OCEANAGOLD CORPORATION

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## SECOND QUARTER REPORT

## JUNE 30TH, 2009

## UNAUDITED

**U N A U D I T E D   I N T E R I M   C O N S O L I D A T E D   B A L A N C E   S H E E T**

**A s   a t   J u n e   3 0 ,   2 0 0 9**

| *(in thousands of United States dollars)* | *Notes* | *June 30 2009 $'000* | *December 31 2008 $'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 21 438 | 9 711 |
| Accounts receivable and other receivables | | 3 405 | 2 680 |
| Inventories | 2 | 30 620 | 21 910 |
| Prepayments | | 2 032 | 961 |
| Derivatives | 6 | 162 | 1 493 |
| Future income tax assets | 3 | 13 671 | 8 936 |
| Total current assets | | 71 328 | 45 691 |
| | | | |
| **Non-current assets** | | | |
| Inventories | 2 | 17 661 | 18 763 |
| Derivatives | 6 | 360 | 1 997 |
| Future income tax assets | 3 | 11 142 | 31 175 |
| Property, plant and equipment | 4 | 114 050 | 131 377 |
| Mining assets | 5 | 483 223 | 400 987 |
| Total non-current assets | | 626 436 | 584 299 |
| **TOTAL ASSETS** | | 697 764 | 629 990 |
| | | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | 26 262 | 24 459 |
| Employee benefits | 7 | 2 066 | 1 726 |
| Derivatives | 6 | 54 402 | 48 780 |
| Interest-bearing loans and borrowings | 8 | 18 675 | 14 087 |
| Asset retirement obligation | | 47 | 53 |
| Total current liabilities | | 101 452 | 89 105 |
| | | | |
| **Non-current liabilities** | | | |
| Other long term obligations | | 2 458 | 3 216 |
| Employee benefits | 7 | 67 | 68 |
| Derivatives | 6 | 36 739 | 80 066 |
| Future income tax liabilities | 3 | 68 061 | 61 457 |
| Interest-bearing loans and borrowings | 8 | 154 995 | 142 625 |
| Asset retirement obligation | | 7 537 | 6 797 |
| Total non-current liabilities | | 269 857 | 294 229 |
| **TOTAL LIABILITIES** | | 371 309 | 383 334 |
| | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 9 | 334 975 | 334 975 |
| Accumulated deficit | | (62 358) | (111 526) |
| Contributed surplus | 13 | 32 459 | 33 897 |
| Accumulated other comprehensive income | 10 | 21 379 | (10 690) |
| **TOTAL SHAREHOLDERS' EQUITY** | | 326 455 | 246 656 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | 697 764 | 629 990 |

| | |
|---|---|
| Contingencies | 14 |
| Commitments | 15 |

On behalf of the Board of Directors:

(Signed) James E. Askew
Director

(Signed) J. Denham Shale
Director

The accompanying Notes to the Interim Consolidated Financial Statements are an integral part of these financial statements.

## UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

**For the Quarter ended June 30, 2009**

| *(in thousands of United States dollars except per share amounts)* | *Notes* | *Three months ended June 30 2009 $'000* | *Three months ended June 30 2008 $'000* | *Six months ended June 30 2009 $'000* | *Six months ended June 30 2008 $'000* |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Gold sales | | 55 010 | 53 068 | 110 280 | 115 331 |
| Release from other comprehensive income of deferred unrealised gain/(loss) on designated hedges | | - | 122 | - | 279 |
| | | 55 010 | 53 190 | 110 280 | 115 610 |
| Cost of sales, excluding depreciation and amortisation | | (31 456) | (42 953) | (53 798) | (75 953) |
| Depreciation and amortisation | | (15 403) | (12 050) | (28 876) | (26 254) |
| General and administration expenses | | (930) | (4 684) | (2 985) | (8 593) |
| **Operating profit / (loss)** | | **7 221** | **(6 497)** | **24 621** | **4 810** |
| **Other expenses** | | | | | |
| Interest expense | | (3 469) | (5 927) | (6 905) | (11 824) |
| Foreign exchange gain/(loss) | | (154) | (4 340) | (41) | (8 037) |
| | | (3 623) | (10 267) | (6 946) | (19 861) |
| Gain/(loss) on fair value of undesignated hedges | | 49 597 | (10 404) | 47 332 | (31 902) |
| Interest income | | 132 | 1 054 | 204 | 2 485 |
| Other income | | 14 | 40 | 60 | 72 |
| Earnings/(loss) before income taxes | | 53 341 | (26 074) | 65 271 | (44 396) |
| Income taxes benefit/(expense) | | (13 227) | 6 826 | (16 103) | 13 992 |
| **Net earnings/(loss)** | | 40 114 | (19 248) | 49 168 | (30 404) |
| **Net earnings/(loss) per share:** | | | | | |
| - basic | 16 | $0.25 | ($0.12) | $0.30 | ($0.19) |
| - diluted | 16 | $0.21 | ($0.12) | $0.26 | ($0.19) |

## UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF ACCUMULATED DEFICIT

**For the Quarter ended June 30, 2009**

| *(in thousands of United States dollars)* | *Three months ended June 30 2009 $'000* | *Three months ended June 30 2008 $'000* | *Six months ended June 30 2009 $'000* | *Six months ended June 30 2008 $'000* |
|---|---|---|---|---|
| **Accumulated deficit at beginning of period** | (102 472) | (67 947) | (111 526) | (56 791) |
| Net earnings/(loss) | 40 114 | (19 248) | 49 168 | (30 404) |
| **Accumulated deficit at end of period** | (62 358) | (87 195) | (62 358) | (87 195) |

## UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

**For the Quarter ended June 30, 2009**

| | *Three months ended June 30 2009 $'000* | *Three months ended June 30 2008 $'000* | *Six months ended June 30 2009 $'000* | *Six months ended June 30 2008 $'000* |
|---|---|---|---|---|
| Net earnings / (loss) | 40 114 | (19 248) | 49 168 | (30 404) |
| Other comprehensive income for the period, net of tax: | | | | |
| Cash flow hedge gain / (loss) | - | (779) | - | (881) |
| Currency translation differences | 35 572 | 9 364 | 32 069 | 22 300 |
| | 35 572 | 8 585 | 32 069 | 21 419 |
| **Comprehensive income / (loss)** | **72 959** | **(10 663)** | **81 237** | **(8 985)** |

The accompanying Notes to the Interim Consolidated Financial Statements are an integral part of these financial statements.

# UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

**For Quarter ended June 30, 2009**

| *(in thousands of United States dollars)* | *Notes* | *Three months ended* *June 30 2009 $'000* | *June 30 2008 $'000* | *Six months ended* *June 30 2009 $'000* | *June 30 2008 $'000* |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Net earnings/(loss) | | 40 114 | (19 248) | 49 169 | (30 404) |
| *Charges / (credits) not affecting cash* | | | | | |
| Depreciation and amortisation expense | | 15 403 | 12 050 | 28 876 | 26 254 |
| Net gain on disposal of property, plant & equipment | | - | (1) | (13) | (13) |
| Non-cash interest charges | | 659 | 2 371 | 1 251 | 4 807 |
| Unrealised foreign exchange (gains) / losses | | (51) | 1 096 | (23) | 755 |
| Stock based compensation charge | | (1 095) | 335 | (1 087) | 838 |
| (Gain)/loss on fair value of undesignated hedges | | (49 597) | 10 282 | (47 332) | 31 623 |
| Future tax expense/(benefit) | | 13 227 | (6 826) | 16 103 | (13 992) |
| *Changes in non-cash working capital* | | | | | |
| (Increase)/decrease in accounts receivable and other receivables | | 2 170 | (32) | 5 | (3 297) |
| (Increase)/decrease in inventory | | 1 586 | (2 427) | (567) | 143 |
| (Decrease)/increase in accounts payable | | (1 558) | 15 924 | (1 235) | 16 042 |
| (Decrease)/increase in other working capital | | (459) | (2 721) | (1 785) | (2 219) |
| Net cash provided by operating activities | | 20 399 | 10 803 | 43 362 | 30 537 |
| **Investing activities** | | | | | |
| Proceeds from sale of property, plant and equipment | | - | - | 26 | 16 |
| Payments for property, plant and equipment | | (3 613) | (504) | (4 193) | (562) |
| Payments for mining assets: exploration and evaluation | | (37) | (1 311) | (166) | (2 906) |
| Payments for mining assets: development | | (871) | (26 862) | (2 403) | (40 785) |
| Payments for mining assets: in production | | (13 398) | (8 993) | (22 753) | (25 370) |
| Payment to restricted cash | | - | (27 000) | - | (27 000) |
| Net cash used for investing activities | | (17 919) | (64 670) | (29 489) | (96 607) |
| **Financing activities** | | | | | |
| Payment of finance lease liabilities | | (1 828) | (2 438) | (3 334) | (4 394) |
| Proceeds from borrowing | | 1 863 | - | 1 863 | - |
| Repayments of borrowings | | (1 233) | (9 160) | (3 811) | (9 567) |
| Net cash used for financing activities | | (1 198) | (11 598) | (5 282) | (13 961) |
| Effect of exchange rates changes on cash held in foreign currencies | | 2 790 | 3 035 | 3 136 | 8 087 |
| Net increase/(decrease) in cash and cash equivalents | | 4 072 | (62 430) | 11 727 | (71 944) |
| Cash and cash equivalents at beginning of period | | 17 366 | 110 323 | 9 711 | 119 837 |
| Cash and cash equivalents at end of period | | 21 438 | 47 893 | 21 438 | 47 893 |
| Cash Interest Paid | | (2 810) | (3 556) | (5 654) | (7 017) |

The accompanying Notes to the Interim Consolidated Financial Statements are an integral part of these financial statements.

## 1 BASIS OF PRESENTATION

The unaudited interim 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 realization of assets and settlement of liabilities in the normal course of business as they come due.

The preparation of the financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. Where necessary, comparative information has been reclassified for consistency with current year disclosures.

The accompanying unaudited consolidated financial statements should be read in conjunction with the notes to the audited consolidated financial statements of OceanaGold Corporation (OceanaGold) for the year ended December 31, 2008, since they do not contain all disclosures required by Canadian GAAP for annual financial statements. These unaudited interim consolidated financial statements reflect all normal and recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

Current liabilities exceed current assets by $30.1m. Cash flow forecasts reflect that debts will be repaid as they become due. The current liabilities include $54.4m of financial instruments that will be settled through delivery of future gold production.

**Adoption of new accounting policies**

**Mining Exploration Costs**

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long-lived assets in general. The Company has applied this new abstract for the year ended December 31, 2008 and there was no significant impact on its financial statements as a result of applying this abstract.

**Accounting policies effective for future periods**

**International Financial Reporting Standards ("IFRS")**

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian generally accepted accounting principles (GAAP) with IFRS for all Canadian Publicly Accountable Enterprises (PAEs). The effective changeover date is January 1, 2011, at which time Canadian GAAP will cease to apply for OceanaGold Corporation and will be replaced by IFRS. Following this timeline, the company will issue its first set of interim financial statements prepared under IFRS in the first quarter of 2011. The company is currently assessing the impact of transition to IFRS on its consolidated financial statements

**Business Combinations, Consolidated Financial Statements and Non-Controlling Interests**

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582, "Business Combinations" replaces section 1581, "Business Combinations", and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to 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. Sections 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling interests", together replace section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standard 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

## 2 INVENTORIES

| | June 30 2009 $'000 | December 31 2008 $'000 |
|---|---|---|
| **Current** | | |
| Gold in circuit | 6 778 | 2 415 |
| Ore | 9 970 | 7 434 |
| Stores | 13 872 | 12 061 |
| | 30 620 | 21 910 |
| **Non-Current** | | |
| Ore | 17 661 | 18 763 |
| Total inventories | 48 281 | 40 673 |

## 3 FUTURE INCOME TAX

| | June 30 2009 $'000 | December 31 2008 $'000 |
|---|---|---|
| **Future income tax** | | |
| Future income tax at period end relates to the following: | | |
| *Future income tax assets* | | |
| Losses available for offset against future taxable income | 60 236 | 57 136 |
| Revaluations of derivatives to fair value | 27 342 | 38 654 |
| Provisions | 2 987 | 4 312 |
| Accrued expenses | 40 | 3 |
| Share issue costs | 1 495 | 1 563 |
| Other | 807 | 614 |
| Gross future income tax assets | 92 907 | 102 282 |
| Set off future tax liabilities | (68 094) | (62 171) |
| | 24 813 | 40 111 |
| Less: current portion | (13 671) | (8 936) |
| Net non-current future tax assets | 11 142 | 31 175 |
| *Future income tax liabilities* | | |
| Mining assets | (96 886) | (86 940) |
| Property, plant and equipment | (37 660) | (32 529) |
| Inventory | (960) | (913) |
| Interest Receivable | (360) | (313) |
| Accrued Revenue | - | (1 771) |
| Revaluations of derivatives to fair value | (156) | (1 047) |
| Other | (133) | (115) |
| Gross future income tax liabilities | (136 155) | (123 628) |
| Set off future tax assets | 68 094 | 62 171 |
| | (68 061) | (61 457) |
| Less: current portion | - | - |
| Net non-current future tax liabilities | (68 061) | (61 457) |

## 4 PROPERTY, PLANT AND EQUIPMENT

| | *June 30 2009 $'000* | *December 31 2008 $'000* |
|---|---|---|
| **Freehold land** | | |
| Cost | 5 241 | 3 708 |
| **Buildings** | | |
| Cost | 6 335 | 3 927 |
| Accumulated depreciation | (2 483) | (1 868) |
| Net of accumulated depreciation | 3 852 | 2 059 |
| **Plant and equipment** | | |
| Cost | 209 834 | 211 237 |
| Accumulated depreciation | (108 743) | (89 639) |
| Net of accumulated depreciation | 101 091 | 121 598 |
| **Rehabilitation** | | |
| Cost | 7 128 | 6 415 |
| Accumulated amortisation | (3 262) | (2 403) |
| Net of accumulated amortisation | 3 866 | 4 012 |
| Net book value of property, plant and equipment | 114 050 | 131 377 |

## 5 MINING ASSETS

| | *June 30 2009 $'000* | *December 31 2008 $'000* |
|---|---|---|
| **Mining Assets: Exploration and evaluation phase** | | |
| Cost | 14 923 | 22 717 |
| **Mining Assets: Development phase** | | |
| Cost | 340 368 | 293 817 |
| **Mining Assets: In production** | | |
| Cost | 231 765 | 154 769 |
| Accumulated amortisation | (103 833) | (70 316) |
| Net of accumulated amortisation | 127 932 | 84 453 |
| Net book value of mining assets | 483 223 | 400 987 |

The recovery of the costs deferred in respect of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation of the respective area of interest.

## 6 DERIVATIVES

| | *June 30 2009 $'000* | *December 31 2008 $'000* |
|---|---|---|
| **Current Assets** | | |
| Gold put options | 162 | 1 493 |
| **Non-current Assets** | | |
| Gold put options | 360 | 1 997 |
| **Total Assets** | 522 | 3 490 |
| | | |
| **Current Liabilities** | | |
| Gold call options | 13 474 | 1 831 |
| Gold forward sales contracts | 40 928 | 46 949 |
| | 54 402 | 48 780 |
| **Non Current Liabilities** | | |
| Gold call options | 14 402 | 34 358 |
| Gold forward sales contracts | 22 337 | 45 708 |
| | 36 739 | 80 066 |
| **Total Liabilities** | 91 141 | 128 846 |

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

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

The primary instruments held are undesignated forward gold sales contracts for 144,255 ounces with an average price of NZ$773 (Dec 31, 2008: 206,076 ounces), undesignated gold put options over 124,788 ounces (Dec 31, 2008: 199,496 ounces) with an average exercise price of NZ$1,000 and undesignated gold call options over 104,024 ounces (Dec 31, 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 a hedging facility, secured by a pledge against the assets of Oceana Gold (NZ) Ltd.

The forward sales programme 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 as specific hedges have been recognised in the statement of operations.

From December 31, 2008 to June 30, 2009 the NZD gold price moved from approximately $1,523 per ounce to $1,435 contributing significantly to the decrease in the gold derivative liabilities along with the close out of contracts.

## 7 EMPLOYEE BENEFITS

### (a) Employee benefit liability

| | June 30 2009 $'000 | December 31 2008 $'000 |
|---|---|---|
| Aggregate employee benefit liability is comprised of: | | |
| Accrued wages, salaries | 1 159 | 660 |
| Employee benefit provisions current | 2 066 | 1 726 |
| Employee benefit provisions non-current | 67 | 68 |
| | 3 292 | 2 454 |

### (b) Defined Contribution Plans

The company has defined contribution pension plans for certain groups of employees. The company's share of contributions to these plans is recognised in the statement of operations in the year it is earned by the employee.

## 8 INTEREST-BEARING LOANS AND BORROWINGS

| | Effective interest rate % | Maturity | June 30 2009 $'000 | December 31 2008 $'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Capital leases (NZ$12.4m) | 4.87% | 5/31/2014 | 8 012 | 6 897 |
| Insurance Premium Loan (NZ$2.3m) | 2.35% | 02/28/2010 | 1 476 | 189 |
| Insurance Premium Loan (AUD$0.6m) | 2.50% | 02/28/2010 | 470 | 51 |
| Project debt facility (NZ$13.5m) | 4.69% | 06/30/2010 | 8 717 | 6 950 |
| | | | 18 675 | 14 087 |
| **Non-current** | | | | |
| Capital leases (NZ$49.3m) | 4.87% | 5/31/2014 | 31 838 | 32 235 |
| 5.75% Convertible Notes (A$55m) | 9.16% | 12/22/2012 | 43 125 | 37 030 |
| 7.00% Convertible notes (A$70m) | 10.13% | 12/22/2013 | 56 577 | 48 614 |
| 7.00% Convertible notes (A$30m) | 10.64% | 3/22/2014 | 23 455 | 20 113 |
| Project debt facility | 4.69% | 06/30/2010 | - | 4 633 |
| | | | 154 995 | 142 625 |

*5.75% Convertible Notes (Unsecured)*

The Notes bear interest at 5.75% per annum, payable semi-annually in arrears. The Notes are due for redemption at 109% of their principal amount in 2012, 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 of A$4.1982 (subject to adjustment for certain specified events).

*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$4.0273 (subject to adjustment for certain specified events).

On March 22, 2007 A$30m (US$24.2m) in convertible notes were issued under the same terms and conditions as the 7% convertible notes. The conversion price is A$4.2290 (subject to adjustment for certain specified events) and the notes are due for redemption in 2014. Of the A$28.8m (US$23.2m) net proceeds of the issue A$24.9m (US$20.1m) was allocated to interest bearing liabilities and A$3.9m (US$3.1m) was allocated to equity.

*Project debt Facility (Secured)*

The consolidated entity has a project debt facility of NZ$13.5m (US$8.7m) (December 31, 2008:NZ$20.0m (US$11.6m) provided by a consortium of banks. The facility was fully drawn at June 30, 2009. The project debt facility has a floating interest rate which is paid quarterly in arrears. Oceana Gold (New Zealand) Ltd's assets are pledged as security over this facility

## 9 SHARE CAPITAL

| | *No. shares '000* | *$'000* |
|---|---|---|
| *Movement in common shares on issue* | | |
| At 31 December 2008 | 161 635 | 334 975 |
| At 30 June 2009 | 161 635 | 334 975 |

## 10 ACCUMULATED OTHER COMPREHENSIVE INCOME / (LOSS) ("OCI")

| | *June 30 2009 $'000* | *December 31 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 period: | | |
| Transfers of cash flow hedge gains to earnings | - | (1 272) |
| Currency translation differences | 32 069 | (53 410) |
| OCI before tax | 32 069 | (54 682) |
| Income tax benefit on effective portion of change in fair value of gold put options | - | 390 |
| OCI net of tax | 32 069 | (54 292) |
| Accumulated OCI at the end of the period | 21 379 | (10 690) |

## 11 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 business combinations.

| | New Zealand $'000 | Philippines $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|
| **Quarter Ended June 30, 2009** | | | | |
| **Revenue** | | | | |
| Sales to external customers | 55 010 | - | - | 55 010 |
| Inter segment management and gold handling fees | - | - | 110 | 110 |
| Total Segment Revenue | 55 010 | - | 110 | 55 120 |
| **Result** | | | | |
| Segment result excluding unrealised hedge losses | 13 207 | (339) | (5 545) | 7 323 |
| Inter segment management and gold handling fees | (110) | - | - | (110) |
| Gain on fair value of undesignated hedges | 49 597 | - | - | 49 597 |
| Total segment result before interest and tax | 62 694 | (339) | (5 545) | 56 810 |
| Income tax benefit/(expense) | (15 270) | - | 2 043 | (13 227) |
| Total segment result | 47 424 | (339) | (3 502) | 43 583 |
| Interest expense | | | | (3 469) |
| Net earnings for the period | | | | 40 114 |
| **Assets** | | | | |
| Segment assets | 333 943 | 351 754 | 12 067 | 697 764 |

| | New Zealand $'000 | Philippines $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|
| **Six months ended June 30, 2009** | | | | |
| **Revenue** | | | | |
| Sales to external customers | 110 280 | - | - | 110 280 |
| Inter segment management and gold handling fees | - | - | 214 | 214 |
| Total Segment Revenue | 110 280 | - | 214 | 110 494 |
| **Result** | | | | |
| Segment result excluding unrealised hedge losses | 32 021 | (656) | (6 307) | 25 058 |
| Inter segment management and gold handling fees | (214) | - | - | (214) |
| Gain on fair value of undesignated hedges | 47 332 | - | - | 47 332 |
| Total segment result before interest and tax | 79 139 | (656) | (6 307) | 72 176 |
| Income tax benefit/(expense) | (19 895) | - | 3 792 | (16 103) |
| Total segment result | 59 244 | (656) | (2 515) | 56 073 |
| Interest expense | | | | (6 905) |
| Net earnings for the period | | | | 49 168 |

**11 SEGMENT INFORMATION (continued)**

| | New Zealand $'000 | Philippines $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|
| **Quarter Ended June 30, 2008** | | | | |
| **Revenue** | | | | |
| Sales to external customers | 53 068 | - | - | 53 068 |
| Inter segment management and gold handling fees | - | - | 106 | 106 |
| Release from other comprehensive income of deferred unrealised losses on designated hedges | 122 | - | - | 122 |
| Total Segment Revenue | 53 190 | - | 106 | 53 296 |
| **Result** | | | | |
| Segment result excluding unrealised hedge losses | (2 687) | (100) | (6 972) | (9 759) |
| Inter segment management and gold handling fees | (106) | - | - | (106) |
| Release from other comprehensive income of deferred unrealised losses on designated hedges | 122 | - | - | 122 |
| Loss on fair value of undesignated hedges | (10 404) | - | - | (10 404) |
| Total segment result before interest and tax | (13 075) | (100) | (6 972) | (20 147) |
| Income tax benefit/(loss) | 6 981 | - | (155) | 6 826 |
| Total segment result | (6 094) | (100) | (7 127) | (13 321) |
| Interest expense | | | | (5 927) |
| Net loss for the period | | | | (19 248) |
| **Assets** | | | | |
| Segment assets | 414 083 | 382 646 | 54 837 | 851 566 |

| | New Zealand $'000 | Philippines $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|
| **Six months ended June 30, 2008** | | | | |
| **Revenue** | | | | |
| Sales to external customers | 115 331 | - | - | 115 331 |
| Inter segment management and gold handling fees | - | - | 237 | 237 |
| Release from other comprehensive income of deferred unrealised losses on designated hedges | 279 | - | - | 279 |
| Total Segment Revenue | 115 610 | - | 237 | 115 847 |
| **Result** | | | | |
| Segment result excluding unrealised hedge losses | 11 814 | (259) | (12 267) | (712) |
| Inter segment management and gold handling fees | (237) | - | - | (237) |
| Release from other comprehensive income of deferred unrealised losses on designated hedges | 279 | - | - | 279 |
| Loss on fair value of undesignated hedges | (31 902) | - | - | (31 902) |
| Total segment result before interest and tax | (20 046) | (259) | (12 267) | (32 572) |
| Income tax benefit | 12 805 | - | 1 187 | 13 992 |
| Total segment result | (7 241) | (259) | (11 080) | (18 580) |
| Interest expense | | | | (11 824) |
| Net loss for the period | | | | (30 404) |

## 12 STOCK-BASED COMPENSATION

### (i) Stock Option movements

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

*WAEP = weighted average exercise price*

| | *June 30, 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 | 886 655 | A$0.38 | 2 403 320 | A$1.68 |
| Forfeited | (1 716 664) | A$3.18 | (983 332) | A$3.00 |
| **Balance at the end of the period** | **3 189 979** | **A$1.84** | **4 019 988** | **A$2.74** |
| **Exercisable at the end of the period** | 833 342 | A$3.196 | 703 338 | A$3.825 |

Options granted 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 American 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 2009 or 2008 financial years in line with company policy.

### (ii) Balance at end of the period

The share options on issue at the end of the financial period had an exercise price of between A$0.00 and A$3.825 and a weighted average remaining vesting period of 4.4 years.

## 13 CONTRIBUTED SURPLUS MOVEMENT

| | *June 30 2009 $'000* | *December 31 2008 $'000* |
|---|---|---|
| Balance at start of period | 33 897 | 32 379 |
| Stock based compensation expense | (1 087) | 1 518 |
| Equity component of Convertible notes | (351) | - |
| Balance at end of period | 32 459 | 33 897 |
| | | |
| **Contributed surplus** | | |
| Employee stock based compensation | 2 416 | 3 503 |
| Fair value of options issued | 18 083 | 18 083 |
| Equity portion of Convertible notes | 11 960 | 12 311 |
| | 32 459 | 33 897 |

There were an additional 30,321,702 listed options in issue. Each OceanaGold option entitles the holder to subscribe for one OceanaGold share at an exercise price of A$4.625. The OceanaGold options could only be exercised during the period from January 1, 2008 to January 1, 2009 (or earlier in the event of a successful takeover bid for OceanaGold). These options lapsed on January 1, 2009.

## 14 CONTINGENCIES

a. The company 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 $15.4m (NZ$23.9m) (December 31, 2008 $13.8m, (NZ$23.9m)).

b. The company has provided a cash operating bond to the New Zealand Department of Conservation of $0.3m (NZ$0.4m) (December 31, 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 company has provided a guarantee in respect of a capital lease agreement for certain mobile mining equipment entered into by a controlled entity. At June 30, 2009 the outstanding rental obligations under the capital lease are $39.9m (NZ$ 61.7m) (December 31, 2008 $39.1m (NZ$67.6m)).

e. The Didipio Project is held under a Financial or 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 to mining, 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.

## 15 COMMITMENTS

**Capital commitments**

At June 30, 2009, the consolidated entity has commitments of $2.4m (Dec 31, 2008 $6.6m), principally relating to the development of mining facilities.

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

| | *June 30 2009 $’000* | *December 31 2008 $’000* |
|---|---|---|
| Within one year: | | |
| - development of new mining facilities | 1 544 | 5 656 |
| After one year but not more than five years: | | |
| - development of new mining facilities | 886 | 917 |
| | 2 430 | 6 573 |

## 16 EARNINGS PER SHARE

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

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 period (adjusted for the effects of dilutive options and dilutive convertible notes where the conversion of potential common shares would decrease earnings per share).

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

| | *Three months ended* | | *Six months ended* | |
|---|---|---|---|---|
| | *June 30 2009 $'000* | *June 30 2008 $'000* | *June 30 2009 $'000* | *June 30 2008 $'000* |
| Numerator: | | | | |
| Net income/(loss) attributable to equity holders from continuing operations (used in calculation of basic earnings per share) | 40 114 | (19 248) | 49 168 | (30 404) |
| Interest on convertible notes* | 1 905 | - | 3 577 | - |
| Net income/(loss) attributable to equity holders from continuing operations (used in calculation of diluted earnings per share)* | 42 019 | (19 248) | 52 745 | (30 404) |
| | *No. of shares '000* | *No. of shares '000* | *No. of shares '000* | *No. of shares '000* |
| Denominator: | | | | |
| Weighted average number of common shares (used in calculation of basic earnings per share) | 161 635 | 161 635 | 161 635 | 161 635 |
| Effect of dilution: | | | | |
| Share options* | 2 563 | - | 1 249 | - |
| Convertible notes* | 37 032 | - | 37 032 | - |
| Adjusted weighted average number of common shares (used in calculation of diluted earnings per share)* | 201 230 | 161 635 | 199 916 | 161 635 |
| **Net earnings / (loss) per share:** | | | | |
| - basic | $0.25 | ($0.12) | $0.30 | ($0.19) |
| - diluted | $0.21 | ($0.12) | $0.26 | ($0.19) |

* For periods to June 30, 2008 conversion of share options and convertible notes would decrease the loss per share and hence are non-dilutive.

## 17 SUBSEQUENT EVENTS

On July 21, 2009 the company successfully raised proceeds of approximately A$24.2m through a non-underwritten placement of approximately 24.2m new ASX-listed Chess Depositary Interests (CDI's) at an issue price of A$1.00 per CDI. The offer represents an 11.1% discount to the volume weighted average price of OceanaGold ASX-listed CDI's over the five trading days immediately preceding announcement of the placement.