmental stewardship.

Clearly, the company's activities can impact the environment and in some cases, create lasting effects. Wherever possible, OceanaGold seeks to ensure a net environmental gain from its activities and is diligent in its adherence to all applicable laws and standards here and offshore.

In 2008, the company undertook a material issues assessment of all its business units and identified the key areas of focus and environmental reporting.

These comprise the following and are reported on in more detail below:

- Compliance
- Energy Use and Greenhouse Gas
- Water
- Waste
- Land Use

OceanaGold now employs a company wide, structured approach to performance monitoring via its environmental management data protocols. A series of KPIs have also been established as part of this approach and relate to the tracking of environmental management in the areas listed above. Tracking this data, year on year, assists the company to better analyse its performance and identify opportunities for improvement and focus in the future.

More specifically, the protocols will enable the company to more accurately report trends in the years to come and adopt a pro-active response to potential risks.

The company's environmental policies and programs are regularly reviewed and for the latest version of the OceanaGold's environmental policy go to **www.oceanagold.com**

Environmental Compliance and Management Programs

OceanaGold's environmental management program is based on the complete mine life cycle, from exploration through development and operation, to eventual decommissioning, closure and site rehabilitation. The company seeks to not only meet, but consistently exceed regulatory requirements in place to protect the environment for future generations and safeguard the sustainability of nearby communities.

The comprehensive environmental monitoring programs in place at each company site means it can monitor effectively, various key environmental factors including:

- Potential seepage from tailings dams and waste rock stacks;
- Groundwater quality
- Surface water quality
- Stream sediments
- Site biodiversity
- Aquatic biological diversity
- Noise
- Dust

Environmental Performance

OceanaGold's environmental performance against the goals set in 2008 is detailed below:

Business Unit	2009 Target	Status
Macraes	Obtain or better carbon emission targets set out in the Negotiated Greenhouse Gas Agreement with the New Zealand Government.	Refer to Footnote 1
	Continue to accurately report environmental incidents in a timely fashion, maintaining the number of Moderate, Significant and Major Impact (levels 3 to 5) environmental incidents at 0.	A
	Complete rehabilitation work on 40 hectares in line with the area available for rehabilitation and apply maintenance fertiliser to 40 hectares of the site.	NA
	Produce 10,000 trout for release from the Macraes Flat Trout Hatchery.	PA
	Maintain the Macraes township and the Heritage and Art Park features to a high standard to encourage tourism in the local community.	A
Reefton	Bring the site in under the Negotiated Greenhouse Gas Agreement with the New Zealand Government.	A
	Continue to accurately report environmental incidents in a timely fashion.	A
	Maintain the number of Moderate, Significant and Major Impact (levels 3 to 5) environmental incidents at 0.	NA
	Complete 4.75 hectares of rehabilitation in line with the area available for rehabilitation.	PA
	Assess pit perimeter restoration trials.	A
Philippines	Stabilise and/or rehabilitate disturbed areas as soon as areas become available.	A
	Maintain the site tree nursery.	A
	Maintain the tree planting program.	A
	Expand and enhance the environmental monitoring program in line with increased activity and development on site.	Refer to Footnote 2

(A) Achieved **(PA) Partially Achieved** **(NA) Not Achieved**

[1] OceanaGold submitted a draft milestone report to the New Zealand Government on time, in April 2009. The report has been reviewed by an external party on behalf of the Ministry for the Environment–Climate Change Office and some interim recommendations implemented. At the time of printing, the Government was yet to finalise the milestone report which, once done, will allow OceanaGold to complete its annual Negotiated Greenhouse Gas report and post to the company website: www.oceanagold.com

[2] Due to the Philippines project being on care and maintenance throughout 2009, environmental reporting was in line with expectations for reduced activity at site. Once the project moves out of care and maintenance, tracking and reporting of environmental performance will recommence at the same company standard for operations. This will be undertaken using the same systems and data management protocols that have been applied across the New Zealand Business Units.

CASE STUDY

DIDIPIO TREE NURSERY (PHILIPPINES)

In 2006, OceanaGold established a pioneering and highly productive tree nursery at its Didipio Gold-Copper project in the Philippines.

In 2009, the nursery and associated tree planting program was further expanded. Since 2007, OceanaGold has planted approximately 60,000 seedlings of various tree species raised from the nursery. The majority of these seedlings were planted in new reforestation areas, while a smaller portion were used for enrichment planting in old reforestation areas.

The company's 2009 Philippines environmental award recognised the significant reforestation achievements of OceanaGold's Didipio tree nursery. (See previous case study).

OceanaGold is dedicated to the ongoing success and continued expansion of its tree nursery and reforestation initiatives, both of which showcase the company's world's best practice approach to environmental management in mineral provinces.

The widespread use of environment induction programs has also helped better define responsibilities and duty of care in relation to the environment at each of the company's sites.

OceanaGold has invested substantial resources in fostering a culture of continuous improvement in environmental management. The company's commitment to setting a high environmental benchmark is reflected in management of its operations globally.

The Macraes operation recorded three non-compliance events. All three were classified 'minor' and did not exceed the 'moderate', 'significant' or 'major' categories (levels 3 to 5). The incidents related to depositional dust, water samples and water flow. Two of the incidents have been resolved to the satisfaction of the regulator, while the water samples non-compliance is being addressed by OceanaGold in partnership with the regulator.

The Reefton operations also recorded three non-compliances related to suspended solid exceedances in discharge water. Fines were issued, incident reports forwarded to the West Coast Regional Council and site inspections undertaken.

Following the incidents, OceanaGold recognised that a major water management improvement would result from installing a full capacity clean water bypass from the Empress pit diversion through to downstream of the main sediment retention pond. A new pipeline became operational on 14 September 2009 and no exceedences of downstream sediment load limits have been recorded since then. The median sediment load has also fallen to about half of the stipulated level.

The Philippines project did not record any environmental non-compliance incidents in 2009.

Energy and Greenhouse

OceanaGold is focused on reducing greenhouse emissions across the company. Wherever possible it implements procurement initiatives designed to significantly reduce its largest source of direct emissions – transport (diesel) and stationary fuel (LPG) consumption. To illustrate, purchase of more fuel efficient trucks in 2008 is forecast to save millions of litres of fuel over the life of the New Zealand mines while delivering a large and tangible greenhouse benefit.

OceanaGold is a partner to a Negotiated Greenhouse Gas Agreement with the New Zealand Government to minimise greenhouse emissions.

Results for its 2009 performance are currently being finalised and will be published on the company's website once available.

In the Philippines, tracking fuel and energy use at Didipio continued using the data management protocols outlined. This data will be useful when establishing the required systems and quantifying emissions once the project is recommenced.

Water

Water quality and water use are both monitored and managed through the company's established data management protocols. The water use data gathered to date has provided a valuable baseline and will determine company water conservation and management efforts into the future.

As the 2009 results illustrate, the Macraes operation is responsible for the bulk of the company's water consumption. While 2009 saw a reduction in potable water used at Macraes – from 1917 ML to 1806 ML, it was matched by a slight increase in surface water consumed from 1869 ML to 2099 ML.

Macraes' substantially higher water usage when compared to the other operations stems from increased milling operations at the site. The difference in water use is also reflective of the site processing ore from both the Macraes and Reefton operations.

Water use in the Philippines has remained low and is not expected to increase notably until such time as the project is recommenced.

OceanaGold's water sources and water use are outlined in the graph to the right.

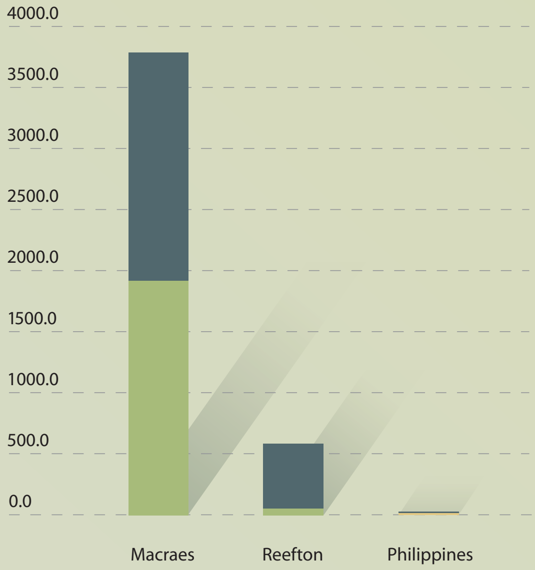
Waste

Although waste management systems have been in place for many years at the New Zealand operations, implementation of a formal waste data management protocol in 2008 permitted the company to more effectively track and monitor the type of waste it generates and its methods of disposal.

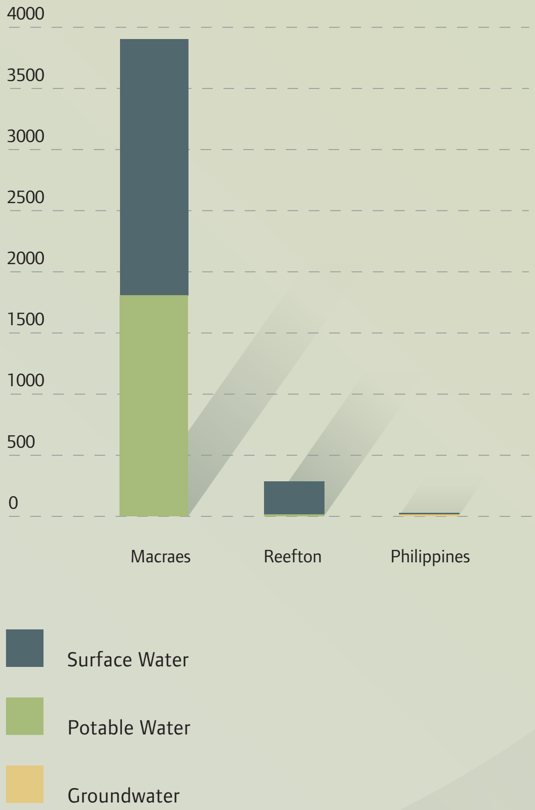
At both New Zealand sites, OceanaGold now tracks waste by type and method of disposal. This information will be used to formulate a baseline and to guide waste management programs in the future.

Wherever possible, OceanaGold's waste is recycled, with the remainder being sent to landfill. Recycling initiatives employed by the company include scrap metal, drums, cardboard and paper. In instances where hazardous waste is generated, it is handled by specialty waste removalists.

2008 Water Use by Source (ML)



2009 Water Use by Source (ML)



Biodiversity and Rehabilitation

Biodiversity preservation at and around OceanaGold's operations is a key environmental target for the company. OceanaGold's business units are equipped with plans to track and monitor the health of ecosystems, while its commitment to ensuring a positive legacy post mining has seen it thoroughly rehabilitate disturbed land and implement closure planning processes that also take into account ongoing employment, social and community benefits.

In 2009, four hectares of rehabilitation planting was completed at the Reefton site. To date, 12.5 hectares of the site has been restored. The Year 6, 2010 Annual Work and Restoration Plan was also approved and an Authority to Enter and Operate granted by the Department of Conservation.

The Macraes mining schedule prevented any substantial rehabilitation works from being undertaken in 2009, however development of a detailed site closure plan was commenced, coupled with further work on a comprehensive site rehabilitation plan.

Although the Didipio project in the Philippines was on care and maintenance in 2009, OceanaGold maintained its involvement in the Mines Rehabilitation Fund Committee which continued to meet quarterly to address various aspects of the planned project and continue interaction with local communities regarding eventual closure and restoration plans. At present, the Fund contains US$124,144.

A further 8.8 hectares of reforestation was also planted within the vicinity of the Didipio project site. This substantial and ongoing initiative contributed to OceanaGold's 2009 environmental award from the Philippines Government.

CASE STUDY

MACRAES WETLANDS PROJECT

A Macraes Wetland Walkway was developed in 2002 to enhance the Macraes area by restoring a heavily modified 13.6 hectare site adjacent to the township. The site was alluvial mined during the late 1890's through to the 1930's and then used for agricultural activities including, at one stage, a race horse training track. As a result, the site was essentially void of any native vegetation and heavily overgrown with gorse and broom.

OceanaGold established a series of ponds and drainage channels running through the site and with the north branch of the Waikouaiti River adjacent, the area was naturally damp and swampy, lending itself to a comprehensive wetland development.

Initial development by the company included clearing the gorse and broom and installation of a 2.2 kilometre gravel and boardwalk track. A bird hide and interpretation signage were then installed to provide educational resources. The main wetland pond was deepened in places by raising the outlet bund and excavating islands for bird habitat in the centre pond area and native plantings were completed with a view to restoring the area to a mixed tussock grassland with shrub land pockets.

The wetlands project is regularly maintained by OceanaGold staff and further plantings are ongoing to enhance the project.

The Wetland Walkway now provides refuge for an array of native and introduced wildlife and forms part of the OceanaGold's broader Heritage and Art Park.

2010 Environmental Targets

Macraes

- Achieve or better the carbon emission targets set out in the Negotiated Greenhouse Gas Agreement with the New Zealand Government.
- Renew the wetland walkway and replace informative signage to enhance the amenity value of this natural attraction.
- Conduct a three year review of mine site rehabilitation activities (2007-2009), detailing successful rehabilitation/restoration to date, and recommendations for rehabilitation strategies moving forward.
- Implement a web-based digital framework to support Environmental Management Conditions and compliance with statutory requirement and environmental permits.
- Develop and finalise the Environmental Management System to provide a systematic approach to achieving environmental objectives and continual environmental improvement.
- Manage environmental impacts to maintain the number of 'Moderate' or 'Major' environmental incidents (i.e. Levels 3 to 5) at zero.

Reefton

- Achieve zero environmental non-compliance incidents.
- Complete five hectares of restoration in line with available areas.
- Evaluate the potential installation of automatic monitoring equipment for real-time monitoring at four water sampling locations on and around the mine site.

Philippines

- Maintain the site tree nursery.
- Maintain the tree planting program.
- Maintain established environmental control measures.
- Continue to comply with relevant provisions of environment permits.
- Conduct internal audit on the implementation of relevant environment procedures.

Community

OceanaGold takes pride in the partnerships forged and benefits delivered to local communities at each of its operations. Looking beyond social corporate donations, OceanaGold strives to create opportunities for ongoing growth and development in host country communities. Whether it be malaria eradication and medical missions in the Philippines, or art parks and sports sponsorship in New Zealand, the company is committed to continued improvement in its community programs and initiatives.

Company growth will further expand OceanaGold's ability to invest in the social and economic well-being of its communities, a major and abiding priority for the company.

CASE STUDY

OCEANAGOLD HELPS WIN FIGHT AGAINST MALARIA

Until recently, three Filipinos died each day of malaria. With well over 1000 malaria fatalities annually, the disease was the eighth leading cause of death in the Philippines and a large percentage of its victims were children and adolescents.

In 2006, OceanaGold joined the Global Fund Movement Against Malaria, the Philippine Shell Foundation and the Cabarroguis Municipal Health Authority to combat this devastating, yet preventable disease.

The aim of the Global Fund Movement Against Malaria was simple, reduce malaria related deaths by 70 per cent by 2010.

Today, OceanaGold is an active and dedicated member of the Provincial Management Committee of the Global Fund Movement Against Malaria and is particularly focused on the delivery of malaria prevention programs in regions close to its Didipio gold-copper project in Northern Luzon, Philippines.

In 2009, the effectiveness of the initiative was dramatically demonstrated by the province of Quirino in Northern Luzon where malaria cases have fallen from a high of 1,230 in 2003, to only five by the close of 2009. This is a 99 per cent reduction in total malaria cases for the province.

Malaria, while deadly, is an entirely preventable disease. The Global Fund Movement Against Malaria has given the Philippines its best opportunity yet to eradicate malaria fatalities permanently through widespread education and professional medical care.

Community Performance

OceanaGold's community performance against the goals set in 2008 is detailed in the table below:

Business Unit	2009 Target	Status
Macraes	Continue to hold bi-monthly meetings with Macraes Community Incorporated – the local communities representative group - and continue to consult with local Iwi (Maori).	A
	Continue to organise fishing days at Macraes which staff and the community are invited to attend.	A
	Ongoing consultation will be undertaken with other key stakeholders including the Department of Conservation, Historic Places Trust, Waitaki District Council, Otago Regional Council and Otago Fish and Game Council.	A
Reefton	Continue to provide presentations to schools and community groups focusing on all aspects of mining including geology and the environment.	A
	Continue to meet financial commitments to the Inangahua Vision 2010 project (subject to resolution of project organisational issues).	A
	Remain actively involved with community groups.	A
	Run an open house day at the Reefton mine site for local community members and visitors.	A
	Consider any request to subsidise school groups from all regions of New Zealand on commercial tours on a per head basis to encourage visits to the mine.	A
	Continue funding community sports and activity groups within the Reefton and wider Inangahua district on consideration of specific requests.	A
	Increase funding for the DARE (Decision-making, Assertiveness, Responsibility and Esteem program of the DARE Foundation) West Coast Program in Reefton.	A
Philippines	Continue assisting the Global Fund Movement Against Malaria program.	A
	Continue sponsoring students through the scholarship program, and to which the Company has committed funding to March 2010.	A
	Continue working with the local council in partnership for infrastructure improvements such as public roads, upgrades and maintenance.	A

(A) Achieved **(PA) Partially Achieved** **(NA) Not Achieved**

OceanaGold ran 10 targeted medical missions in the Philippines bringing professional **MEDICAL, DENTAL AND OPTICAL** assistance to local communities in need

CASE STUDY

HERITAGE AND ART PARK (MACRAES)

The gold mining industry is the unlikely canvas in a visionary collaboration with artists that is paving the way for a mind shift in land use.

OceanaGold has teamed up with New Zealand artists to create an outdoor art park on land once used for mining at its Macraes gold mine in Otago, New Zealand.

An unprecedented Australasian mining industry initiative, the Heritage and Art Park is a unique visitor attraction based on heritage sites, local ecology and stunning, large scale contemporary artworks. It marks a radical departure from traditional mine site rehabilitation and has enabled OceanaGold to deliver an innovative and iconic asset to the local community.

Land use in the Macraes Flat region of New Zealand prior to modern mining was predominantly sheep and cattle farming. Rehabilitating OceanaGold's mine site back to farmland however, offered little in the way of local community sustainability or benefits for the wider community.

Alternatively, creation of an attraction that would bring visitors to the region and generate local jobs was viewed by OceanaGold as a superior outcome for the area and formed the genesis of the Heritage and Art Park.

The decision was taken to build an iconic series of small, medium and large scale contemporary artworks to be scattered over the former mine site. They would be completely unique and therefore comprise a "must see" tourist destination.

The artworks drew on the talents of recognised local artists with national and international reputations and in 2004 the first work, a planting of snow tussocks in a grid pattern by artist, John Reynolds, was completed.

Despite being his first venture into outdoor artwork, John Reynolds went on to complete a second planting work of 15,000 golden spaniards – another striking, tussock like plant. The logistics of installing this work were very challenging given no one had previously cultivated such a vast number of spaniards, let alone planted them out. In this case, the East Otago Rugby Club formed the planting team. Both the snow tussock and golden spaniard plantings are said to be the largest art works in New Zealand.

Other exceptional art installations were completed in the following years including print media artist, Gavin Hipkins, 'The Mine', Jae Hoon Lee's light boxes in the old Catholic Church on Macraes Flat which display images of subtly manipulated photos taken in the area, and Mark Hill's breathtaking, nine metre high stainless steel, 'Haast Eagle'.

OceanaGold has invested considerable time and resources developing the Heritage and Art Park which will provide an enduring and positive legacy for the region.

CASE STUDY

CREATING EDUCATION AND CAREER DEVELOPMENT OPPORTUNITIES

In partnership with local community groups and educational institutions, OceanaGold has developed a scholarship program that provides scholarships to local students to attend college or university at Nueva Vizcaya State University (NVSU), Quirino State College, St Mary's University and St Louis University.

To date, 143 tertiary scholarships have been awarded to local students, 15 of whom have graduated with a university qualification. The scholarships are made on merit and cover tuition and all other miscellaneous school fees. Areas of study include Environmental Science, Forestry, Agriculture, Chemistry, Education and Hotel and Restaurant management.

One of the many beneficiaries of OceanaGold's scholarship program has been Oliver Donato, a 25-year old resident of the Didipio Valley. Oliver is one of seven children who live with their mother. Oliver had wanted to attend college and secure a job to support his mother and siblings. Through Oliver's hard work and determination he was awarded an OceanaGold scholarship to attend NVSU.

According to Oliver, the scholarship has not only allowed him to attend university, but also become actively engaged in a number of extra-curricular college activities including being a member of the school's academic organisation – Society of Future Foresters Environmentalists and Agro-Foresters as well as the Zeta Beta Rho Honor Fraternity. As a member of these organisations, Oliver is able to participate in many community programs including tree planting, cleaning and other sustainability and forest management projects.

"I am determined to finish university in 2010 and then I hope to obtain a job at OceanaGold's Didipio Project with the environmental team so that I can fully utilise my new skills and help support my family," said Oliver.

OceanaGold will continue to support and fund its scholarship program in partnership with local organisations and the Philippines Department of Education.

Supporting Philippines Communities

OceanaGold support of the communities in which it operates begins from the early exploration and development stages. In the Philippines, the company's work is underpinned by a comprehensive five year Social Development Management Program (SDMP) which forms an essential element of the required permitting for the Didipio Project. The SDMP seeks to provide sustained improvement in the living standards of the host and neighbouring communities by helping them define, fund and implement the development program. The SDMP will continue to be implemented during the life of the mine and after mine closure.

In 2009, and under the auspices of its SDMP, OceanaGold launched a new and innovative medical initiative in the Philippines.

Partnering with local health units, municipal and provincial government agencies and Red Cross volunteers, OceanaGold commenced an ongoing series of 'Medical Missions' that bring free professional medical assistance and in some cases dental and optical services and supplies, to areas where access to these facilities is limited and/or non-existent.

In May 2009, together with the Kasibu Municipal Rural Health Unit of Nueva Vizcaya and the Red Cross, OceanaGold hosted a Medical Mission at the Barangay Didipio Elementary School. Over 260 community residents were treated for various medical conditions. Approximately 20% received dental work and 23% received reading glasses.

Following a request from the Barangay Council of Dibibi, a second mission was organised to coincide with the area's three-day Annual Barangay Fiesta. Held at the local school gymnasium and public market in Dibibi, Quirino, OceanaGold together with members of the Quirino Provincial Government, Cabarroguis Municipal Government, Didipio Barangay Council, Barangay Council of Dibibi and the Rural Health Unit of Cabarroguis, helped treat more than 500 people. Approximately 376 community members were treated for medical complaints and 130 treated for optical needs.

The Honorable Narciso Kitan, Barangay Captain, who opened the fiesta commented, "OceanaGold's sponsorship of the Medical Mission and food assistance has definitely contributed to the fiesta's success. Even though the company has currently suspended its operations at Didipio, OceanaGold's assistance is still felt and appreciated by the people."

In June, two further medical missions were run in Alimit and Upper Tucod, Kasibu. In these, OceanaGold partnered with the Rural Health Unit of Kasibu, the Kasibu Municipal Local Government Unit, Alimit Barangay Council and the Upper Tucod Council. Over 300 community members attended the medical clinics and of those that attended, 280 people received medical assistance and 55 dental examinations.

"In 2009, OceanaGold launched a new and innovative medical initiative in the Philippines."

Following the mission, Upper Tucod Barangay Captain, Jose Dulnuan, commented "Our community is located far away from the hospital so we are thankful for this help. To OceanaGold, we thank you for granting our request for medicine and for coming to our area to see our situation."

Between commencement of the program in May through to December 2009, OceanaGold sponsored 10 medical missions in the Philippines which treated over 3,500 community members.

Aside from physical checkups, community residents also received free medicine including vitamins and reading glasses via the missions.

OceanaGold will continue to work closely with community leaders and the local rural health units in Nueva Vizcaya and Quirino to examine ways these successful programs can be expanded to ensure they continue to meet the medical needs of local communities.

In the words of Aniceta Baguilat, a Barangay Tucod health worker, "We thank you for these medical missions. We need them as this is the time when our children start getting sick. We badly need these medicines as our hospital is located very far from our community and we rely on these things being brought to us. I am thankful that you have been able to come to this far away place of ours and I believe that you will come again and visit us here in Tucod."

OceanaGold also continued its financial support to the broader Didipio community through a Memorandum of Agreement with the Didipio Community Development Association (DCDA) in 2009. Together with the DCDA, the local Barangay Council and community representatives, a number of infrastructure projects were completed by the company including three overflow bridges, the upgrading and rehabilitation of two water systems, and the construction of a community multi-purpose community hall.

CASE STUDY

OCEANAGOLD NUGGETS

In 2009, OceanaGold struck a new partnership agreement with Basketball Otago that will bring a National Basketball team back to Dunedin after one year of absence.

National Basketball League Chairman, Sam Rossiter-Stead described the sponsorship deal as "a major step in securing the team's future", adding that it was beneficial for the entire league and not just the Otago basketball community.

As a significant employer and contributor to the Otago regional community, OceanaGold is particularly excited about the opportunities this partnership will provide to develop new, and enhance existing, grassroots level youth basketball programs throughout the region.

Community programs such as this will encourage youth participation and athletics development throughout the Otago region.

Supporting New Zealand Communities

The establishment of data management protocols for community investment activities at its New Zealand operations, has enabled OceanaGold to accurately track how it engages with and supports local communities. The community investment spend is the Key Performance Indicator that allows the company to measure the level of direct monetary support it provides. This does not include the many instances where 'in kind' support is provided for various community programs and initiatives, nor does it cover the cost of staff committed to manage and contribute to the programs.

Business Unit Community Spend

New Zealand (Dunedin, Macraes & Reefton)
$91,434

Philippines
$143,708

Some of the community members, organisations and programs that benefited from company support in 2009 include:

New Zealand

- East Otago Community Sports & Cultural Centre Trust
- Otago Life Education Trust
- Buller Arts and Recreation Trust
- Buller, Reefton and Cashmere High schools
- The Kids Foundation
- Reefton Senior Citizens
- DARE West Coast Inc.
- Local Sporting Clubs
- Blacks Point Museum
- Inangahua Tourism
- Waikouaiti Primary School and East Otago High School
- Cancer Society and Epilepsy Foundation of NZ
- Otago Goldfields Heritage Trust
- Australian Mining History Association

Philippines

- Didipio residents and neighbouring communities
- Didipio and Dingasan Elementary Schools
- Local teachers, college and university students
- Didipio Tree Nursery
- Philippines National Red Cross

Community Feedback

In 2009, OceanaGold continued to refine and streamline its formal and informal pathways for community consultation and engagement.

Stakeholder feedback provided via these pathways is viewed by OceanaGold as critical to its ability to build strong and trustworthy relationships with local communities.

All company business units are equipped with feedback and grievance mechanisms which community members or organisations can use to express their views and/or concerns. Again, the data protocols established in 2008 have allowed the company to track and collate this information for reporting purposes. This information will also be used to determine future stakeholder engagement activities and identify ongoing opportunities.

Business Unit	Number of Complaints	Number of complaints remaining unresolved at the end of the year (2009)
Macraes	0	0
Reefton	2	0
Philippines*	16	13

* Of the 16 complaints received in the Philippines, one was settled in favour of the company and two cases were not completely mediated as the complainant failed to present the necessary documents. Of the 13 unresolved complaints, two were previously filed in the proper courts, while nine require resolution with the panel of arbitrators as these cases involve surface rights acquisition. The remaining two complaints are pending as the company and complainants seek a resolution.

2010 Community Targets

Macraes

- Continue to hold bi-monthly meetings with Macraes Community Incorporated – the local community's representative group – and continue to consult with local Iwi (Maori).
- Continue to organise fishing days at Macraes which staff and the community are invited to attend.
- Undertake consultation with other key stakeholders including the Department of Conservation, Historic Places Trust, Waitaki District Council, Otago Regional Council and Otago Fish and Game Council.
- Consider requests to subsidise school groups from all regions of New Zealand on commercial tours on a per head basis to encourage visits to the Macraes mine site.
- Provide a limited number of places for university students to access experience in their relevant fields of study through the employment of students during the vacation periods.

Reefton

- Continue presentations to school and community groups focusing on all aspects of mining, including geology and the environment.
- Remain actively involved with community groups.
- Run an open day at Reefton Globe Progress mine site for local community members and visitors.
- Consider any request to subsidise school groups to encourage visits to the mine.
- Continue funding for community sports, activity and other groups within the Reefton and wider Inangahua district.
- Aim for zero complaints in 2010. If this cannot be achieved, ensure complaints are resolved in a timely fashion.
- Offer time and human resources to assist predator control at the Blue Penguin Trust Program and the Maruia Pest Control Program.

Philippines

- Meet funding commitments to the DCDA managed community development programs and projects.
- Continue to support community initiatives on infrastructure improvements, health and sports development.
- Continue to sponsor education programs in partnership with local schools and universities.

Health and Safety

OceanaGold places enormous importance on the health and safety of its employees, contractors and the communities in which it operates. Looking after their wellbeing forms part of the company's licence to operate and is the foundation on which its business success is built.

Improving OceanaGold's health and safety performance is an ongoing priority and the company strives to create a mindset in which its workforce believes that an incident and injury free workplace is an achievable goal in today's mining industry.

Training and education are the key to development of this mindset and to highlighting the principle that all incidents and injuries are preventable. OceanaGold's objective is to increase the level of health and safety awareness and in so doing, make its goals in this area a reality.

Health and Safety Performance

OceanaGold's health and safety performance against the goals set in 2008 is detailed below:

Business Unit	2009 Target	Status
New Zealand	Objective to decrease Lost Time Injury Frequency Rate and maintain a rate that is below the Australian average.	NA
	Standardise health and safety reporting across all the company sites.	A
	Continue to implement auditing of contractor compliance to OceanaGold health and safety standards and requirements.	A
	First aid and basic fire fighting skills training for all employees.	A
	Conduct bi-annual internal Accident Compensation Corporation (ACC) workplace safety management plan audit.	A
	Sponsor at least two mock drills at site during the year.	PA
	Require at least 90 per cent attendance at OHSC committee meetings by available members.	A
	Conduct 'healthy heart' health checks for employees.	A
Philippines	Continue operating the Health and Safety Clinic at site which provides medical care to the local community.	A

(A) Achieved (PA) Partially Achieved (NA) Not Achieved

Standardised **HEALTH AND SAFETY** reporting across the Macraes, Frasers and Reefton sites

OceanaGold's health and safety management principles dictate that a combined effort is necessary requiring not only a commitment from management, but a similar dedication from its employees and contractors. To achieve this, OceanaGold's annual improvement targets are set out to be Specific, Measurable, Achievable, Realistic and Time framed, or 'SMART'.

The company has developed specific KPIs that refer back to the SMART targets and help track its health and safety performance over time. These include:

- Lost Time Injury Frequency Rate (LTIFR)
- Injury Type
- Workers Compensation Claims

Tracking this data year on year assists OceanaGold to effectively analyse its performance and identify opportunities for further improvement, training and development. The company has used the 2008 data protocols and its health and safety systems to help track and report this information.

Health and Safety Training

At the Macraes and Reefton operations in New Zealand, a number of new health and safety training initiatives were undertaken including Training for Responders which involved work and rescue at heights, vertical and rope rescue, pre hospital care training, advanced first aid, BG4 and CABBA breathing apparatus use, confined space and rescue in toxic atmospheres and underground rescue training.

A 'Healthy Heart' program was also run at both sites in conjunction with the company health provider and district health board. An annual health check for all employees was introduced, in addition to back care training, first aid and fire extinguisher training, driver skid training and ongoing drug and alcohol testing.

The New Zealand Macraes operation enacted a new health and safety policy requiring all employees to be re-inducted before they are able to enter the process area. This policy was further extended to include the induction of all major and minor contractors off site in their own work places to ensure all are inducted before coming on site. Additional back care and correct lifting courses were also run for all New Zealand sites and associated contractors with more courses planned for those who have missed out so far.

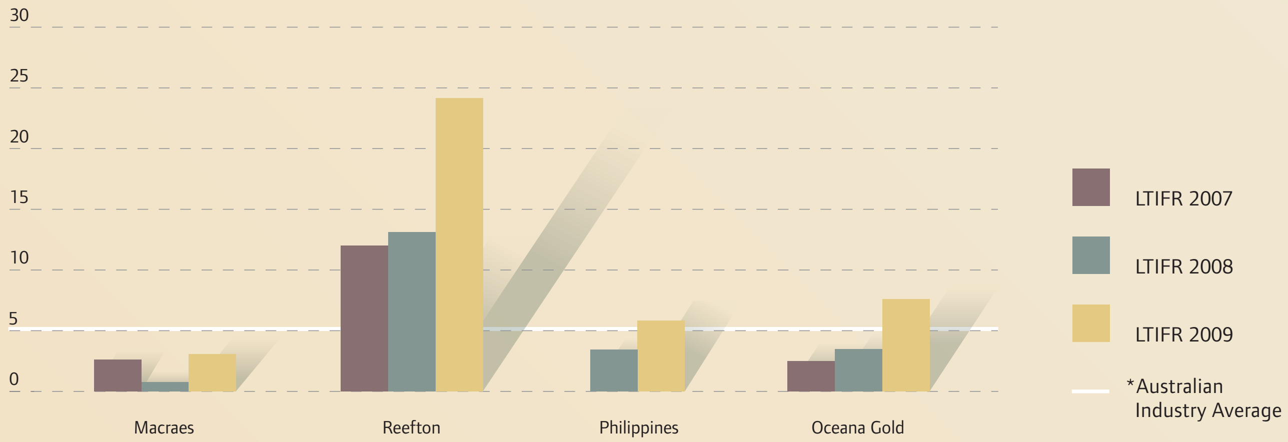
In the Philippines, an Emergency Response Team refresher course was conducted under the auspices of the broader Emergency Management Plan currently in place. Basic life support and standard first aid training was also undertaken in conjunction with the Philippine National Red Cross, while an occupational health and safety training course was attended by two staff safety inspectors.

In 2009, a health and safety incident was experienced at the company's Didipio project in the Philippines. The incident resulted in the fatal shooting of an OceanaGold security contractor. It has not yet been determined who was responsible for the shooting, however OceanaGold continues to assist the Philippines police with its investigation. As the investigation remains ongoing at the time of print, the fatality has not been included in this year's Health and Safety statistics. The deceased contractor was a respected member of the Didipio project team and OceanaGold offered its sincere condolences to his family and friends.

OceanaGold's company Lost Time Injury Frequency Rate (LTIFR) increased from 3.57 (per million man hours) in 2008, to 8.12 in 2009. This is higher than the Australian mining industry average of 5.

Health and Safety Statistics

Lost Time Injury Frequency Rate (per million man hours)



While all sites experienced increases in their LTIFR figures, Reefton reported a 54% increase in its number from 13.11 in 2008, to 24.17 in 2009. The majority of the LTIFR increase was attributable to minor soft tissue injuries with several involving only a single day off work. The availability of good medical care and support on the West Coast of New Zealand continues to be an issue for the Reefton operation.

The Reefton workforce also lives in towns as diverse as Hokitika, Greymouth, Nelson and Christchurch, which has added to the difficulty of providing care for employees and fulfilling the goals of the New Zealand Accident Compensation Commission's 'Stay at Work' program.

Operations across the Reefton site were shut down in February and again in December to hold a series of site-wide meetings to reinforce the importance of reliably achieving the company's goal of 'zero harm'. The Reefton site is committed to the prevention of incidents and injuries by having the best risk management and risk mitigation systems available in place through a range of methods.

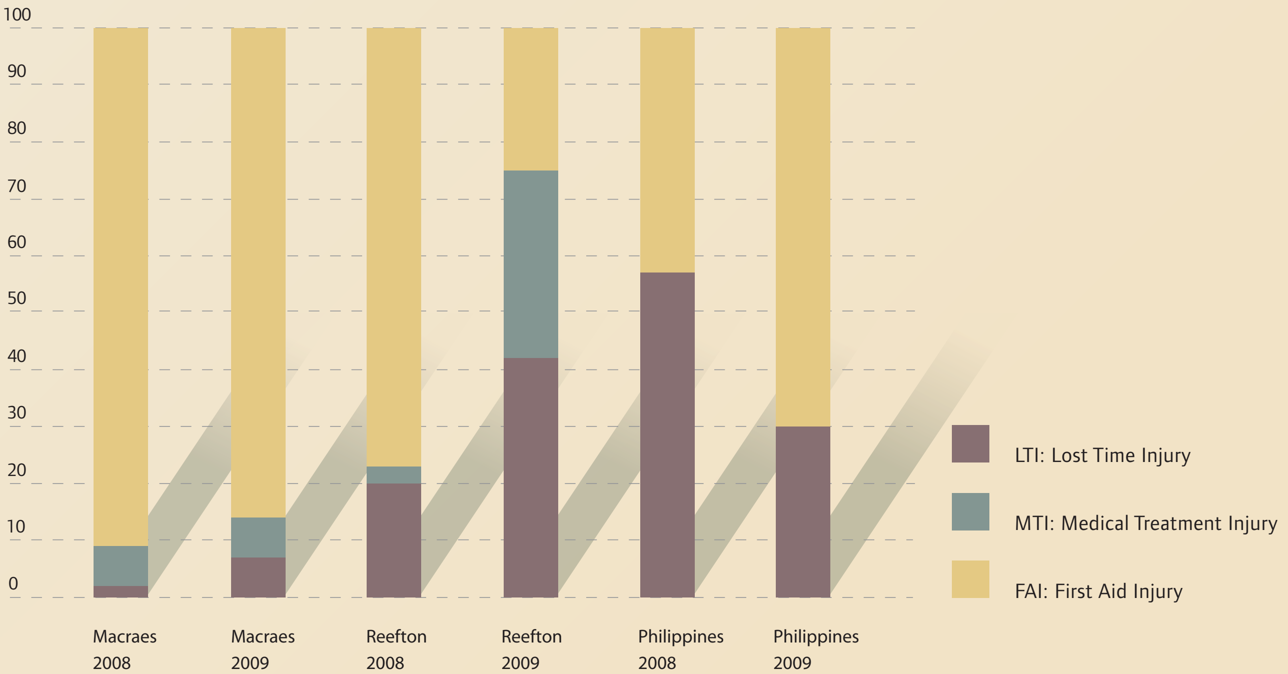
In 2010, OceanaGold will intensify its efforts to improve Reefton's performance in this area to bring it back in line with industry best practice results, while paying particular attention to contractor performance.

To better understand the company's injury profile, OceanaGold has carried out analysis of the company's 2009 Injury Types. This analysis is detailed in the graph below.

All operations saw a reduction in first aid injuries in 2009, however all sites recorded an increase in medical treatment and lost time injuries. Clearly, additional company focus will be applied to achieving a marked reduction in the number of medical treatment and lost time injuries experienced in 2010.

Previous OceanaGold analysis of incident trends in New Zealand revealed a need for stronger promotion of contractor educational awareness within the process and mining domains of the various operations. This initiative commenced in third quarter 2008 and continued through 2009. This included a series of refresher inductions that ensure new and current contractors are more aware of the health and safety standards OceanaGold requires be adhered to in order to prevent injuries and incidents. It is anticipated that this program coupled with ongoing review of all contractors health and safety policies and training programs generally will help contractor personnel achieve the company's goals in this important area.

Injury Type

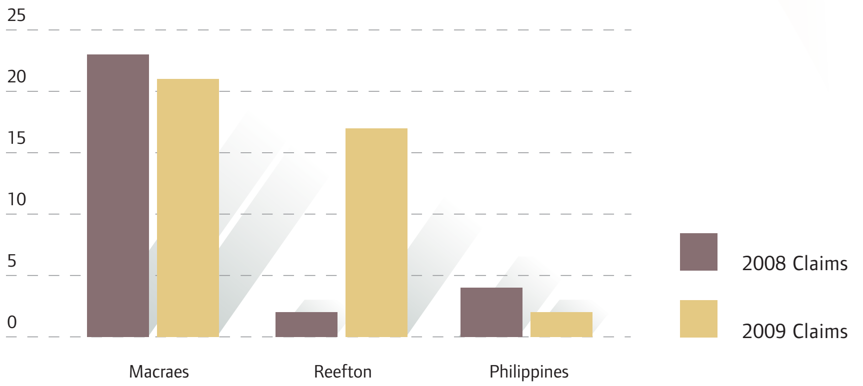


In the Philippines, injuries recorded were within the lost time and first aid injury categories. Difficulties associated with traversing challenging terrain in adverse weather conditions contributed to various slips and minor vehicle incidents that resulted in the bulk of lost time injuries reported.

Workers compensation claims are detailed in the graph to the right.

Workers compensation claims saw a reduction in Macraes claims from 23 in 2008, to 21 in 2009, and a reduction in Philippines claims from 4 in 2008, to 2 in 2009. Reefton recorded an increase in claims from 2 in 2008, to 17 in 2009. This increase in claims is directly linked to the increase in Reefton's increased LTIFR. While the majority of Reefton's claims related to minor strain injuries and are managed by the Accident Compensation Corporation, the company is determined to reduce the number across all its operations and will make this an area of focus in 2010.

Workers Compensation Claims



Contribution to Health and Safety in the Community

The company's first response teams are not only on call to assist at incidents on site, but also routinely provide aid to off site incidents that occur from time to time within the communities surrounding the Company's operations in New Zealand.

In 2009, the Macraes emergency response team assisted with four emergencies in the local community. Due to the relatively remote nature of the Macraes operation, the company's emergency response teams are more accessible and quicker to respond than civil services.

In addition to being first response or mine rescue members, many company staff are also dedicated volunteers outside of work with organisations such as the local fire brigade and the St John ambulance service. This preparedness to volunteer within a range and number of independent community organisations illustrates the unique individual commitment company employees have to the communities in which they live and work.

Despite the Didipio project moving to care and maintenance in 2009, the Health and Safety clinic established there in 2006 was maintained by the company.

The clinic staff comprise Red Cross trained paramedics and is backed by an emergency response team of select security personnel with first aid and life support training. Clinic personnel also provide house calls when patients are unable to attend the clinic themselves. Since the clinic's inception, thousands of local community members have been treated for afflictions ranging from coughs, fever, body pains and minor cuts and burns wounds, through to trauma and other major ailments which are given immediate treatment and then referred to the nearest hospital using the Company ambulance.

2010 Health and Safety Targets

New Zealand

- Introduce the Positive Attitude Safety System ("PASS").
- Implement the Incident Cause Analysis Method ("ICAM") to assist in determining how incidents occur and how to prevent them.
- Achieve nil lost time injuries.
- Achieve zero notifiable serious harm incidents.
- Complete internal audit of ACC Workplace Safety Management Program.
- Develop and implement critical site safety standards.
- Conduct yearly health checks, back care training and flu inoculations for all staff.
- Ensure health and safety compliance across site.
- Undertake quarterly emergency response exercises and fire evacuation trials.

Philippines

- Continue operating the Health and Safety clinic at site which provides medical services to the local community.
- Achieve at least 80 per cent attendance at the central safety committee meetings by available members.
- Deliver relevant occupational safety training to at least 80 per cent of the members of the Central Safety Committee.
- Conduct internal audit on the implementation of relevant safety procedures.

Our People

James (Jim) E Askew
Chairman
(appointed 6 November 2006)

Jim Askew is a mining engineer with over 30 years broad experience as a Director/Chief Executive Officer for a wide range of Australian and international publicly listed mining, mining finance and other mining related companies. He has served on the board of numerous resource public companies which currently include Sino Gold Mining Ltd, Ausdrill Ltd, Asian Mineral Resources Ltd and Golden Star Resources Ltd.

Mr Askew holds a Bachelor of Mining Engineering (Honours) and a Masters Degree, Engineering Science.

Mr Askew is Chairman of the Sustainability Committee and Acting Chairman of the Remuneration and Nomination Committee.

Terrence N Fern
Non Executive Director
(appointed 6 November 2006)

Terrence Fern is Chairman and Managing Director of Petsec Energy Ltd. He has over 25 years of extensive international experience in petroleum and minerals exploration, development and financing.

Mr Fern holds a Bachelor of Science Degree from the University of Sydney and has followed careers in both exploration geophysics and natural resource investment.

Mr Fern is a member of the Audit and Financial Risk Management Committee and the Remuneration and Nomination Committee.

Jacob (Jake) Klein
Non Executive Director
(appointed 16 December 2009)

Jake Klein is the former President and CEO of Sino Gold Mining Ltd, a company he co-founded in 2000. Sino Gold Mining Ltd grew to become the largest foreign investor in the gold industry in China until it was purchased by Eldorado Gold Corporation for over $2 billion in 2009. Mr Klein has over 20 years experience in international finance and mining and metals in South Africa and Australia, including periods at PricewaterhouseCoopers and Macquarie Bank Limited. Mr Klein is a non executive director of Lynas Corporation Ltd and member of the NSW-Asia Business Council.

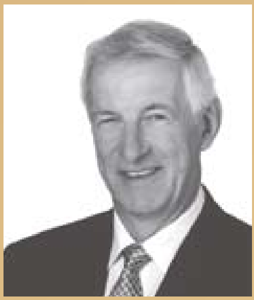
Mr Klein is Chairman of the Remuneration and Nomination Committee and a member of the Audit and Financial Risk Management Committee.

Jose (Joey) P Leviste Jr.
Non Executive Director
(appointed 10 December 2007)

Joey Leviste is the current Chairman of OceanaGold's wholly-owned subsidiary company in the Philippines, OceanaGold (Philippines), Inc. and has been a Director of the Philippines company since OceanaGold's merger with Climax Mining in 2006. He is also a Chairman of Pilipinas SIFE (Students in Free Enterprise); an international NGO in 40 countries promoting entrepreneurship for students in universities to help their communities, and the Philippine Resident Representative of the Australia-Philippine Business Council. In 2005, Mr Leviste was appointed as a Commissioner to the Consultative Commission tasked with advising the Philippines' President on the changes needed to the 1987 Constitution of the Philippines.

Mr Leviste graduated in economics from the Ateneo University with an MBA degree from Columbia University and an MA Economics degree from Fordham University in the United States.

Mr Leviste is a member of the Sustainability Committee.



J. Denham Shale
Non Executive Director
(appointed 9 February 2004)

Denham Shale is a lawyer in practice in Auckland, New Zealand. He was previously Chairman of Kensington Swan, a leading New Zealand law firm and has been a director of listed companies for over 20 years.

Mr Shale is currently Chairman of The Farmers Trading Company Limited Group and a director of listed companies – Turners Auctions Limited and South Canterbury Finance Limited as well as a director of unlisted – Munich Reinsurance Company of Australasia Limited and several other private companies.

He has a Bachelor of Laws degree and is an Accredited Fellow of the Institute of Directors in New Zealand.

Mr Shale is Chairman of the Audit and Financial Risk Management Committee and a member of the Sustainability Committee.

Paul Bibby
Chief Executive Officer
(appointed 5 November 2009)

Paul Bibby is a metallurgist with broad international operations and business development experience across many commodities, with leadership roles in recent years at Capral, Zinifex and most recently, as London based Chief Development Officer with Nyrstar, which was created through the IPO of Zinifex's smelting operations. Prior to this, he spent 23 years at Rio Tinto in a broad range of operating and business development roles.

Mr Bibby holds a Bachelor of Applied Science (Metallurgy) and a Diploma of Applied Science (Secondary Metallurgy).

Marcus Engelbrecht
Chief Financial Officer
(appointed 26 January 2009)

Marcus Engelbrecht has over 20 years resources experience and a proven track record operating in often challenging locales in Africa, Asia and Latin America. He spent nine years in South Africa with Deane & Thresher Chartered Accountants before starting a 20 year career with BHP Billiton and affiliated companies.

Most recently Marcus was a Principal and Director of Mandate Finance, a private company within the financial services industry.

Mr Engelbrecht holds a Post Graduate Bachelor Degree (Finance) from the University of South Africa.

Matthew Salthouse
General Counsel
and Company Secretary
(appointed 7 January 2008)

Matthew Salthouse was previously Company Secretary and Legal Counsel at Drivetrain Systems International Pty Ltd, a multi-million dollar exporter of automotive components. Before joining Drivetrain, he was employed as a Senior Associate at Chambers and Company where he consulted on various merger and acquisition matters for large scale mining and resource companies. He has also worked as a commercial lawyer and legal practitioner at Coles Myer, ION Limited, Herbert Smith and Corrs Chambers Westgarth.

Mr Salthouse holds a Bachelor of Laws and a Bachelor of Economics, Graduate Diploma of Industrial Relations and an Advanced Certificate – Business Analysis and Valuation.

Mark Cadzow
Chief Operating Officer – New Zealand
(appointed 29 April 1991)

Mark Cadzow is a metallurgist with over 30 years experience in mineral processing, precious metals, sulphide minerals and coal. He spent eight years with BP Australia in coal and mineral research and development which resulted in a number of patented processes for the recovery of gold and other minerals.

Mr Cadzow joined OceanaGold in 1991 and held the position of Senior Metallurgist and Processing Manager for 10 years during which time he developed the Macraes processing plant into one of Australasia's most complex gold processing plants. He has since become an integral member of the management team, most recently being appointed Chief Operating Officer for the New Zealand operations in 2009.

He holds a Bachelor of Applied Science (Metallurgy).

Darren Klinck
Vice President, Corporate
and Investor Relations
(appointed 23 April 2007)

Darren Klinck was previously Vice President, Corporate and Investor Relations at Kimber Resources Inc, a gold and silver development company listed on the American and Toronto stock exchanges.

Mr Klinck is responsible for managing OceanaGold's market exposure and building relationships with investor and financial networks internationally.

He holds a Bachelor of Commerce from the Haskayne School of Business at the University of Calgary.

CORPORATE GOVERNANCE

Corporate Governance Statement

This statement provides an outline of the main corporate governance policies and practices that the company had in place during the 2009 financial year. The purpose of such policies and practices is to enhance and protect shareholder value, ensure risks are managed appropriately and maintain stakeholder confidence in the integrity of the company. OceanaGold has established a governance system that is designed to comply with the regulatory requirements applicable in Australia, Canada and New Zealand. Further details are set out below.

1. Australia

The Board is of the view that, with the exception of the departures set out below, it otherwise complies with the ASX Corporate Governance Principles and Recommendations "Principles".

A summary of specific matters to note in relation to the company's current corporate governance practices is set out below. Further information on corporate governance policies and practices is available in the "Governance" section on the company's website: **www.oceanagold.com**

1.1 Lay solid foundations for management and oversight

The Board is responsible for providing strategic direction, defining broad issues of policy and overseeing the management of the company to ensure it is conducted appropriately and in the best interests of shareholders.

In summary, the Board is responsible for: the management of the affairs of the company, including its financial and strategic objectives; evaluating, approving and monitoring the company's strategic and financial plans; evaluating, approving and monitoring the company's annual budgets and business plans; evaluating, approving and monitoring major capital expenditure, capital management and all major corporate transactions, including the issue of the company's securities; and approving all financial reports and material reporting and external communications by the company in accordance with the company's Shareholder Communications Policy.

The Board has delegated certain responsibilities and authorities to the Chief Executive Officer (CEO) and his executive team to enable them to conduct the company's day-to-day activities, subject to certain limitations set out in an authorisation policy approved by the Board. Matters that are beyond the scope of those limitations require Board approval.

There is a formal Board Charter documenting the membership and operating procedures of the Board and the apportionment of responsibilities between the Board and management. A copy of the Board Charter is available from the OceanaGold website.

The Board maintains a Remuneration and Nomination Committee responsible for reviewing and making recommendations to the Board in respect of the performance measurement and remuneration of senior executives of the company. The Committee is further described below.

Details of how the performance evaluation process is undertaken in respect of the CEO (by the Board) and other key senior executives (by the Remuneration and Nomination Committee), including how financial, operational and qualitative measures are assessed, will be set out in the 2010 Management Proxy Circular.

Senior management evaluations in accordance with the above mentioned process have been undertaken in respect of the 2008/2009 reporting period.

1.2 Structure the Board to add value

As at 31 December 2009, the Board is comprised of five non-executive directors, who provide an appropriate mix of business and specialist skills and qualifications. During the company's 2009 financial year, the composition of the Board was as follows:

- James E Askew (Chairman and non-executive director; executive Chairman for the period 10 June 2009 to 5 November 2009);
- Stephen A Orr (Chief Executive Officer until 10 June 2009);
- Jacob Klein (non-executive director since 16 December 2009);
- J. Denham Shale (non-executive director);
- Terence N Fern (non-executive director); and
- Jose P Leviste, Jr (non-executive director).

Mr J E Askew was appointed Chairman by the Board in November 2006. He was an independent non-executive director until 10 June 2009, when he assumed the interim role of executive Chairman following the departure of the then Chief Executive Officer Mr S A Orr. The Board was of the view that Mr Askew was best placed to assume an interim executive function for the purposes of facilitating a smooth transition between outgoing and incoming CEO's. On 5 November 2009, the Company announced the appointment of Mr Paul Bibby as the new Chief Executive Officer. With this appointment, Mr J E Askew reverted to his position as non-executive Chairman of the Company. For the reasons set out above, and notwithstanding the existence of a relationship listed in Box 2.1 of the Principles, the Board considers that at all times throughout the financial year (other than the period in which Mr Askew assumed an interim role as executive Chairman), Mr Askew was an independent non-executive director who was free of any relationship that could materially interfere with the independent exercise of his judgment.

Independence of non-executive directors

The Board Charter requires the Board to assess the independence of the company's non-executive directors by reference to the criteria suggested in Recommendation 2.1 of the Principles. These criteria are considered subject to the materiality thresholds set by the Board from time to time. In the case of service providers or similar, the general standard for materiality is that the fees to the firm from the company do not represent more than 5% of the firm's total fees, nor more than 5% of the company's total spend, in the relevant area and the relevant director does not receive any remuneration directly related to the company's use of the firm (e.g. 'finders fee'). The Board may determine a director to be independent so long as the director retains the ability and willingness to operate independently and objectively and to challenge the Board and management, notwithstanding the existence of a relationship listed in Box 2.1 of the Principles.

The Board was of the view that, except for the interim executive Chairman as disclosed above, the non-executive directors were independent in the manner contemplated by the Board Charter and the Principles. Accordingly, during the company's 2009 financial year the Board comprised a majority of independent, non-executive directors.

Director profiles

Directors' skills, qualifications, experience, dates of appointments and details of other listed company directorships are outlined on pages 42–43.

Term of appointment of non-executive directors

In accordance with the Articles of the Company, the directors of the company shall be elected and shall retire in rotation, with two or three directors (depending on the size of the Board at the relevant time) subject to election at each annual general meeting of shareholders of the company. When elected, directors will hold office for a term of two years from the date of their election or until the second annual general meeting of shareholders following such date, whichever is earlier. At the next following annual general meeting of the shareholders of the company, the two or three directors not elected at the prior meeting shall be nominated for re-election to hold office for a term of two years from the date of their election, until the second annual general meeting of shareholders following such date or until his or her successor is duly elected or appointed.

Independent advice

Directors are entitled to seek independent professional advice, at the company's expense, to assist them in fulfilling their responsibilities, subject to obtaining the prior approval of the Chairman. Any such advice must be made freely available to all directors.

Committees of the Board

The Board has also established three committees to assist it in discharging its responsibilities as follows:

- Audit and Financial Risk Management Committee;
- Remuneration and Nomination Committee; and
- Sustainability Committee.

Each committee is governed by a formal charter approved by the Board, documenting the committee's composition and responsibilities. Copies of these charters are available from the OceanaGold website.

The **Audit and Financial Risk Management Committee's** primary responsibility is to oversee the company's financial reporting process, financial risk management systems and internal control structure. It also reviews the scope and quality of the company's external audits and makes recommendations to the Board in relation to the appointment or removal of the external auditor.
The members of the Audit Committee as at 31 December 2009 comprises:

- J D Shale (Chairman); and
- J E Askew; and
- T N Fern.

Mr J E Askew was appointed as an independent non-executive member of the Audit Committee on 5 June 2009. As discussed above, Mr J E Askew was an interim executive Chairman of the Board during the period 10 June 2009 to 5 November 2009 for the purposes of facilitating a smooth transition between outgoing and incoming CEO's. Not withstanding this interim arrangement, the Board considered it appropriate that Mr Askew continue to serve on the committee given the nature of his interim appointment and that it was not considered to materially interfere with the independent exercise of his judgment. Except for this interim period, the Audit Committee consisted only of independent non-executive directors. Further, Mr Jacob Klein, who was appointed non-executive director on 16 December 2009, joined the Audit Committee subsequent to year end on 17 February 2010.

The Board considers that the skills, experience and independence of the current Audit Committee members allow the Committee to discharge its functions in accordance with the Principles. Further, the committee is authorised by its charter to retain, at the company's expense, outside counsel, consultants or advisors.

The **Remuneration and Nomination Committee** is responsible for reviewing and making recommendations to the Board in respect of:

- Recruitment, retention, remuneration, performance management and termination policies and procedures for non-executive directors, the CEO and any other executive director, the company secretary and all senior executives reporting directly to the CEO;
- Considering nominees for independent directors of the company;
- Establishing processes for the review of the performance of individual directors, Board committees and the Board as a whole;
- Planning for the succession of directors and executive officers of the company to ensure that the Board and management have appropriate skill and experience; and
- The skills and competencies required on the Board and the extent to which the those skills are represented on the Board.

The Remuneration and Nomination Committee Charter includes the:

- Key elements of the performance evaluation process;
- Appointment letter used by the company to appoint new directors and inform new directors of their roles and responsibilities; and
- Induction procedures and policies for new directors (including procedures for briefing new directors on the company, its business and the gold industry in general).

The Remuneration and Nomination Committee is required to meet at lease twice a year and to report to the Board following each meeting. The Company Secretary is also the secretary of the Remuneration and Nomination Committee. During the Company's 2009 financial year, the Remuneration and Nomination Committee conducted reviews of performance, remuneration and skills and competencies of individual directors, Board committees and the Board as a whole in accordance with the procedure set out in the Charter and made recommendations in accordance with its Charter.

The members of the Remuneration and Nomination Committee as at 31 December 2009 comprises:

- J E Askew (Chairman); and
- T N Fern.

The Board considers that the skills, experience and independence of the current Remuneration and Nomination Committee members allow the committee to discharge its functions in accordance with the Principles. Further, the committee is authorised by its charter to access professional advice from employees of the company and from appropriate external advisors.

The **Sustainability Committee** is responsible for reviewing and making recommendations to the Board in respect of the management of technical risk and the furtherance of the company's commitments to environmentally sound and responsible resource development and a healthy and safe work environment. As at 31 December 2009, members of the Sustainability Committee are:

- J E Askew (Chairman);
- J D Shale; and
- J P Leviste Jr.

With the exceptions noted above, each committee contained a majority of independent non-executive directors during the period under review. It is customary for the chairman to invite company executives (including the CEO) to attend committee meetings.

Participation in Board and Committee meetings

For the period under review, director's participation in meetings of the Board and sub-committees is summarised in the table below.

	Board of Directors		Audit and Risk Committee		Remuneration and Nomination Committee		Sustainability Committee	
Director	**Number Held**	**Number Attended**	**Number Held**	**Number Attended**	**Number Held**	**Number Attended**	**Number Held**	**Number Attended**
J E Askew	8	8	2	2	3	3	1	1
S A Orr (until 10 June 2009)	4	4	2	2	1	1	0	0
J D Shale	8	8	4	4	-	Non-member	1	1
T Fern	8	8	4	3	3	3	-	Non-member
J P Leviste Jr	8	8	-	Non-member	-	Non-member	1	1
Jacob Klein (since 16 December 2009)	0	0	-	Non-member	-	Non-member	-	Non-member

1.3 Promote ethical and responsible decision making

The Board supports high standards of ethical behaviour and requires all directors, employees and contractors to act with integrity at all times.

The company has both a Corporate Code of Conduct and a Directors Code of Conduct that seek to foster high standards of ethics and accountability among directors, employees and contractors in carrying out the company's business. The Codes provide guidance on a variety of matters such as expected standards of behaviour, confidentiality, securities dealing, public statements, use of company property, conflicts of interest and financial reporting.

The Codes are supplemented by formal policies and procedures in relation to matters such as health and safety, environment and community, discrimination, harassment and bullying, diversity and equal opportunity and investor relations.

Specific issues of note are summarised below:

Directors' conflicts of interest – directors of the company must keep the Board advised, on an ongoing basis, of any material personal interest in a matter that relates to the affairs of the company. Where a director has a material personal interest in a matter, the director concerned will absent himself from Board discussions of the matter and will not cast a vote in relation to the matter; and

Securities Trading Policy – the company's comprehensive securities dealing policy applies to all directors, employees and contractors. The policy prohibits trading in the company's securities by directors, employees or contractors at any time when they are in possession of price sensitive information that is not generally available to the market. In addition, the policy places a total embargo on short term trading by directors and senior employees at all times. The policy further identifies "blackout" periods where directors and senior management are embargoed from dealing in the company's securities. An internal disclosure procedure applies to directors and senior employees wishing to buy or sell company securities or exercise options over company securities. Directors also have specific disclosure obligations under laws and regulations applicable in Australia and Canada.

Copies of the Codes and the Securities Trading Policy are available on the OceanaGold website.

1.4 Safeguard integrity in financial reporting

As noted above under section 1.2, the company has established an Audit and Financial Risk Management Committee to oversee financial reporting and safeguard integrity.

Details of the Audit and Financial Risk Management Committee membership and meetings attended are set out in section 1.2.

1.5 Make timely and balanced disclosure

The company has developed a Continuous Disclosure Policy and related procedures to ensure timely and balanced disclosure to stakeholders. A copy of the Policy is available on the OceanaGold website.

The company complies with its continuous disclosure obligations by ensuring that price sensitive information is identified, reviewed by management and disclosed to applicable listing regulators in a timely manner and that all such information is posted on the OceanaGold website as soon as possible after disclosure. The company secretary manages compliance with the company's continuous disclosure obligations and communications with applicable listing regulators.

1.6 Respect the rights of shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting the company by communicating information through continuous disclosure, periodic reporting, investor briefings and presentations at the company's annual general meetings. The company posts public announcements, notices of general meetings, reports to shareholders, presentations and other investor-related information on the company's website. Shareholders are encouraged to attend all meetings or, if unable to attend, to vote on the resolutions proposed by appointing a proxy.

The company's auditor attends each annual general meeting and is available to answer questions about the conduct of the audit and the preparation and contents of the auditor's report.

The company has adopted a Shareholder Communications Guidelines and Policy, available on the OceanaGold website.

1.7 Recognise and manage risk

The Board is responsible for risk oversight and management, and is assisted in the discharge of its responsibilities in relation to risk by both the Audit and Financial Risk Management Committee and the Sustainability Committee.

The Board has delegated day-to-day responsibility for risk management and internal controls, including the implementation of systems to manage material business risk, to the CEO. The CEO is primarily responsible for identifying risks, monitoring risks, promptly communicating risk events to the Board, responding to risk events and reporting to the Board on the effectiveness of the Company's management of its material business risks. The Board confirms that management has reported to it as to the effectiveness of the company's management of its material business risks. Communication to investors of any material changes to the Company's risk profile is covered by the Company's Continuous Disclosure Policy.

The Company's risk management framework includes various internal controls and written policies, such as policies regarding authority levels for expenditure, commitments and general decision making and policies and procedures relating to health, safety and environment designed to ensure a high standard of performance and regulatory compliance.

The Board requires the CEO and Chief Financial Officer to confirm in writing, on an annual basis, that the Company's financial reports present a true and fair view of the Company's financial position and performance, have been prepared in accordance with relevant accounting standards and are based on the Company's internal systems of financial control and compliance. The Board has received this confirmation for the 2009 financial year and management has confirmed that the company's internal systems are operating effectively in all material respects in relation to financial reporting risks.

1.8 Remunerate fairly and responsibly

As noted above, the Board maintains a Remuneration and Nomination Committee responsible for making recommendations to the Board regarding remuneration. The committee's charter is available on the OceanaGold website. This charter forms the basis for the company's remuneration policies and procedures.

Details of Remuneration and Nomination Committee composition and attendance are set out above in section 1.2.

As the company is incorporated in Canada, it is not required to comply with section 300A of the Corporations Act or Accounting Standard AASB 124 Related Party Disclosures. The company is however required under Canadian law to provide details on director and senior executive compensation arrangements and these details can be found in the Management Proxy Circular. Whilst these disclosures are not materially the same as would otherwise be disclosed if the company were incorporated in Australia and regulated by the Corporations Act, the company regards such disclosures as providing shareholders with an appropriate level of information.

1.9 Additional information

In addition to the above and as a pre-condition to initial listing on the ASX, the company notes as follows:

- The company's jurisdiction of incorporation is British Columbia, Canada;
- The company is not subject to Chapters 6, 6A, 6B or 6C of the Corporations Act; and
- No limitations have been placed on the acquisition of securities in the place of incorporation.

2. Canada

In addition to Australian requirements, the company also complies with specific Canadian corporate governance obligations. In accordance with Canadian requirements, specific disclosures are contained in the company's proxy circular, furnished to shareholders in connection with the company's annual general meeting.

3. New Zealand

New Zealand shareholders should note that the company is listed with the Toronto Stock Exchange (TSX) as its home exchange. The TSX corporate governance rules and principles may materially differ from the New Zealand Exchange Limited (NZX) corporate governance rules and the principles of the Corporate Governance Best Practice Code of NZX. More information about the corporate governance principles of the TSX is available from the TSX website at **www.tsx.com**

FINANCIAL STATEMENTS

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of OceanaGold Corporation were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to OceanaGold Corporation and the entities it controls ("the Group's") circumstances. The significant accounting policies of the Group are summarised in note 2 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfils its financial reporting responsibilities. An Audit and Financial Risk Management Committee assists the Board of Directors in fulfilling this responsibility. The members of the Audit and Financial Risk Management Committee are not officers of the Group. The Audit and Financial Risk Management Committee meets with management to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit and Financial Risk Management Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognises its responsibility for conducting the Group's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Paul Bibby
Chief Executive Officer
Melbourne, Australia

February 25, 2010

Marcus Engelbrecht
Chief Financial Officer
Melbourne, Australia

February 25, 2010

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331
MELBOURNE VIC 3001
DX 77
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999
www.pwc.com/au

To the Shareholders of OceanaGold Corporation

We have audited the consolidated balance sheets of OceanaGold Corporation as at December 31, 2009 and December 31, 2008 the consolidated statements of operations and comprehensive income / (Loss), the consolidated statements of accumulated deficit and consolidated statements of cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2009 and December 31, 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers

PricewaterhouseCoopers
Melbourne, Australia

February 25, 2010

Consolidated Balance Sheets

As at December 31 2009

(in thousands of United States dollars)	Notes	2009 $'000	2008 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**42 423**	9 711
Accounts receivable and other receivables	*8*	**3 460**	2 680
Inventories	*9*	**25 315**	21 910
Prepayments		**1 116**	961
Derivatives	*20*	**141**	1 493
Future income tax assets	*6*	**9 006**	8 936
Total current assets		**81 461**	45 691
Non-current assets			
Inventories	*9*	**33 133**	18 763
Derivatives	*20*	**-**	1 997
Future income tax assets	*6*	**8 684**	31 175
Property, plant and equipment	*10*	**118 156**	131 377
Mining assets	*11*	**546 272**	400 987
Total non-current assets		**706 245**	584 299
Total assets		**787 706**	629 990
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**29 996**	24 459
Employee benefits	*19*	**2 358**	1 726
Derivatives	*20*	**89 875**	48 780
Interest-bearing loans and borrowings	*13*	**62 794**	14 087
Asset retirement obligation	*12*	**38**	53
Total current liabilities		**185 061**	89 105
Non-current liabilities			
Other long term obligations		**2 709**	3 216
Employee benefits	*19*	**69**	68
Derivatives	*20*	**-**	80 066
Future income tax liabilities	*6*	**77 753**	61 457
Interest-bearing loans and borrowings	*13*	**120 880**	142 625
Asset retirement obligation	*12*	**8 621**	6 797
Total non-current liabilities		**210 032**	294 229
Total liabilities		**395 093**	383 334
SHAREHOLDERS' EQUITY			
Share Capital	*14*	**354 915**	334 975
Accumulated deficit		**(57 014)**	(111 526)
Contributed surplus	*16*	**32 690**	33 897
Accumulated other comprehensive income	*15*	**62 022**	(10 690)
Total shareholders' equity		**392 613**	246 656
Total liabilities and shareholders' equity		**787 706**	629 990
Nature of operations	*1*		
Commitments	*23*		
Contingencies	*24*		

On behalf of the Board of Directors:

James Askew
Director

J Denham Shale
Director

The accompanying notes to Consolidated Financial Statements are an integral part of these financial statements.

Consolidated Statements of Operations

For the year ended December 31 2009

(in thousands of United States dollars except per share amounts)	Notes	2009 $'000	2008 $'000
Revenue			
Gold sales		**237 057**	217 214
Release from other comprehensive income of deferred unrealised gain on designated hedges		**-**	279
		237 057	217 493
Cost of sales, excluding depreciation and amortisation		**(121 310)**	(138 154)
Depreciation and amortisation		**(66 181)**	(50 547)
General & administration		**(9 179)**	(15 338)
		40 387	**13 454**
Other (expenses)/income			
Interest expense and other finance charges		**(15 086)**	(20 992)
Foreign exchange gain/(loss)		**(24)**	2 254
Loss on disposal of equipment		**(400)**	-
		(15 510)	**(18 738)**
Gain/(loss) on fair value of derivative instruments		**58 241**	(73 408)
Interest income		**697**	2 936
Other income	*5*	**34**	133
Earnings/(loss) before income taxes		**83 849**	(75 623)
Income taxes benefit/(expense)	*6*	**(29 337)**	20 888
Net earnings/(loss)		**54 512**	**(54 735)**
Net earnings/(loss) per share:	*7*		
- basic		**$0.32**	($0.34)
- diluted		**$0.29**	($0.34)

Consolidated Statements of Accumulated Deficit

For the year ended December 31 2009

(in thousands of United States dollars)	Notes	2009 $'000	2008 $'000
Accumulated deficit at beginning of period		**(111 526)**	(56 791)
Net earnings/(loss)		**54 512**	(54 735)
Accumulated deficit at end of period		**(57 014)**	(111 526)

Consolidated Statements of Comprehensive Income/(Loss)

For the year ended December 31 2009

(in thousands of United States dollars)	Notes	2009 $'000	2008 $'000
Net earnings/(loss)		**54 512**	(54 735)
Other comprehensive income for the year, net of tax:			
Cash flow hedge gain/(loss), net of tax	*15*	**-**	(882)
Currency translation differences	*15*	**72 712**	(53 410)
		72 712	(54 292)
Comprehensive income/(loss)		**127 224**	(109 027)

The accompanying notes to Consolidated Financial Statements are an integral part of these financial statements.

Consolidated Statements of Cash Flows

For the year ended December 31 2009

(in thousands of United States dollars)	**2009 $'000**	**2008 $'000**
Operating activities		
Net earnings/(loss)	54 512	(54 735)
Charges/(credits) not affecting cash		
Depreciation and amortisation expense	66 181	50 547
Net loss/(gain) on disposal of property, plant and equipment	400	(34)
Non-cash interest charges	2 861	6 062
Accrued interest income	(210)	-
Unrealised foreign exchange gains	(171)	(2 998)
Stock based compensation charge	(855)	1 518
Non-cash derivative (gain)/ expense	(58 241)	73 408
Future tax expense/(benefit)	29 337	(20 888)
Changes in non-cash working capital		
(Increase)/decrease in accounts receivable and other receivables	494	(555)
Increase in inventory	(2 501)	(5 811)
Increase in accounts payable	2 916	5 153
Decrease in other working capital	(540)	(3 942)
Net cash provided by operating activities	94 183	47 725
Investing activities		
Proceeds from sale of property, plant and equipment	27	46
Payments for property, plant and equipment	(6 696)	(2 974)
Payments for mining assets: exploration and evaluation	(2 168)	(5 381)
Payments for mining assets: development	(3 022)	(56 373)
Payments for mining assets: in production	(59 154)	(43 634)
Net cash used in investing activities	(71 013)	(108 316)
Financing activities		
Proceeds on issue of capital stock	20 698	-
Payment of transaction costs for equity raising	(1 122)	-
Payment of finance lease liabilities	(7 605)	(7 513)
Settlement of derivatives	-	(25 906)
Repayments from other borrowings	(9 038)	(15 715)
Net cash provided by / (used in) financing activities	2 933	(49 134)
Effect of exchange rate changes on cash held in foreign currency	6 609	(401)
Net increase / (decrease) in cash and cash equivalents	32 712	(110 126)
Cash and cash equivalents at beginning of period	9 711	119 837
Cash and cash equivalents at end of period	42 423	9 711
Cash interest paid	(11 674)	(15 130)

Notes to Consolidated Financial Statements

For the year ended December 31 2009

1 NATURE OF OPERATIONS

OceanaGold Corporation ("OceanaGold") is engaged in exploration and the development and operation of gold and other mineral mining activities. OceanaGold is a significant gold producer and is operating two open cut mines and an underground mine at Macraes and Reefton in New Zealand. The group also has the Didipio Gold-Copper Project in the Philippines as part of its portfolio.

The consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern, which contemplates the realisation of assets and settlement of liabilities in the normal course of business, as they fall due.

For the twelve months ended December 31, 2009, the Company reported a profit of $54.5m. As at December 31, 2009 the current liabilities of the company exceeded current assets by $103.6m and included derivative liabilities of $89m, which will be settled from future gold production, and $48.7m of convertible notes with a call option held by the note holders, for repayment in December 2010. The company has cash on hand of $42.4m and cash flow projections indicate sufficient funds to meet all operating obligations for at least 12 months. However a funding shortfall was forecast to arise if all convertible note call options were exercised by the note holders, prior to completion of the committed equity raising described below.

On February 19, 2010 the Company announced that it has secured, through the issue of 27,099,132 Subscription Receipts in Canada and 10,949,648 CHESS Depository Interests (CDI's) in Australia, an equity raising of C$78m (before costs) at a price equivalent to C$2.05 per share. The Subscription Receipts will be converted to common shares and the CDI's will be issued, on shareholder approval, at an Extraordinary General Meeting to be held on March 25, 2010. The proceeds from the Subscription Receipts will be held in escrow until the Release Conditions (which include shareholder approval) have been met. The company expects these conditions will be met by 31 March 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

These consolidated financial statements are expressed in United States dollars ("US$") which is the reporting currency. The controlled entities of OceanaGold have either US Dollars, Australian dollars ("A$") or New Zealand dollars ("NZ$") as their functional currency. The financial statements of the Group have been translated to the reporting currency using the current rate method described below.

The Group employs the current rate method of translation for its self-sustaining operations. Under this method, all assets and liabilities are translated at the year-end rates and all revenue and expense items are translated at the average monthly exchange rates for recognition in income. Differences arising from these foreign currency translations are recorded in shareholders' equity as a component of other comprehensive income until they are realized by a reduction in the net investment.

The Group employs the temporal method of translation for its integrated operations. Under this method, monetary assets and liabilities are translated at the year-end rates and all other assets and liabilities are translated at applicable historical exchange rates. Revenue and expense items are translated at the rate of exchange in effect at the date the transactions are recognized in income, with the exception of depreciation and amortisation which is translated at the historical rate for the associated asset. Exchange gains and losses and currency translation adjustments are included in income.

Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. Significant areas where management's judgement is applied include ore reserve and resource determinations, carrying values of exploration and evaluation assets, carrying values of mine development costs, plant and equipment lives, contingent liabilities, current tax provisions and future tax balances and asset retirement obligations. Actual results may differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with original maturities of three months or less at the date of purchase.

Trade and other receivables

Trade receivables are initially recorded at the amount of contracted sales proceeds, and then subsequently carried at cost less an allowance for doubtful accounts.

Inventories

Bullion and ore

Inventories are valued at the lower of weighted average cost and net realisable value. Costs include mining and production costs as well as commercial, environmental, health and safety expenses, and stock movements.

Gold in circuit

Gold in circuit is valued at the lower of weighted average cost and net realisable value. The average cash cost of production for the month is used and allocated to gold that is in the circuit at period end. These costs include mining and production costs as well as commercial, environmental, health and safety expenses, and stock movements.

Stores

Inventories of consumable supplies and spare parts are valued at cost less a provision for obsolescence. Cost is assigned on a weighted average basis.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. All such assets, except freehold land, are depreciated over their estimated useful lives on a straight line, reducing balance or units of production basis, as considered appropriate, commencing from the time the asset is held ready for use.

Depreciation rates used:

Buildings	5% per annum straight line
Mining equipment	unit of production based on reserves and certain resources
Other plant and equipment	8% – 33% per annum straight line
	20% – 30% per annum reducing balance

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the undiscounted future cash flows from these assets, the assets are written down to fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration, Evaluation, Development and Restoration Costs

Exploration and Evaluation Expenditure

Exploration and evaluation expenditure is stated at cost and is accumulated in respect of each identifiable area of interest.

Such costs are only carried forward to the extent that they are expected to be recovered through the successful development of the area of interest (or alternatively by its sale), or where activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable resources, and where active work is continuing.

Accumulated costs in relation to an abandoned area are written off to the statement of operations in the period in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Mining Properties in Production or Under Development

Mining properties in production (including exploration, evaluation and development expenditure) are accumulated and brought to account at cost less accumulated amortisation in respect of each identifiable area of interest. Amortisation of capitalised costs, including the estimated future capital costs over the life of the area of interest, is provided on the units of production basis, proportional to the depletion of the mineral resource of each area of interest expected to be ultimately economically recoverable.

Impairment

The carrying values of exploration, evaluation and development costs are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the undiscounted future cash flows from these assets, the assets are written down to fair value.

Asset Retirement Obligations

The Group recognises the fair value of a future asset retirement obligations as a liability in the period in which it incurs a legal or constructive obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development and/or normal use of the assets. The Group concurrently recognises a corresponding increase in the carrying amount of the related long-lived assets that are depreciated over the life of the asset. The key assumptions on which the fair value of the asset retirement obligations are based include the estimated future cash flow, the timing of those cash flows and the credit-adjusted risk-free rate or rates on which the estimated cash flows have been discounted. Subsequent to the initial measurement, the liability is accreted over time through periodic charges to earnings.

Trade and other payables

Trade payables and other payables are carried at fair value and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently adjusted using the effective interest method by taking into account any issue costs, and any discount or premium on settlement.

Convertible notes

For convertible notes, the component of the convertible note that exhibits characteristics of a liability is recognised at fair value as a liability in the balance sheet, net of transaction costs.

On issuance of the convertible note, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note and this amount is carried as a long-term liability, using the amortised cost basis, until extinguished on conversion or by repayment of debt. The increase in the liability due to the passage of time is recognised as a finance cost in the statement of operations.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not re-measured in subsequent periods.

Interest on the liability component of the convertible note is recognised as an expense in profit or loss.

Transaction costs are apportioned between the liability and equity components of the convertible note based on the allocation of proceeds to the liability and equity components when the instrument is first recognised.

Stock based compensation

The company provides benefits to employees (including directors) in the form of stock based compensation transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There are currently two plans in place to provide these benefits:

(i) The Executive Share Options Plan ("ESOP"), which provides benefits to the managing director and senior executives,

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the compensation at the date at which they are granted. The fair value of options issued is determined by using a binomial tree lattice model and the Black Scholes closed form model for those options with a 1 day exercise period.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of OceanaGold Corporation ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(a) the extent to which the vesting period has expired, and

(b) the number of awards that, in the opinion of the directors of the consolidated entity, will ultimately vest

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

(ii) The Employee Share Acquisition Plan ("ESAP"), which provides benefits to all employees, excluding directors.

The cost of the plan is recognised as an operational expense. The value is measured by the company's contribution to the ESAP which matches the employee's contribution dollar for dollar.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Capital leases, which transfer to the consolidated entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of operations.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income.

Operating lease payments are recognised as an expense in the statement of operations on a straight-line basis over the lease term.

Derivative financial instruments and hedge accounting

The consolidated entity uses derivative financial instruments to manage commodity price and foreign currency exposures.

Derivative financial instruments are initially recognised in the balance sheet at fair value and are subsequently re-measured at their fair values at each reporting date.

The fair value of gold hedging instruments including forwards, puts & call options are calculated by discounting the future value of the hedge contract at the appropriate prevailing quoted market rates at reporting date.

The Group applies Section 3855 "Financial Instruments – Recognition and Measurement", Section 3865 "Hedges" and Section 1530 "Comprehensive Income", and certain derivative financial instruments have been designated as hedges under the requirements of Section 3865. For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged.

At the inception of the transaction, the consolidated entity documents the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific forecast gold sales.

Changes in the fair value of derivatives that are designated against future production qualify as cash flow hedges and, if deemed highly effective, the gain or loss on the effective portion is recognised in accumulated other comprehensive income. The ineffective portion is recognised in the statement of operations. Amounts deferred in accumulated other comprehensive income are transferred to the statement of operations and classified as revenue in the same periods during which the hedged gold sales affect the statement of operations.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in accumulated other comprehensive income at that time remains in other comprehensive income and is recognised when the committed or forecasted production is ultimately recognised in the statement of operations. However, if the committed or forecasted production is no longer expected to occur, the cumulative gain or loss reported in other comprehensive income is immediately transferred to the statement of operations.

When the hedged firm commitment results in the recognition of an asset or a liability, the associated gains or losses, previously recognised in accumulated other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. Cash received or paid on the settlement or maturity of (gold derivatives) are recorded as operating cash flows.

The net gains and losses that relate to contracts not designated for hedge accounting purposes have been recognised in the statement of operations.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Bullion sales

Revenue from sales of gold and silver is recognised when there has been a passing of the significant risks and rewards of ownership, which means the following:

- The product is in a form suitable for delivery and no further processing is required by, or on behalf of the consolidated entity;
- The quantity and quality (grade) of the product can be determined with reasonable accuracy;
- The product has been despatched to the customer and is no longer under the physical control of the consolidated entity (or title of the product has earlier passed to the customer);
- Title has passed once the product is no longer under the physical control of the consolidated entity
- The selling price is determinable;
- It is probable that the economic benefits associated with the transaction will flow to the consolidated entity; and
- The costs incurred or to be incurred in respect of the transaction are determinable.

Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method.

Borrowing costs

Borrowing costs are expensed as incurred with the exception of borrowing costs directly associated with the construction, purchase or acquisition of a qualifying asset, which are capitalised as part of the cost of the asset.

Income tax

The Group follows the liability method of income tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is provided to the extent that it is more likely than not those future income tax assets will not be realised.

Earnings per share

Basic earnings/loss per share is calculated by dividing the profit/loss by the weighted average number of shares outstanding during the year. Diluted earnings/loss per share is calculated by dividing the earnings/loss by the weighted-average number of shares outstanding during the year, assuming that all potentially dilutive securities were exercised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Stripping

Costs associated with the removal of overburden and other mine waste materials that are incurred in the production phase of mining operations are included in the costs of inventory produced in the period in which they are incurred, except when the charges represent a betterment to the mineral property. Charges represent a betterment to the mineral property when the stripping activity provides access to reserves that will be produced in future periods that would not have been accessible without the stripping activity. When charges are deferred in relation to a betterment, the charges are amortized over the reserve in the betterment accessed by the stripping activity using the units of production method.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the relevant Taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to, the relevant taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the relevant taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the relevant taxation authority. The net of GST payable and receivable is remitted to the appropriate tax body in accordance with legislative requirements.

Consolidation Policy

The consolidated financial statements incorporate the assets, liabilities and results of all entities controlled by the company. The effects of all transactions between entities in the consolidation group are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of income from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control exists.

3 NEW ACCOUNTING POLICIES

On January 1, 2009, the Company adopted the following new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA").

Adopted in fiscal 2009

Mining Exploration Costs

In March 2009, the CICA issued EIC-174, "Mining Exploration Costs." The EIC provides guidance on accounting for capitalization and impairment of exploration costs. This standard was effective for the fiscal year beginning January 1, 2009. The application of this EIC had no effect on the consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The application of this EIC had no material effect on the consolidated financial statements.

CICA 3064 Goodwill and Intangible Assets

The CICA has issued Handbook Section 3064 "Goodwill and Intangible assets" which may affect the financial disclosure and results of the Company. This Section applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008 and the Company adopted the requirements commencing in 2009. Section 3064 establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The application of this standard had no effect on the consolidated financial statements.

Amendment to Financial Instruments – Disclosures ("Section 3862")

During 2009, CICA Handbook Section 3862, Financial Instruments –Disclosures ("Section 3862"), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. wThe three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data

See note 20 for relevant disclosures.

4 ACCOUNTING POLICIES EFFECTIVE FOR FUTURE PERIODS

Business Combinations

In October 2008, the CICA issued Handbook Section 1582, "Business Combinations", which establishes new standards for accounting for business combinations. This is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Should the Company engage in a future business combination, it would consider early adoption to coincide with the adoption of IFRS.

Non-controlling Interests

Also in October 2008, the CICA issued Handbook Section 1602, "Non-controlling Interests", to provide guidance on accounting for non-controlling interests subsequent to a business combination. This is effective for fiscal years beginning on or after January 2011.

5 OTHER INCOME

	2009 $'000	2008 $'000
Other income		
Gain on disposal of property, plant and equipment	-	34
Other	34	99
Total other income	34	133

6 INCOME TAX

Major components of income tax expense/(benefit):

	2009 $'000	2008 $'000
Statement of operations		
Future income tax		
Income tax benefit relating to tax losses (carried forward)/utilised	15 583	(7 971)
Adjustments in respect of future income tax of previous years	(1 085)	(2 598)
Relating to origination and reversal of temporary differences	14 839	(10 319)
Income tax (benefit)/expense reported in statement of operations	29 337	(20 888)

Numerical reconciliation between aggregate tax expense/benefit recognised in the statement of operations and the tax expense/benefit calculated per the statutory income tax rate

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Consolidated entity's effective income tax rate for the years ended December 31 is as follows:

	2009 $'000	2008 $'000
Accounting earnings/(loss) before tax from continuing operations	83 849	(75 623)
At the statutory income tax rate of 34.12% (2008 34.12%)	28 609	(25 803)
Adjustments in respect of current income tax of previous years	(1 085)	(2 598)
Expenditure not allowable for income tax purposes	(985)	1 581
Tax losses not recognised	6 430	3 531
Effect of differing tax rates between Canada, Australia and New Zealand	(3 632)	2 401
Income tax expense/(benefit) reported in the statement of operations	29 337	(20 888)

	2009 $'000	2008 $'000
Future income tax		
Future income tax at December 31 relates to the following:		
Future income tax assets		
Losses available for offset against future taxable income	58 045	57 136
Revaluations of derivative instruments to fair value	26 963	38 654
Provisions	4 884	4 312
Accrued expenses	135	3
Share issue costs	1 849	1 563
Other	1 061	614
Gross future income tax assets	92 937	102 282
Set-off future tax liabilities	(75 247)	(62 171)
	17 690	40 111
Less: current portion	(9 006)	(8 936)
Net non-current future tax assets	8 684	31 175
Future income tax liabilities		
Mining assets	(121 172)	(86 940)
Property, plant and equipment	(28 537)	(32 529)
Inventory	(1 264)	(913)
Interest Receivable	(463)	(313)
Accrued Revenue	(1 373)	(1 771)
Revaluations of derivative instruments to fair value	(42)	(1 047)
Other	(149)	(115)
Gross future income tax liabilities	(153 000)	(123 628)
Set-off future tax assets	75 247	62 171
	(77 753)	(61 457)
Less: current portion	-	-
Net non-current future tax liabilities	(77 753)	(61 457)

7 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net income/(loss) for the year attributable to common equity holders of the parent by the weighted average number of common shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net income attributable to common shareholders (after adding back interest on the convertible notes) by the weighted average number of common shares outstanding during the year (adjusted for the effects of dilutive options and dilutive convertible notes where the conversion of potential common shares would decrease earnings per share or increase loss per share).

The following reflects the income/(loss) and share data used in the total operations basic and diluted earnings per share computations:

	2009 $'000	2008 $'000
Numerator:		
Net income/(loss) attributable to equity holders from continuing operations (used in calculation of basic and diluted earnings per share)	**54 512**	(54 735)
Interest on convertible notes*	**8 188**	-
Net income/(loss) attributable to equity holders from continuing operations (used in calculation of diluted earnings per share)*	**62 700**	(54 735)
	Thousands	**Thousands**
Denominator:		
Weighted average number of common shares (used in calculation of basic earnings per share)	**172 092**	161 635
Effect of dilution:		
Share options*	**1 371**	-
Convertible notes*	**40 729**	-
Adjusted weighted average number of common shares (used in calculation of diluted earnings per share)	**214 192**	161 635
Net income/(loss) per share:		
- basic	**$0.32**	($0.34)
- diluted	**$0.29**	($0.34)

* For the periods to 31 December 2008 conversion of share options and convertible notes would decrease the loss per share and hence are anti-dilutive.

8 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	2009 $'000	2008 $'000
Current		
Trade receivables	**2 889**	2 449
Interest receivable	**207**	-
Other receivables	**364**	231
	3 460	2 680

Trade receivables are non-interest bearing and are due upon confirmation of gold assay. Other receivables include deposits at bank, in support of environmental bonds and deposits set out for rental of properties.

9 INVENTORIES

	2009 $'000	2008 $'000
Current		
Gold in circuit	**4 416**	2 415
Ore	**3 289**	7 434
Maintenance Stores	**17 610**	12 061
	25 315	21 910
Non-Current		
Ore	**33 133**	18 763
Total inventories	**58 448**	40 673

During 2009, $187.5m of inventories were recognised as an expense (2008: $188.7m) relating to cost of sales. This was net of a reversal of a previous impairment of nil (2008: $3.6m). Total inventories of $58.4m at December 31, 2009 are pledged as security under project debt facilities (see Note 13).

10 PROPERTY, PLANT AND EQUIPMENT

	2009 $'000	2008 $'000
Freehold land, at cost		
Cost	**5 868**	3 708
Buildings, at cost		
Cost	**7 109**	3 927
Accumulated depreciation	**(2 957)**	(1 868)
Net of accumulated depreciation	**4 152**	2 059
Plant and equipment, at cost		
Cost	**237 618**	211 237
Accumulated depreciation	**(133 803)**	(89 639)
Net of accumulated depreciation	**103 815**	121 598
Rehabilitation		
Cost	**8 108**	6 415
Accumulated depreciation	**(3 787)**	(2 403)
Net of accumulated depreciation	**4 321**	4 012
Net book value of property, plant and equipment	**118 156**	131 377

Plant and equipment includes assets under capital lease net of accumulated depreciation of $32.1m (2008: $31.9m). The assets under capital leases are pledged as security for capital lease liabilities.

Borrowing costs

There are no borrowing costs capitalised into the cost of any assets held on the balance sheet at December 31, 2009 (2008: nil).

11 MINING ASSETS

	2009 $'000	2008 $'000
Mining Assets: Exploration and evaluation phase at cost		
Cost	**18 964**	22 717
Mining Assets: Development phase at cost		
Cost	**379 233**	293 817
Mining Assets: In production at cost		
Cost	**294 792**	154 769
Accumulated amortisation	**(146 717)**	(70 316)
Net of accumulated amortisation	**148 075**	84 453
Net book value of mining assets	**546 272**	400 987

Borrowing costs

There are no borrowing costs capitalised into the cost of any assets held on the balance sheet at December 31, 2009 (2008: nil).

12 ASSET RETIREMENT OBLIGATION

	2009 $'000	2008 $'000
Current		
Rehabilitation	38	53
Movement:		
At January 1	53	293
Arising during the year	-	(16)
Utilised	(26)	(718)
Transferred from/(to) non-current	-	498
Exchange adjustment	11	(4)
At December 31	38	53
Non-Current		
Rehabilitation	8 621	6 797
Movement:		
At January 1	6 797	9 218
Arising during the year	122	(353)
Accretion	518	675
Utilised	(498)	-
Transferred from/(to) current	-	(498)
Exchange adjustment	1 682	(2 245)
At December 31	8 621	6 797

Rehabilitation

A provision for rehabilitation is recorded in relation to the gold mining operations for the rehabilitation of the disturbed mining area to a state acceptable to various regulatory authorities. While rehabilitation is ongoing, final rehabilitation of the disturbed mining area is not expected until the cessation of mining for both Macraes and Reefton, currently estimated to be beyond 2013. Didipio is currently expected to be mining for a period beyond this time frame.

Rehabilitation provisions are estimated based on survey data, external contracted rates and the timing of the current mining schedule. Provisions are discounted using a liability specific rate and are externally reviewed and approved by council nominated consultants.

Rehabilitation provisions are subject to an inherent amount of uncertainty in both timing and amount and as a result are continuously monitored and revised.

Asset retirement obligations are initially recorded as a liability at fair value, assuming a credit adjusted risk free discount rate of 6.5% (2008:9%). The liability for retirement and remediation on an undiscounted basis is estimated to be approximately $12.1m.

13 INTEREST-BEARING LOANS AND BORROWINGS

	Effective interest rate %	Maturity	2009 $'000	2008 $'000
Current				
Capital leases (note 23)	4.66%	05/31/2014	9 354	6 897
5.75% Convertible notes (A$55m)	9.16%	12/22/2012	48 735	-
Insurance Premium Loan (NZD)	3.26%	02/28/2010	441	189
Insurance Premium Loan (AUD)	3.11%	02/28/2010	-	51
Project debt facility (NZD)	4.67%	06/30/2010	4 264	6 950
			62 794	14 087
Non-current				
Capital leases (note 23)	4.66%	05/31/2014	30 872	32 235
5.75% Convertible Notes (A$55m)	9.16%	12/22/2012	-	37 030
7.00% Convertible notes (A$70m)	10.13%	12/22/2013	63 006	48 614
7.00% Convertible notes (A$30m)	10.64%	12/22/2013	27 002	20 113
Project debt facility (NZD)	4.67%	06/30/2010	-	4 633
			120 880	142 625

5.75% Convertible Notes (Unsecured)

The Notes bear interest at 5.75% per annum payable semi-annually in arrears. The convertible note liability has been classified as current at December 31, 2009 as the note holder has the option to put the note for redemption to the issuer on December 22, 2010 at a price equal to its Accredited Principal Amount as at the date fixed for redemption together with accrued interest to such date. The Notes mature in 2012 and are redeemable at 109% of their principal amount unless converted to common shares prior to this date at the option of the note holder. The number of shares to be delivered upon conversion shall be determined by dividing the principal amount of the note by the conversion price of A$4.162 (subject to adjustment for certain specified events). Of the A$52.9 million (US$39.1m) net proceeds of the issue A$48.5 million (US$35.8m) was allocated to interest bearing liabilities and A$4.4 million (US$3.3m) was allocated to equity.

13 INTEREST-BEARING LOANS AND BORROWINGS (continued)

7.00% Convertible Notes (Unsecured)

The Notes bear interest at 7.00% per annum, payable semi-annually in arrears and have a face value of A$70 million. Interest accrued in respect of the notes for the first two years is not payable but is instead capitalised into the redemption value of the notes. The Notes are due for redemption in 2013 at a value equal to the sum of their principal amount plus the capitalised interest amount, unless converted to common shares prior to this date at the option of the noteholder. The number of shares to be delivered upon conversion shall be determined by dividing the principal amount of the note by the conversion price. The conversion price is A$3.967 (subject to adjustment for certain specified events). Of the A$67.4 million (US$52.9m) net proceeds of the issue A$59.2 million (US$46.5m) was allocated to interest bearing liabilities and A$8.2 million (US$6.4m) was allocated to equity.

On March 22, 2007 an additional A$30 million (US$24.2m) in convertible notes was issued under the same terms and conditions as the 7% convertible notes. The conversion price is A$4.166 (subject to adjustment for certain specified events) and the notes are due for redemption in 2013. Of the A$28.8 million (US$23.2m) net proceeds of the issue A$24.9 million (US$20.1m) was allocated to interest bearing liabilities and A$3.9 million (US$3.1m) was allocated to equity.

Project Debt Facility

The consolidated entity has a project debt facility of NZ$5.9m (2008:NZ$20.0m) provided by a consortium of banks. The facility was fully drawn at December 31, 2009. The project debt facility has a floating interest rate which is paid quarterly in arrears.

Capital Leases

The Group has two capital lease facilities in place, being a facility with ANZ Banking Group Ltd ("ANZ Facility"), and a Master Lease Facility with Caterpillar Finance ("CAT Master Lease").

		ANZ	CAT Master
Original drawdown date		December 28, 2006	October 5, 2006
Term		5 years	7 years
Amount drawn down	NZ$ component	30,053,197	25,602,526
Interest rates	NZ$ component	4.66%	4.81%

Capital facilities available

At 31 December 2009 the consolidated entity has issued A$155m (2008: A$155m) of convertible notes and has available capital lease facilities of NZ$55.7m (2008: NZ$67.6m) which have been fully drawn.

A consortium of banks provides a 285,944 (2008: 405 572) ounce hedging facility to wholly owned subsidiary, Oceana Gold New Zealand Ltd (OGNZL) (refer to Note 20). OGNZL's assets are pledged as security.

Additionally, the consolidated entity has available a project debt facility of NZ$5.9m (2008: NZ$20m) provided by a consortium of banks which has been fully drawn at December 31, 2009. OGNZL's assets are pledged as security.

There are currently no other credit facilities utilised by OceanaGold Corporation; all credit facilities have been fully drawn.

14 SHARE CAPITAL

(a) Authorised capital

The number of authorised common shares of the company is unlimited

(b) Movement in common shares on issue

	2009 $'000	2008 $'000
Common shares		
Issued and fully paid	**354 915**	334 975
	Thousands	**$'000**
Movement in common shares on issue		
At January 1 2008	**161 635**	334 975
At December 31 2008	**161 635**	334 975
At January 1 2009	**161 635**	334 975
Shares issued	**24 245**	20 698
Share issue costs	-	(1 122)
Tax effect of share issue costs	-	364
At December 31 2009	**185 880**	354 915
As at December 31 2009	**185 880**	354 915

On 21 July 2009, the Company issued 24,245,226 new ASX-listed Chess Depository Interests ("CDI") at an issue price of A$1.00 per CDI.

Common shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Common shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

The company has share option schemes under which options to subscribe for the company's shares have been granted to executives and management. Details of options on issue are provided in Note 18. Shareholders have approved the issue of up to 10% of the Company's issued and outstanding shares.

The Company also has an employee share purchase plan whereby certain employees are able to direct up to 10% of their gross salary to acquire shares, with the Company matching the employee contribution on a dollar for dollar basis. Plan shares are acquired at market price and held in trust. While the Trustee holds the shares, the employees are entitled to full dividend and voting rights on the shares beneficially held on their behalf. (Refer note 18).

Notes to Consolidated Financial Statements

For the year ended December 31 2009

15 ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS) ("OCI")

	2009 $'000	2008 $'000
Balance at the start of the period		
Deferred gain/(loss) on cash flow hedging activities	-	882
Currency translation adjustments	**(10 690)**	42 720
	(10 690)	43 602
OCI for the year:		
Transfers of cash flow hedge (gains) to earnings on recording hedged items in earnings	-	(1 272)
Currency translation differences	**72 712**	(53 410)
OCI before tax	**72 712**	(54 682)
Income tax recovery on effective portion of change in fair value of gold put options	-	390
OCI net of tax	**72 712**	(54 292)
Accumulated OCI at the end of the period		
Currency translation adjustments	**62 022**	(10 690)
	62 022	(10 690)

16 CONTRIBUTED SURPLUS MOVEMENT

Movement in contributed surplus

	2009 $'000	2008 $'000
At January 1	**33 897**	32 379
Stock-based compensation expense	**1 261**	1 518
Cancelled options	**(2 116)**	-
Equity component of convertible notes	**(352)**	-
At December 31	**32 690**	33 897
Contributed surplus		
Employee stock based compensation	**2 647**	3 503
Shareholder option reserve	**18 083**	18 083
Equity portion of Convertible notes	**11 960**	12 311
	32 690	33 897

17 SEGMENT INFORMATION

The Group's operations are managed on a regional basis. The two reportable segments are New Zealand and the Philippines. Capital expenditure includes the cost of segment assets acquired by way of asset acquisition.

	New Zealand $'000	Philippines $'000	Corporate $'000	Total $'000
Year Ended December 31, 2009				
Revenue				
Sales to external customers	237 057	-	-	237 057
Inter segment management and gold handling fees	-	-	5 071	5 071
Total Segment Revenue	237 057	-	5 071	242 128
Result				
Segment result excluding unrealised hedge losses	55 749	(1 143)	(13 912)	40 694
Inter segment management and gold handling fees	(5 071)	-	5 071	-
Gain on fair value of derivative instruments	58 241	-	-	58 241
Total segment result before interest and tax	108 919	(1 143)	(8 841)	98 935
Income tax (expense)	(27 798)	-	(1 539)	(29 337)
Total segment result	81 121	(1 143)	(10 380)	69 598
Interest expense				(15 086)
Net profit for the year				54 512
Assets				
Segment assets	372 176	392 909	22 621	787 706
Year Ended December 31, 2008				
Revenue				
Sales to external customers	217 214	-	-	217 214
Inter segment management and gold handling fees	-	-	7 589	7 589
Release from other comprehensive income of deferred unrealised losses on designated hedges	279	-	-	279
Total Segment Revenue	217 493	-	7 589	225 082
Result				
Segment result excluding unrealised hedge losses	27 337	(653)	(8 185)	18 499
Inter segment management and gold handling fees	(7 589)	-	7 589	-
Release from other comprehensive income of deferred unrealised losses on designated hedges	278	-	-	278
Loss on fair value of derivative instruments	(73 408)	-	-	(73 408)
Total segment result before interest and tax	(53 382)	(653)	(596)	(54 631)
Income tax benefit/ (expense)	27 110	-	(6 222)	20 888
Total segment result	(26 272)	(653)	(6 818)	(33 743)
Interest expense				(20 992)
Net loss for the year				(54 735)
Assets				
Segment assets	310 065	307 505	12 420	629 990

Income derived in the New Zealand segment is from the sale of gold. The segment note above includes inter-company charges of management and gold handling fees of $5.1m (2008: $7.6m).

18 STOCK-BASED COMPENSATION

(a) Executive share options plan

Directors, executives and certain members of staff of the consolidated entity hold options over the common shares of the Company, OceanaGold Corporation. Each option entitles the holder to one common share upon exercise. The options were issued for nil consideration and have a maximum term of eight years. Granted options vest in three equal tranches over 3 years and vesting is subject only to continuity of employment.

The options cannot be transferred without the Company's prior approval and the Company does not intend to list the options. No options provide dividend or voting rights to the holders. Under the 2007 stock based compensation plan approved by OceanaGold shareholders the company can issue up to 10% of issued common and outstanding shares.

(i) Stock option movements

The following table reconciles the outstanding share options granted under the executive share option scheme at the beginning and end of the period:

WAEP = weighted average exercise price

	December 31 2009		December 31 2008	
	No.	WAEP	No.	WAEP
Outstanding at the start of the period	**4 019 988**	**A$2.74**	2 600 000	A$3.81
Granted	**3 756 155**	**A$0.94**	2 403 320	A$1.68
Forfeited	**(2 138 884)**	**A$2.97**	(983 332)	A$3.00
Exercised	**-**	**-**	-	-
Cancelled	**-**	**-**	-	-
Balance at the end of the period	**5 637 259**	**A$1.45**	**4 019 988**	**A$2.74**
Exercisable at the end of the period	**774 453**	**A$3.21**	703 338	A$3.825

OceanaGold's listing on the Australian Stock Exchange (ASX) and the New Zealand Stock Exchange (NZX) was restructured in connection with the TSX listing. As a result of the restructure OceanaGold's shares were consolidated using 1:5 per common share basis, which has been reflected in the above number of shares.

(ii) Balance at end of the period

The share options at the end of the financial year had an exercise price of between A$0.00 and A$3.825 and a weighted average remaining vesting period of 4.94 years. The share options were restructured on a 1:5 basis for the TSX listing.

Options were priced using a binomial option pricing model. Where options had a single exercise date the Black Scholes valuation model was used. Where options do not have a performance hurdle they were valued as Bermudan style options using the Cox Rubenstein Binomial model.

The expected life used in the model has been based on the assumption that employees remain with the company for the duration of the exercise period and exercise the options when financially optimal. This is not necessarily indicative of exercise patterns that may occur.

Due to the lack of exchange traded data for option prices of OceanaGold, historical volatility has been used for the purposes of the valuation. Expected volatility is based on the historical share price volatility using 3 years of traded share price data. As a result it reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the outcome.

Dividend yield is assumed to be nil on the basis that no dividends have been declared for the 2008 or 2007 financial years due to the large ongoing capital commitment.

The following table gives the assumptions made in determining the fair value of options granted in the financial year:

Grant Date	Dividend yield	Expected volatility	Risk-free interest rate	Expected life of option	Option Exercise Price	Share Price at Grant Date	Weighted Average Fair Value
18 Feb 2009	0%	98.9%	3.120%	3.5	0.538	0.635	0.4396
18 Feb 2009	0%	98.9%	3.394%	4.5	0.538	0.635	0.4766
18 Feb 2009	0%	98.9%	3.596%	5.5	0.538	0.635	0.5055
18 Feb 2009	0%	98.9%	2.985%	3.0	0.000	0.635	0.6350
8 Sep 2009	0%	117.5%	4.906%	3.0	0.000	1.060	1.0600
8 Sep 2009	0%	117.5%	5.299%	3.5	0.992	1.060	0.8046
8 Sep 2009	0%	117.5%	5.353%	4.5	0.992	1.060	0.8658
8 Sep 2009	0%	117.5%	5.378%	5.5	0.992	1.060	0.9105
4 Nov 2009	0%	108.0%	5.502%	4.0	1.191	1.280	0.9682
4 Nov 2009	0%	108.0%	5.502%	4.5	1.191	1.280	1.0031
4 Nov 2009	0%	108.0%	5.502%	5.0	1.191	1.280	1.0341
25 Nov 2009	0%	101.9%	4.783%	3.0	0.000	1.700	1.7000
25 Nov 2009	0%	101.9%	5.317%	4.0	1.521	1.700	1.2494
25 Nov 2009	0%	101.9%	5.317%	4.5	1.521	1.700	1.2957
25 Nov 2009	0%	101.9%	5.317%	5.0	1.521	1.700	1.3371

(b) Employee share acquisition plan

Under the OceanaGold Corporation Employee Share Acquisition Plan (the "Plan"), the Company offers all employees of the consolidated entity (other than directors of the Company) the opportunity to purchase shares in OceanaGold. Eligible employees are able to direct up to 10% of their gross salary to acquire shares, with the Company matching the employee contribution on a dollar for dollar basis.

Plan shares are acquired at market price and held in trust for the participating employees by a dedicated corporate trustee. While the Trustee holds the shares, the employees are entitled to full dividend and voting rights on the shares beneficially held on their behalf. A comprehensive Plan Terms and Conditions and Trust Deed set out the basis of operation of the Plan, pursuant to relevant Corporations Act and taxation legislation requirements.

The transfer or sale of Plan shares is restricted for a maximum of 3 years. On each anniversary of an employee's commencement with the Plan, one third of Plan shares acquired in the prior 3-year period are vested to the employee.

18 STOCK-BASED COMPENSATION (continued)

Details of the employee share plan for the consolidated entity are as follows:

	Opening Shares Held by Trustee	Shares Acquired by the Trustee During the Year		Shares Transferred from the Trustee During the Year		Forfeited Shares sold by Trustee	Closing Shares Held by the Trustee	
	Number	Number [1]	Fair Value [2]	Number [3]	Fair Value [4]	Number [3]	Number	Fair Value [5]
2008	134 978	195 942	A$157 232	9 165	A$15 726	-	321 755	A$70 786
2009	321 755	94 355	A$79 517	113 273	A$112 784	58 440	244 397	A$437 471

Notes:

1. The Trustee acquires shares regularly throughout the year, following receipt of contributions from employees and the consolidated entity.
2. The fair value of shares acquired by the Trustee is equal to the market price paid by the Trustee for acquisitions of OceanaGold Corporation shares throughout the year. The fair value comprises 50% contribution from employees and 50% contribution from the Company.
3. Members of the Plan are entitled to hold their vested shares in the Trustee for up to 10 years following vesting. The Trustee distributes vested shares to members following receipt of a request to do so, and accordingly these transfers can take place throughout the year on a regular basis. Additionally, members who cease employment with the consolidated entity are entitled to receive their employee funded Plan shares without having to wait for the vesting period. In the event of a member ceasing employment, the Company funded Plan shares that have not reached vesting stage are forfeited to the Trust.
4. The fair value of the shares transferred out by the Trustee during the year is represented by the market value of the OceanaGold Corporation shares at the time of transfer.
5. The fair value of the shares held by the Trustee at reporting date has been determined by reference to the last sale price of OceanaGold Corporation shares at reporting date.

19 EMPLOYEE BENEFITS

(a) Employee benefit liability

	2009 $'000	2008 $'000
Aggregate employee benefit liability is comprised of:		
Accrued wages and salaries	**1 166**	660
Provisions current	**2 358**	1 726
Provisions non-current	**69**	68
	3 593	2 454

20 FINANCIAL INSTRUMENTS

(a) Financial Risk Management Policies and Objectives

Financial exposures arise in the normal course of the consolidated entity's business operations, including commodity price risk, foreign exchange risk, interest rate risk and liquidity risk as well as credit risk associated with trade and financial counterparties. The policy for managing each of these risks is reviewed and agreed by the Board, and are summarised below.

The consolidated entity has a risk management programme to manage its financial exposures that includes, but is not limited to, the use of derivative products from three banking institutions. The term "derivative" has been adopted to encompass all financial instruments that are not directly traded in the primary physical market. The Group does not enter into trade financial instruments, including derivative financial instruments for trade or speculative purposes.

The consolidated entity faces operational risk associated with the financial transactions conducted but seeks to manage this risk by having established operating policies and procedures. These policies and procedures are set by the Board.

(b) Gold Price and Foreign Exchange Risk

OGNZL has an economic hedging facility for 285,944 (2008: 405,572) ounces at December 31, 2009. The security for this facility consists of:

(i) share mortgages over OceanaGold Limited's interests in OGNZL;

(ii) a general security deed creating a security interest over all the present and future property of OGNZL;

(iii) first registered fixed and floating charges over all OGNZL assets and undertakings and registered mortgages over the relevant mining tenements and material land; and

(iv) interests in forward sales contracts held by a subsidiary of the company (refer below), supported by a guarantee by OceanaGold Limited of the obligations of OGNZL.

Prices for the consolidated entity's primary commodity products (gold bullion) are determined on international markets and quoted in US dollars.

Metal prices and exchange rates are fixed using forward sale contracts and options. Derivative financial instruments are matched with forecast future metal production.

The primary instruments held are undesignated forward gold sales contracts for 99,840 ounces with an average price of NZ$773 (2008: 206,076 ounces), undesignated gold put options over 82,080 ounces (2008: 199,496 ounces) with an average exercise price of NZ$1,000 and undesignated gold call options over 104,024 ounces (2008: 136,024 ounces) of forecast 2010 production with an average exercise price of NZ$1,062. These derivative instruments are contracted with a consortium of banks under an economic hedging facility, secured by a pledge against the assets of Oceana Gold (NZ) Ltd.

The forward sales program is managed in accordance with policies approved by the Board. Performance under these policies is regularly reported to the Board.

The net gains and losses that relate to contracts not designated for hedge accounting purposes have been recognised in the statement of operations.

Between December 31, 2008 and December 31, 2009 the NZD gold price moved from approximately NZ$1,523 per ounce to NZ$1,516. The gold derivative liabilities decreased mainly as a result of the delivery into a number of contracts during the year.

20 FINANCIAL INSTRUMENTS (continued)

The following summarises the gold forward obligations at December 31, 2009:

	Total Dec 31 2009	Maturity 2010
Gold fixed forward sales		
Ounces	99 840	99 840
Weighted average NZ$/oz	773	773
Present value NZ$/oz	760	760

The net return if all the bullion forward contracts guaranteed by the consolidated entity were to be delivered as compared to the market value of these obligations at December 31, 2009 was $54.6m deficit (2008: $92.7m deficit).

The following summarises the gold option contracts at December 31, 2009:

	Total Dec 31 2009	Maturity 2010
Metal Commitments		
Gold Put options		
Ounces	82 080	82 080
Weighted average NZ$/oz	1 000	1 000
Present value NZ$/oz	1 519	1 519
Gold Call Options		
Ounces	104 024	104 024
Weighted average NZ$/oz	1 062	1 062
Present value NZ$/oz	1 047	1 047

The net return if all the bullion option contracts guaranteed by the consolidated entity were to be delivered as compared to the market value of these obligations at December 31, 2009 was $35.2m deficit (2008: $32.7m deficit).

A summary of the Group's derivatives is set out below:

	2009 $'000	2008 $'000
Current Assets		
Gold put options	**141**	1 493
Non Current Assets		
Gold put options	-	1 997
Total Assets	**141**	**3 490**
Current Liabilities		
Gold call options	**35 318**	1 831
Gold forward sales contracts	**54 557**	46 949
	89 875	48 780
Non Current Liabilities		
Gold call options	-	34 358
Gold forward sale contracts	-	45 708
	-	80 066
Total liabilities	**89 875**	**128 846**

Sensitivities

At December 31, 2009 if the US dollar had depreciated/ appreciated by 10% with all other constants remaining the same, the effect on the after tax profit will be $4.2m higher/lower due to conversion of results from functional currency into reporting currency. The equity effect will be $22.8m due to conversion from functional currency to reporting currency.

(c) Interest Rate Risk and Liquidity Risk

Interest rate risk

Objective

The consolidated entity's approach to managing the risk of adverse changes in interest rates is to manage the identified net exposure through variable and fixed rate arrangements.

Policy

The consolidated entity policy is to manage interest rate risk in a cost efficient manner having regard to the net interest rate exposure after offsetting interest bearing financial assets with interest accruing financial liabilities.

20 FINANCIAL INSTRUMENTS (continued)

Sensitivities

At December 31, 2009 if interest rates had increased/decreased by 100 basis points from the year end rates with all other variables held constant, after tax profit for the year would have been $21,000 lower/higher, as a result of higher/lower interest income from cash and cash equivalents and higher/lower interest expense from capital lease and project loan facility. Equity would be $21,000 lower/higher as a result of interest income and expenses.

Liquidity risk

Objective

The consolidated entity's approach to managing liquidity risk is to ensure cost effective continuity in funding and trading liquidity. Funding liquidity is maintained through the use of bank project loans, convertible bonds, capital leases and operating leases. Trading liquidity is maintained by an effective spread between the counterparties with which the consolidated entity enters into derivative instruments.

Policy

The consolidated entity's funding liquidity risk policy is to source debt or equity funding appropriate to the use of funds. Examples include equipment leases to finance the mining fleet and the convertible note issue to finance the development of new mines. Trading risk policy is to ensure derivative transactions are spread between at least two secured counterparties acknowledging both volume and tenure of the derivative to reduce the risk of trading liquidity arising as a result of the inability to close down existing derivative positions, or hedge underlying risks incurred in normal operations.

The consolidated entity's exposure to interest rate risk, and the effective weighted average interest rate for classes of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, is set out below:

Year ended December 31 2009	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	5 + years $'000	Total $'000	Weighted average effective interest rate %
Fixed rate								
Financial Liabilities								
Insurance loan	441	–	–	–	–	–	441	3.26%
Convertible Notes	48 735	–	–	–	90 008	–	138 743	9.89%
	49 176	–	–	–	90 008	–	139 184	
Floating rate								
Financial Assets								
Cash and cash equivalents	42 423	–	–	–	–	–	42 423	2.82%
	42 423	–	–	–	–	–	42 423	
Financial Liabilities								
Project Debt facility	4 264	–	–	–	–	–	4 264	4.67%
Capital Leases	9 354	19 065	3 258	6 508	2 041	–	40 226	4.66%
	13 618	19 065	3 258	6 508	2 041	–	44 490	

Year ended December 31 2008	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	5 + years $'000	Total $'000	Weighted average effective interest rate %
Fixed rate								
Financial Liabilities								
Insurance loan	240	–	–	–	–	–	240	3.23%
Convertible Notes	–	–	–	37 030	68 727	–	105 757	9.89%
	240	–	–	37 030	68 727	–	105 997	
Floating rate								
Financial Assets								
Cash and cash equivalents	9 711	–	–	–	–	–	9 711	1.73%
	9 711	–	–	–	–	–	9 711	
Financial Liabilities								
Project Debt facility	6 950	4 633	–	–	–	–	11 583	6.95%
Capital Leases	6 897	7 495	15 277	2 611	5 215	1 636	39 131	9.36%
	13 847	12 128	15 277	2 611	5 215	1 636	50 714	

(d) Credit Risk

The consolidated entity's operations and its access to commodity and currency forward sales transactions create credit risk.

The Board approves all commodity and currency sales transactions to counterparties. The board establish limits and methodology for measuring and reporting credit exposures to financial counterparties.

Maximum credit risk of financial assets is the carrying amounts recorded in the balance sheet.

The consolidated entity is not materially exposed to any individual customer or other third party.

Financial instruments that potentially subject the consolidated entity to concentrations of credit risk consist principally of cash deposits and hedge assets. The consolidated entity places its cash deposits and hedge assets with financial institutions and limits the amount of credit exposure to any one financial institution. The cash deposits all mature within three months and attract a rate of interest at normal short-term money market rates.

20 FINANCIAL INSTRUMENTS (continued)

(e) Sensitivities

The following table summarises the sensitivity of the company's financial assets and liabilities to interest rate risk and foreign exchange risk.

December 31, 2009		Interest rate risk -100 bps		Interest rate risk +100 bps		Foreign exchange risk -10%		Foreign exchange risk +10%	
	Carrying amount $'000	Profit/ (Loss) $'000	Equity $'000	Profit/ (Loss) $'000	Equity $'000	Profit/ (Loss) $'000	Equity $'000	Profit/ (Loss) $'000	Equity $'000
Financial assets									
Cash and cash equivalents	42 423	(424)	(424)	424	424	(4 242)	(4 242)	4 242	4 242
Other assets	3 460	-	-	-	-	-	(346)	-	346
Financial Liabilities									
Capital Leases	40 226	402	402	(402)	(402)	-	4 023	-	(4 023)
Project Loan	4 264	43	43	(43)	(43)	-	426	-	(426)
Other liabilities *	229 793	-	-	-	-	-	22 979	-	(22 979)
Total increase/(decrease)		**21**	**21**	**(21)**	**(21)**	**(4 242)**	**22 840**	**4 242**	**(22 840)**

*Includes outstanding gold derivative instruments and convertible notes liabilities.

21 CAPITAL DISCLOSURE

The company's objective when managing capital is to:

- manage the entity's ability to continue as a going concern; and
- in the medium to long term, provide adequate return to shareholders

The company manages capital in the light of changing economic circumstances and the underlying risk characteristics of the company's assets. In order to meet its objective, the company manages its dividend declarations and may undertake capital restructuring including: sale of assets to reduce debt; additional funding facilities and equity raising.

The company monitors capital on the basis of debt-to-adjusted capital ratio. The components and calculation of this ratio is shown below.

	31 December 2009	31 December 2008
Total Debt (as shown in the balance sheet)*	**273 549**	285 558
Less: Cash and cash equivalents	**42 423**	9 711
Net Debt	**231 126**	275 847
Total Equity (as shown in the balance sheet)	**392 613**	246 656
Adjusted capital	**392 613**	246 656
Debt to adjusted capital ratio	**0.59**	1.12

* Interest bearing liabilities and Derivative liabilities

The change in the debt-to-adjusted capital ratio results principally from equity raised during the year, higher cash balance and depreciating US dollars- the reporting currency.

The company is subject to a number of externally imposed capital requirements relating to financing agreements; as at December 31, 2009 the company was in compliance with all requirements.

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Recognised Financial Instruments

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	Carrying amount 2009 $'000	Carrying amount 2008 $'000	Net Fair value 2009 $'000	Net Fair value 2008 $'000
Financial assets				
Cash	**42 423**	9 711	**42 423**	9 711
Accounts receivable and other receivables	**3 460**	2 680	**3 460**	2 680
Put options	**141**	3 490	**141**	3 490
Financial liabilities				
Trade payables	**29 996**	27 675	**29 996**	27 675
Capital leases	**40 226**	39 131	**40 226**	30 381
Forward gold contracts	**54 557**	92 657	**54 557**	92 657
Convertible notes	**138 743**	105 757	**157 514**	105 436
Call options	**35 318**	36 190	**35 318**	36 190
Project debt facility	**4 264**	11 583	**4 264**	10 550
Insurance premium loan	**441**	240	**441**	240

22 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy established using Canadian GAAP as at December 31, 2009 [1]

	Financial assets and liabilities at fair value as at December 31 2009			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Put options (2)	-	141	-	141
	-	**141**	**-**	**141**
Financial liabilities				
Convertible notes (1)	-	157,514	-	157,514
Forward gold contracts (2)	-	54 557	-	54 557
Call options (2)	-	35 318	-	35 318
	-	**247 389**	**-**	**247 389**

[1] Comparative information has not been presented in the table because this comparative information is not required in the year of adoption.

(1) The fair value of convertible notes is the present value of the debt component using an appropriate market interest rate for equivalent debt.

(2) The fair value of gold derivative instruments has been calculated by discounting the future value of the forward contracts and options at the appropriate prevailing quoted market rates at reporting date.

The fair value of capital leases is the present value of the minimum lease payments determined using an appropriate market discount rate.

Other than the financial assets and liabilities included in the table above, the carrying amount of the remaining financial instruments is considered a reasonable approximation of fair value due to their being short term maturities.

Other than cash and forward gold contracts, none of the other financial assets and liabilities are readily traded on organised markets in a standardised form.

(b) Unrecognised Financial Instruments

There are no unrecognised financial instruments held by the Group at December 31, 2009 (2008: nil).

23 COMMITMENTS

(a) Lease commitments under non-cancellable operating leases:

	2009 $'000	**2008 $,000**
Within 1 year	**4 560**	2 501
Within 1 to 2 years	**3 623**	2 327
Within 2 to 3 years	**3 284**	2 145
Within 3 to 4 years	**2 990**	2 053
Within 4 to 5 years	**1 961**	2 053
More than five years	**49**	1 420
	16 467	12 499

Operating leases are entered into as a means of funding the acquisition of minor items of plant and equipment. No leases have escalation clauses other than in the event of payment default. No lease arrangements create restrictions on other financing transactions.

(b) Lease commitments under capital leases:

	2009 $'000	**2008 $'000**
Within 1 year	**11 075**	8 904
Within 1 to 2 years	**20 216**	9 129
Within 2 to 3 years	**3 768**	16 523
Within 3 to 4 years	**6 832**	3 451
Within 4 to 5 years	**2 082**	5 750
More than five years	**-**	1 703
	43 973	45 460
Future finance charges	**(3 747)**	(6 328)
Present value of minimum lease payments	**40 226**	39 132
Reconciled to:		
Current interest bearing liability (Note 13)	**9 354**	6 897
Non-Current interest bearing liability (Note 13)	**30 872**	32 235
Total	**40 226**	39 132

Capital leases are entered into as a means of funding the acquisition of plant and equipment, primarily mobile mining equipment. Rental payments are subject to quarterly interest rate adjustments.

23 COMMITMENTS (continued)

(c) Gold Production

The consolidated entity has certain obligations to deliver future gold production into bullion forward sales contracts. Refer to Note 20(b).

The consolidated entity also has certain obligations to pay royalties on gold production at prescribed levels which are expected to apply in 2010.

(d) Capital commitments

At December 31, 2009, the consolidated entity has commitments of $0.3m (2008: $6.6m), principally relating to the development of mining facilities.

The commitments contracted for at reporting date, but not provided for:

	2009 $'000	2008 $'000
Within one year:		
- development of new mining facilities	-	5 656
- purchase of property, plant and equipment	**267**	-
After one year but not more than five years:		
- development of new mining facilities	-	917
	267	6 573

(e) The consolidated entity is committed to annual expenditure of approximately $0.3m (NZ$0.4m) (2008 $0.2m NZ$0.4m) to comply with regulatory conditions attached to its New Zealand prospecting licences and prospecting, exploration and mining permits.

24 CONTINGENCIES

a. The consolidated entity has issued bonds in favour of various New Zealand authorities (Ministry of Economic Development – Crown Minerals, Otago Regional Council, Waitaki District Council, West Coast Regional Council, Buller District Council, Timberlands West Coast Limited and Department of Conservation) as a condition for the grant of mining and exploration privileges, water rights and/or resource consents, and rights of access for the Macraes Gold Mine and the Globe Progress mine at the Reefton Gold Project which amount to approximately $16.6m (NZ$23.0m) (2008 $13.8m NZ$23.9m).

b. The consolidated entity has provided a cash operating bond to the New Zealand Department of Conservation of $0.3m (NZ$0.4 m) (2008 $0.2m NZ$0.4m) which is refundable at the end of the Globe Progress mine. This amount is included in the total referred to in (a) above.

c. In the course of normal operations the consolidated entity may receive from time to time claims and suits for damages including workers compensation claims, motor vehicle accidents or other items of similar nature. The consolidated entity maintains specific insurance policies to transfer the risk of such claims. No provision is included in the accounts unless the Directors believe that a liability has been crystallised. In those circumstances where such claims are of material effect, have merit and are not covered by insurance, their financial effect is provided for within the financial statements.

d. The Group has provided a guarantee in respect of a capital lease agreement for certain mobile mining equipment entered into by a controlled entity. At December 31, 2009 the outstanding rental obligations under the capital lease are $40.4m (2008 $39.1m). Refer to Note 23 (b). Associated with this guarantee are certain financial compliance undertakings by the Group, including gearing covenants.

e. The Didipio Project is held under a Financial and Technical Assistance Agreement ("FTAA") granted by the Philippines Government in 1994. The FTAA grants title, exploration and mining rights with a fixed fiscal regime. Under the terms of the FTAA, after a period in which the company can recover development expenditure, capped at 5 years from the start of production, the Company is required to pay the Government of the Republic of the Philippines 60% of the "net revenue" earned from the Didipio Project. For the purposes of the FTAA, "net revenue" is generally the net revenues derived from mining operations, less deductions for, among other things, expenses relating tomining, processing, marketing, depreciation and certain specified overheads. In addition, all taxes paid to the Government shall be included as part of the 60% payable to the Government.

25 SUBSEQUENT EVENTS

On February 19, 2010 the Company announced that it has secured, through the issue of 27,099,132 Subscription Receipts in Canada and 10,949,648 CHESS Depository Interests (CDI's) in Australia, an equity raising of C$78m (before costs) at a price equivalent to C$2.05 per share. The Subscription Receipts will be converted to common shares and the CDI's will be issued, on shareholder approval, at an Extraordinary General Meeting to be held on March 25, 2010. The proceeds from the Subscription Receipts will be held in escrow until the Release Conditions (which include shareholder approval) have been met. The company expects these conditions will be met by 31 March 2010

There have been no other subsequent events that have arisen since the end of the financial year to the date of this report.

Shareholder Information

(a) Number of holders of equity securities

ORDINARY SHARE CAPITAL

- 228,003,726 fully paid ordinary shares are held by 6268 individual shareholders.

Voting rights of members are governed by the company's constitution. In summary, on a show of hands, every member present in person or by proxy shall have one vote and upon a poll every such attending member shall be entitled to one vote for every share held. All fully paid ordinary shares issued by the company carry one vote per share.

(b) Distribution of shareholdings

FULLY PAID ORDINARY SHARES

Holding	Number of Holders	Number of Shares
1 - 1,000	2,942	1,287,566
1,001 - 5,000	2,269	5,497,485
5,001 - 10,000	511	3,926,160
10,001 - 100,000	468	12,912,439
100,001 and over	64	204,380,076
Total number of holders	6,254	228,003,726

Number of shareholders holding less than a marketable parcel (of 188 shares) – 757

(c) Substantial Shareholders

The company's substantial shareholders and the number of equity securities in which they have an interest as disclosed by notices received under section 671B of the Corporations Act 2001 as at 16 April 2010 are:

Name	*Fully Paid Ordinary Shares*
Baker Steel Capital Managers LLP	20,197,585

(d) Top Twenty Shareholders

The names of the 20 largest holders of each class of security as at 16 April 2010 are listed below:

FULLY PAID ORDINARY SHARES

Rank	Name	Number	%
1	CDS & Co	89,488,985	39.25
2	ANZ Nominees Ltd (Cash Income A/C)	27,271,555	11.96
3	HSBC Custody Nominees	16,905,465	7.42
4	National Nominees Limited	16,742,939	7.34
5	J P Morgan Nominees Australia Limited	15,270,580	6.70
6	Merrill Lynch (Australia) Nominees Pty Ltd	10,222,985	4.48
7	Citicorp Nominees Pty Ltd	3,474,080	1.52
8	Goldman Sachs & Co TR (Donald Smith)	2,000,000	0.88
9	Franway Pty Ltd (Kennedy Family S/Fund)	2,000,000	0.88
10	Forbar Custodians Limited (Forsyth Barr)	1,988,606	0.87

Rank	Name	Number	%
11	Tempio Group of Companies Limited	1,636,800	0.72
12	Den Duyts Corporation Pty Ltd	1,542,855	0.68
13	Hestian Pty Ltd	1,318,123	0.58
14	SFB Investments Pty Ltd (SFB Settlements)	1,300,000	0.57
15	Yandal Investments Pty Ltd	1,200,000	0.53
16	Lippo Securities Nominees (BVI) Limited	1,164,516	0.51
17	Citicorp Nominees Pty Ltd (CFSIL CWLTH)	1,097,890	0.48
18	UBS Wealth Management Australia Nominees Pty Ltd	654,184	0.29
19	Dr Peter Malcolm Hayworth	533,300	0.23
20	Lu's International Limited	455,700	0.20
		196,268,56	86.08

Glossary

A **'Mineral Resource'** is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

An **'Inferred Mineral Resource'** is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

An **'Indicated Mineral Resource'** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

A **'Measured Mineral Resource'** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

A **'Mineral Reserve'** is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.

A **'Probable Mineral Reserve'** is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

A **'Proven Mineral Reserve'** is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

OceanaGold Corporation

OceanaGold Corporation
Corporate Office
Level 5, 250 Collins Street
Melbourne, Victoria, 3000
Australia

PO Box 355,
Flinders Lane Post Office
Melbourne, Victoria, 3000
Australia

T: +61 3 9656 5300
F: +61 3 9656 5333
E: info@oceanagold.com

www.oceanagold.com

Directors

James E Askew (Chairman)
Terrence N Fern
Jacob (Jake) Klein
Jose P Leviste Jr.
J Denham Shale

Company Secretary

Matthew Salthouse

Registered Office

Fasken Martineau DuMoulin LLP
2900–550 Burrard Street
Vancouver, British Columbia V6C OA3
Canada

Share Registries

Canada
Computershare Investor Services
3rd Floor, 510 Burrard Street
Vancouver, British Columbia V6C 3B9
Canada

T: +1 604 661 9400
F: +1 604 669 1548

Australia
Computershare Investor
Services Pty Ltd
452 Johnston Street
Abbotsford, Victoria, 3067
Australia

T: +61 3 9415 4000
F: +61 3 9473 2500

New Zealand
Computershare Investor
Services Limited
Level 2, 159 Hurstmere Road
Takapuna, North Shore City, 0622
New Zealand

T: +64 9 488 8700
F: +64 9 488 8787

Auditors

PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
Southbank, Victoria, 3006
Australia

T: +61 3 8603 1000
F: +61 3 8603 1999

Stock Exchanges

Canada
Toronto Stock Exchange
3rd Floor, 130 King Street W.
Toronto, Ontario M5X 1J2
Canada

Ticker symbol: OGC

Australia
Australian Stock Exchange Limited
Level 4, Stock Exchange Centre
20 Bridge Street, Sydney
New South Wales, 2000
Australia

Ticker symbol: OGC

New Zealand
New Zealand Stock Exchange
ASB tower, 2 Hunter Street
Wellington
New Zealand

Ticker symbol: OGC

Website

www.oceanagold.com

Investor Relations

T: +61 3 9656 5300
E: info@oceanagold.com

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