OCEANAGOLD CORPORATION

FINANCIAL REPORT

DECEMBER 31, 2010

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Management's Responsibility for Financial Reporting

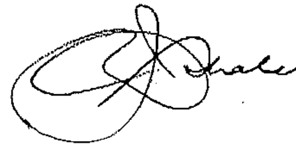
The accompanying consolidated financial statements of OceanaGold Corporation were prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, 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.

James E. Askew
Director
Melbourne, Australia
February 17, 2011



J. Denham Shale
Director
Melbourne, Australia
February 17, 2011

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Independent Auditor's Report

To the Shareholders of OceanaGold Corporation

We have audited the accompanying consolidated financial statements of OceanaGold Corporation and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2010 and December 31, 2009 and the consolidated statements of operations, accumulated deficit, comprehensive income/(loss) and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of OceanaGold Corporation and its subsidiaries as at December 31, 2010 and December 31, 2009 and the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers
Chartered Accountants
Melbourne, Australia
February 17, 2011

Liability limited by a scheme approved under Professional Standards Legislation

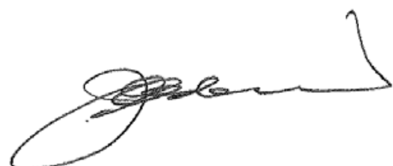
CONSOLIDATED BALANCE SHEET

As at December 31, 2010

(in thousands of United States dollars)	*Notes*	*2010 $'000*	*2009 $'000*
ASSETS			
Current assets			
Cash and cash equivalents		181 328	42 423
Accounts receivable and other receivables	7	10 395	3 460
Inventories	8	35 672	25 315
Prepayments		1 253	1 116
Derivatives	21	-	141
Future income tax assets	5	-	9 006
Total current assets		228 648	81 461
Non-current assets			
Inventories	8	40 060	33 133
Future income tax assets	5	-	8 684
Property, plant and equipment	9	124 277	118 156
Mining assets	10	650 761	546 272
Total non-current assets		815 098	706 245
TOTAL ASSETS		1 043 746	787 706
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		34 441	29 996
Employee benefits	18	4 208	2 358
Derivatives	21	-	89 875
Interest-bearing loans and borrowings	12	24 417	62 794
Asset retirement obligation	11	25	38
Future income tax liabilities	5	6 029	-
Total current liabilities		69 120	185 061
Non-current liabilities			
Other obligations		2 251	2 709
Employee benefits	18	73	69
Future income tax liabilities	5	89 978	77 753
Interest-bearing loans and borrowings	12	182 595	120 880
Asset retirement obligation	11	10 975	8 621
Total non-current liabilities		285 872	210 032
TOTAL LIABILITIES		354 992	395 093
SHAREHOLDERS' EQUITY			
Share Capital	13	543 474	354 915
Accumulated deficit		(12 579)	(57 014)
Contributed surplus	15	33 677	32 690
Accumulated other comprehensive income	14	124 182	62 022
TOTAL SHAREHOLDERS' EQUITY		688 754	392 613
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1 043 746	787 706

Nature of operations (note 1)
Commitments (note 22)
Contingencies (note 23)

On behalf of the Board of Directors:



James E. Askew
Director
February 17, 2011

J. Denham Shale
Director
February 17, 2011

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, 2010

(in thousands of United States dollars except for the per share amounts)	*Notes*	*2010 $'000*	*2009 $'000*
Revenue			
Gold sales		305 638	237 057
Cost of sales, excluding depreciation and amortisation		(150 697)	(121 310)
Depreciation and amortisation		(69 337)	(66 181)
General and administration expenses		(13 805)	(9 179)
Operating profit		**71 799**	**40 387**
Other expenses			
Interest expense		(16 884)	(15 086)
Foreign exchange gain/(loss)		(961)	(24)
Loss on disposal of equipment		(752)	(400)
		(18 597)	(15 510)
Gain on fair value of undesignated hedges		16 215	58 241
Interest income		2 103	697
Other income	4	92	34
Earnings before income taxes		71 612	83 849
Income tax expense	5	(27 177)	(29 337)
Net earnings		**44 435**	**54 512**
Net earnings per share:			
- basic	6	$0.20	$0.32
- diluted	6	$0.20	$0.29

CONSOLIDATED STATEMENTS OF ACCUMULATED DEFICIT

For the year ended December 31, 2010

(in thousands of United States dollars)	*Notes*	*2010 $'000*	*2009 $'000*
Accumulated deficit at beginning of period		(57 014)	(111 526)
Net earnings		44 435	54 512
Accumulated deficit at end of period		(12 579)	(57 014)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

For the year ended December 31, 2010

(in thousands of United States dollars)	*Notes*	*2010 $'000*	*2009 $'000*
Net earnings		44 435	54 512
Other comprehensive income for the year, net of tax:			
Currency translation differences	14	62 160	72 712
Comprehensive income		106 595	127 224

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, 2010

(in thousands of United States dollars)	*2010*	*2009*
	$'000	*$'000*
Operating activities		
Net earnings	44 435	54 512
Charges/(credits) not affecting cash		
Depreciation and amortisation expense	69 337	66 181
Net loss on disposal of property, plant and equipment	752	400
Non-cash interest charges	3 670	2 861
Accrued interest income	(242)	(210)
Unrealised foreign exchange (gains)/losses	961	(171)
Stock based compensation charge/(write-back)	2 219	(855)
Non-cash derivative gain	(16 215)	(58 241)
Future tax expense	27 177	29 337
Changes in non-cash working capital		
(Increase)/decrease in accounts receivable and other receivables	(6 117)	494
Increase in inventory	(7 107)	(2 501)
Decrease in hedge liabilities upon settlement	(71 800)	-
Increase in accounts payable and other working capital	5 190	2 376
Net cash provided by operating activities	52 260	94 183
Investing activities		
Proceeds from sale of property, plant and equipment	644	27
Payments for property, plant and equipment	(26 421)	(6 696)
Payments for mining assets: exploration and evaluation	(1 571)	(2 168)
Payments for mining assets: development	(6 023)	(3 022)
Payments for mining assets: in production	(74 438)	(59 154)
Net cash used in investing activities	(107 809)	(71 013)
Financing activities		
Proceeds on issue of capital stock	201 397	20 698
Proceeds from finance leases	13 271	-
Payment of transaction costs for equity raising	(11 170)	(1 122)
Payment of finance lease liabilities	(10 573)	(7 605)
Repayments of convertible notes	(2 093)	-
Repayments of other borrowings	(4 064)	(9 038)
Net cash provided by financing activities	186 768	2 933
Effect of exchange rate changes on cash held in foreign currency	7 686	6 609
Net increase in cash and cash equivalents	138 905	32 712
Cash and cash equivalents at beginning of period	42 423	9 711
Cash and cash equivalents at end of period	181 328	42 423
Cash interest paid	(13 135)	(11 674)

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

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 assumes the realisation of assets and settlement of liabilities in the normal course of business, as they come due.

For the twelve months ended December 31, 2010, the Company reported a profit after tax of $44.4m. As at December 31, 2010 the current assets of the company exceeded current liabilities by $159.5m. The company has cash on hand of $181.3m and cash flow projections indicate sufficient funds to meet all operating obligations for at least 12 months.

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 realised 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 recognised 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 operating 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 that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and transport expenses.

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 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.

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset Retirement Obligations
The Group recognises the fair value of 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, 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').

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 whether 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 has used 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 forecast production is ultimately recognised in the statement of operations. However, if the committed or forecast 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 amortised 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 ACCOUNTING POLICIES EFFECTIVE FOR FUTURE PERIODS

Adoption of IFRS

The Canadian Institute of Chartered Accountants (CICA) announced that publicly accountable enterprises will be required to adopt IFRS effective January 1, 2011. At the effective date, the balance sheet as at January 1, 2010 will require conversion to IFRS to establish opening balances which will form the basis for comparative information to be reported in 2011. Accordingly, this is the last set of financial statements for the Company using pre-IFRS CGAAP.

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. Should the Company engage in a future business combination, it would consider early adoption to coincide with the adoption of IFRS.

4 OTHER INCOME

	2010 *$’000*	*2009* *$’000*
Other income		
Other income from sale of scrap metal	92	34
Total other income	92	34

5 INCOME TAX

Major components of income tax expense:

	2010 $'000	2009 $'000
Statement of operations		
Future income tax		
Income tax benefit relating to tax losses carried forward/(utilised)	(11 104)	15 583
Adjustments in respect of future income tax of previous years	627	(1 085)
Origination and reversal of temporary differences	37 654	14 839
Income tax expense reported in statement of operations	27 177	29 337

Numerical reconciliation between aggregate tax expense recognised in the statement of operations and the tax expense 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:

	2010	2009
Accounting earnings before tax from continuing operations	71 612	83 849
At the statutory income tax rate of 34.12% (2009: 34.12%)	24 434	28 609
Adjustments in respect of current income tax of previous years	259	(1 085)
Expenditure not allowable for income tax purposes	3 481	(985)
Tax losses not recognised	2 886	6 430
Effect of differing tax rates between Canada, Australia and New Zealand	(3 883)	(3 632)
Income tax expense reported in the statement of operations	27 177	29 337

	2010 $'000	2009 $'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	71 383	58 045
Revaluations of derivative instruments to fair value	-	26 963
Provisions	6 363	4 884
Accrued expenses	-	135
Share issue costs	-	1 849
Other	855	1 061
Gross future income tax assets	78 601	92 937
Set-off future tax liabilities	(78 601)	(75 247)
	-	17 690
Less: current portion	-	(9 006)
Net non-current future tax assets	-	8 684
Future income tax liabilities		
Mining assets	(140 557)	(121 172)
Property, plant and equipment	(29 656)	(28 537)
Inventory	(1 422)	(1 264)
Interest Receivable	(532)	(463)
Accrued Revenue	(2 272)	(1 373)
Revaluations of derivative instruments to fair value	-	(42)
Other	(169)	(149)
Gross future income tax liabilities	(174 608)	(153 000)
Set-off future tax assets	78 601	75 247
	(96 007)	(77 753)
Less: current portion	6 029	-
Net non-current future tax liabilities	(89 978)	(77 753)

6 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net income 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 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 and share data used in the total operations basic and diluted earnings per share computations:

	2010	*2009*
	$'000	*$'000*
Numerator:		
Net income attributable to equity holders from continuing operations (used in calculation of basic and diluted earnings per share)	44 435	54 512
Interest on convertible notes	9 759	8 188
Net income attributable to equity holders from continuing operations (used in calculation of diluted earnings per share)	54 194	62 700
	Thousands	*Thousands*
Denominator:		
Weighted average number of common shares (used in calculation of basic earnings per share)	224 528	172 092
Effect of dilution:		
Share options	5 343	1 371
Convertible notes	41 128	40 729
Adjusted weighted average number of common shares (used in calculation of diluted earnings per share)	270 999	214 192
Net income per share:		
- basic	$0.20	$0.32
- diluted	$0.20	$0.29

For the year to December 31, 2010, the conversion of employee share options and convertible notes are anti-dilutive as they increase earnings per share.

7 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	2010	*2009*
	$'000	*$'000*
Current		
Trade receivables	6 375	2 889
Interest receivable	242	207
Other receivables	3 778	364
	10 395	3 460

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.

8 INVENTORIES

	2010 $'000	2009 $'000
Current		
Gold in circuit	4 171	4 416
Ore – at cost	9 518	3 289
Maintenance Stores	21 983	17 610
	35 672	25 315
Non-Current		
Ore – at cost	6 393	4 260
Ore – at net realisable value	33 667	28 873
Total inventories	75 732	58 448

Total inventories of $58.4m at December 31, 2009 were pledged as security under project debt facilities. At December 31, 2010, the project debt facilities had been repaid, and all pledges extinguished.

9 PROPERTY, PLANT AND EQUIPMENT

	2010 $'000	2009 $'000
Freehold land, at cost		
Cost	7 075	5 868
Buildings, at cost		
Cost	7 934	7 109
Accumulated depreciation	(3 580)	(2 957)
Net of accumulated depreciation	4 354	4 152
Plant and equipment, at cost		
Cost	275 263	237 618
Accumulated depreciation	(167 271)	(133 803)
Net of accumulated depreciation	107 992	103 815
Rehabilitation		
Cost	10 016	8 108
Accumulated depreciation	(5 160)	(3 787)
Net of accumulated depreciation	4 856	4 321
Net book value of property, plant and equipment	124 277	118 156

Plant and equipment includes assets under capital lease net of accumulated depreciation of $39.6m (2009: $32.1m). 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 assets held on the balance sheet at December 31, 2010 (2009: nil).

10 MINING ASSETS

	2010 $'000	2009 $'000
Mining Assets: Exploration and evaluation phase at cost		
Cost	24 266	18 964
Mining Assets: Development phase at cost		
Cost	438 868	379 233
Mining Assets: In production at cost		
Cost	404 413	294 792
Accumulated amortisation	(216 786)	(146 717)
Net of accumulated amortisation	187 627	148 075
Net book value of mining assets	650 761	546 272

Borrowing costs
There are no borrowing costs capitalised into the cost of assets held on the balance sheet at December 31, 2010 (2009: nil).

11 ASSET RETIREMENT OBLIGATION

	2010 $'000	2009 $'000
Current		
Rehabilitation	25	38
Movement:		
At January 1	38	53
Utilised	(17)	(26)
Exchange adjustment	4	11
At December 31	25	38
Non-Current		
Rehabilitation	10 975	8 621
Movement:		
At January 1	8 621	6 797
Arising during the year	1 168	122
Accretion	783	518
Utilised	(417)	(498)
Exchange adjustment	820	1 682
At December 31	10 975	8 621

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 2015. 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 local 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 8.35% (2009: 6.5%). The liability for retirement and remediation on an undiscounted basis is estimated to be approximately $15.4m.

12 INTEREST-BEARING LOANS AND BORROWINGS

	Effective interest rate %	*Maturity*	*2010 $'000*	*2009 $'000*
Current				
Capital leases	5.19%	(note 22)	23 933	9 354
5.75% Convertible notes (A$55m)	9.16%	12/22/2012	-	48 735
Other Loan	3.00%	02/28/2011	484	441
Project debt facility	4.67%	06/30/2010	-	4 264
			24 417	62 794
Non-current				
Capital leases	5.19%	(note 22)	22 530	30 872
5.75% Convertible notes (A$53m)	9.16%	12/22/2012	55 163	-
7.00% Convertible notes (A$70m)	10.13%	12/22/2013	73 431	63 006
7.00% Convertible notes (A$30m)	10.64%	12/22/2013	31 471	27 002
			182 595	120 880

5.75% Convertible notes (Unsecured)

The notes bear interest at 5.75% per annum payable semi-annually in arrears. The convertible note liability had been classified as current at December 31, 2009 as the note holders had 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. Of the 550 notes on issue, 20 notes were duly put for redemption. The remaining 530 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. They have been re-classified as non-current at December 31, 2010. The number of shares to be delivered upon conversion shall be determined by dividing the principal amount of the notes by the conversion price of A$4.1011 (subject to adjustment for certain specified events). Of the A$52.9 million (US$39.1 million) net proceeds of the issue, A$48.5 million (US$35.8 million) was allocated to interest bearing liabilities and A$4.4 million (US$3.3 million) was allocated to equity.

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 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. The conversion price is A$3.8699 (subject to adjustment for certain specified events). Of the A$67.4 million (US$52.9 million) net proceeds of the issue A$59.2 million (US$46.5 million) was allocated to interest bearing liabilities and A$8.2 million (US$6.4 million) was allocated to equity.

On March 22, 2007 an additional A$30 million (US$24.2 million) in convertible notes was issued under the same terms and conditions as the 7% convertible notes. The conversion price is A$4.0640 (subject to adjustment for certain specified events) and the notes are due for redemption in 2013. Of the A$28.8 million (US$23.2 million) net proceeds of the issue A$24.9 million (US$20.1 million) was allocated to interest bearing liabilities and A$3.9 million (US$3.1 million) was allocated to equity.

Project debt Facility (Secured)

On June 30, 2010, the consolidated entity had fully repaid the project debt facility that was provided by a consortium of banks.

Capital Leases

The Group has capital lease facilities in place with ANZ Banking Group, Caterpillar Finance, GE Finance, Commonwealth Bank of Australia, and Cable Price.

These facilities have maturities between February 2011 to February 2016, and bear interest rates ranging from 4.25% to 8.04%. Refer to note 22(b) for the related lease commitments.

Capital facilities available

At December 31, 2010 the consolidated entity has available capital lease facilities of $26.5m.

OGNZL's assets are pledged as security to a consortium of banks.

There are currently no other credit facilities utilised by OceanaGold Corporation.

13 SHARE CAPITAL

Movement in common shares on issue

	2010 '000	*2010 $'000*	*2009 '000*	*2009 $'000*
Balance at the beginning of the period	185 880	354 915	161 635	334 975
Shares issued	75 114	198 215	24 245	20 698
Options exercised	1 069	3 182	-	-
Share issue costs	-	(11 173)	-	(1 122)
Tax effect of share issue costs recognised/ (derecognised)	-	(1 665)	-	364
Balance at the end of the period	262 063	543 474	185 880	354 915

On March 30, 2010, the Company issued a total of 42,113,649 shares represented by 31,164,001 common shares in Canada at C$2.05 per share and 10,949,648 CHESS Depository Interests ("CDIs") in Australia at an issue price of A$2.18 per CDI.

On October 20, 2010, the Company issued a total of 33,000,000 shares represented by 12,023,360 special warrants in Canada at C$3.50 per special warrant and 20,976,640 CHESS Depository Interests ("CDIs") in Australia at an issue price of A$3.54 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.

CDI holders have the same rights as holders of common shares.

The company has share option schemes under which options to subscribe for the company's shares have been granted to executives and management. 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 to note 17).

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

	2010 *$'000*	2009 *$'000*
Balance at the start of the period		
Currency translation adjustments	62 022	(10 690)
OCI for the year:		
Currency translation differences	62 160	72 712
Accumulated OCI at the end of the period	124 182	62 022

15 CONTRIBUTED SURPLUS MOVEMENT

	2010 *$'000*	2009 *$'000*
At January 1	32 690	33 897
Stock based compensation expense	2 736	1 261
Forfeited options	(517)	(2 116)
Exercised options	(1 232)	-
Equity component of Convertible notes	-	(352)
At December 31	33 677	32 690

Contributed surplus

	2010	2009
Employee stock based compensation	3 634	2 647
Shareholder options (lapsed on January 1, 2009)	18 083	18 083
Equity portion of Convertible notes	11 960	11 960
	33 677	32 690

16 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	Elimination $'000	Total $'000
Year Ended December 31, 2010					
Revenue					
Sales to external customers	305 638	-	-	-	305 638
Inter segment management and gold handling fees	-	-	7 927	(7 927)	-
Total Segment Revenue	305 638	-	7 927	(7 927)	305 638
Result					
Segment result excluding unrealised hedge losses	83 644	(676)	(12 790)	-	70 178
Inter segment management and gold handling fees	(7 927)	-	7 927	-	-
Gain on fair value of derivative instruments	16 215	-	-	-	16 215
Total segment result before interest and tax	91 932	(676)	(4 863)	-	86 393
Income tax (expense)	(26 056)	-	(1 121)	-	(27 177)
Total segment result	65 876	(676)	(5 984)	-	59 216
Net Interest expense					(14 781)
Net profit for the year					44 435
Assets					
Segment assets	465 786	454 832	123 128	-	1 043 746

	New Zealand $'000	Philippines $'000	Corporate $'000	Elimination $'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	(5 071)	237 057
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

Income derived in the New Zealand segment is from the sale of gold. The segment note above includes inter-company charges for management and gold handling fees of $7.9m (2009: $5.1m).

17 STOCK-BASED COMPENSATION

(a) Executive share options plan

Directors, executives and certain senior 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, 2010		*December 31, 2009*	
	No.	**WAEP**	**No.**	**WAEP**
Outstanding at the start of the period	5 637 259	A$1.45	4 019 988	A$2.74
Granted	2 213 999	A$2.82	3 756 155	A$0.94
Forfeited	(1 137 219)	A$1.27	(2 138 884)	A$2.97
Exercised	(1 068 886)	A$1.97	-	-
Balance at the end of the period	**5 645 153**	**A$1.92**	**5 637 259**	**A$1.45**
Exercisable at the end of the period	**1 204 847**	**A$2.54**	**774 453**	**A$3.21**

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 not necessarily be the outcome.

Dividend yield is assumed to be nil on the basis that no dividends have been declared for the 2010 or 2009 financial years due to the large ongoing capital commitment.

(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$3.94 and a weighted average remaining vesting period of 4.71 years.

At December 31, 2010, $4.3 million remains to be expensed over the life of the options.

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
25 Nov 2009	0%	100.7%	4.78%	3.0	1.5213	1.70	1.124
25 Nov 2009	0%	100.7%	5.00%	4.0	1.5213	1.70	1.241
25 Nov 2009	0%	100.7%	5.12%	5.0	1.5213	1.70	1.329
25 Nov 2009	0%	100.7%	5.00%	4.0	1.5213	1.70	1.241
25 Nov 2009	0%	100.7%	5.06%	4.5	1.5213	1.70	1.288
19 Apr 2010	0%	72.1%	5.21%	3.0	2.6214	2.69	1.385
19 Apr 2010	0%	72.1%	5.37%	4.0	2.6214	2.69	1.571
19 Apr 2010	0%	72.1%	5.45%	5.0	2.6214	2.69	1.721
27 May 2010	0%	69.9%	4.95%	4.0	3.0311	3.55	2.126
27 May 2010	0%	69.9%	4.99%	4.5	3.0311	3.55	2.222
27 May 2010	0%	69.9%	5.04%	5.0	3.0311	3.55	2.309
27 May 2010	0%	69.9%	4.85%	3.5	3.0311	3.55	2.019
27 May 2010	0%	69.9%	5.08%	5.5	3.0311	3.55	2.389
18 Jun 2010	0%	64.8%	4.91%	3.8	3.5317	3.77	2.015
18 Jun 2010	0%	64.8%	4.98%	4.0	3.5317	3.77	2.125
18 Jun 2010	0%	64.8%	4.77%	3.0	3.5317	3.77	1.827
18 Jun 2010	0%	64.8%	4.96%	4.0	3.5317	3.77	2.072
29 Sep 2010	0%	59.8%	4.95%	4.0	3.9445	3.83	1.896
29 Sep 2010	0%	59.8%	4.95%	4.5	3.9445	3.83	2.003
29 Sep 2010	0%	59.8%	4.95%	5.0	3.9445	3.83	2.104
2 Dec 2010	0%	54.8%	4.88%	3.0	3.3100	3.44	1.457
2 Dec 2010	0%	54.8%	4.95%	4.0	3.3100	3.44	1.666
2 Dec 2010	0%	54.8%	4.96%	5.0	3.3100	3.44	1.841
2 Dec 2010	0%	54.8%	4.95%	4.5	3.3100	3.44	1.756
2 Dec 2010	0%	54.8%	4.96%	5.0	3.3100	3.44	1.841

(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.

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]
2009	321,755	94,355	A$79,517	113,273	A$112,784	58,440	244,397	A$437,471
2010	244,397	18,958	A$55,325	63,363	A$153,130	-	199,992	A$729,971

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.

17 STOCK-BASED COMPENSATION (continued)

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.

18 EMPLOYEE BENEFITS

(a) Employee benefit liability

	2010 *$'000*	*2009* *$'000*
Aggregate employee benefit liability is comprised of:		
Accrued wages and salaries	1 620	1 166
Employee benefit provisions - current	4 208	2 358
Employee benefit provisions - non-current	73	69
	5 901	3 593

19 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. The Group does not enter into trade financial instruments, including derivative financial instruments for trade or speculative purposes. The term "derivative" has been adopted to encompass all financial instruments that are not directly traded in the primary physical market

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 had a secured economic hedging facility for 285,944 ounces at December 31, 2009. On March 31, 2010, the Company closed out all hedges. At December 31, 2010, no hedge facility was in place, and there were no outstanding derivative liabilities.

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

	2010 *$'000*	*2009* *$'000*
Current Assets		
Gold put options	-	141
Total assets	**-**	**141**
Current Liabilities		
Gold call options	-	35 318
Gold forward sales contracts	-	54 557
Total liabilities	**-**	**89 875**

19 FINANCIAL INSTRUMENTS (continued)

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

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

Sensitivities

At December 31, 2010 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 $13.9m higher/lower due to conversion of results from functional currency into reporting currency. The equity effect will be $9.4m 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.

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 $1.3m higher/lower, as a result of higher/lower interest income from cash and cash equivalents and higher/lower interest expense from capital leases and project loans. Equity would be $1.3m higher/lower 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 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, if any, 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.

19 FINANCIAL INSTRUMENTS (continued)

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, 2010	*Less than 1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*5 + years*	*Total*	*Weighted average effective interest rate*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*%*
Fixed rate								
Financial Liabilities								
Insurance loan	484	-	-	-	-	-	484	3.00%
Convertible Notes	-	55 163	104 902	-	-	-	160 065	9.89%
	484	55 163	104 902	-	-	-	160 549	
Floating rate								
Financial Assets								
Cash and cash equivalents	181 328	-	-	-	-	-	181 328	3.77%
	181 328	-	-	-	-	-	181 328	
Financial Liabilities								
Capital Leases	23 933	6 288	5 677	5 722	3 549	1 294	46 463	5.19%
	23 933	6 288	5 677	5 722	3 549	1 294	46 463	

Year ended December 31, 2009	*Less than 1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*5 + years*	*Total*	*Weighted average effective interest rate*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*%*
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	

(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 establishes limits and a 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, if any. 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 six months and attract a rate of interest at normal short-term money market rates.

19 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, 2010		**Interest rate risk**				**Foreign exchange risk**			
		-100 bps		**+100 bps**		**-10%**		**+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	181 328	(1 813)	(1 813)	1 813	1 813	(13 929)	(13 929)	13 929	13 929
Other assets	10 395	-	-	-	-	-	(1 039)	-	1 039
Financial Liabilities									
Capital Leases	46 463	464	464	(464)	(464)	-	4 646	-	(4 646)
Other liabilities	197 242	-	-	-	-	-	19 724	-	(19 724)
Total increase/(decrease)		**(1 349)**	**(1 349)**	**1 349**	**1 349**	**(13 929)**	**9 402**	**13 929**	**(9 402)**

December 31, 2009		**Interest rate risk**				**Foreign exchange risk**			
		-100 bps		**+100 bps**		**-10%**		**+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.

20 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.

	2010 *$'000*	*2009* *$'000*
Total Debt (as shown in the balance sheet)*	207 012	273 549
Less: Cash and cash equivalents	181 328	42 423
Net Debt	25 684	231 126
Total Equity (as shown in the balance sheet)	688 754	392 613
Adjusted capital	688 754	392 613
Debt to adjusted capital ratio	0.04	0.59

* Interest bearing liabilities and derivative liabilities

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

The company is subject to a number of externally imposed capital requirements relating to financing agreements; as at December 31, 2010 the company was in compliance with all requirements.

21 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		*Net Fair value*	
	2010	*2009*	*2010*	*2009*
	$'000	*$'000*	*$'000*	*$'000*
Financial assets				
Cash	181 328	42 423	181 328	42 423
Accounts receivable and other receivables	10 395	3 460	10 395	3 460
Put options	-	141	-	141
Financial liabilities				
Trade payables	36 692	29 996	36 692	29 996
Capital leases	46 463	40 226	46 463	40 226
Forward gold contracts	-	54 557	-	54 557
Convertible notes	160 065	138 743	161 234	157 514
Call options	-	35 318	-	35 318
Project debt facility	-	4 264	-	4 264
Insurance premium loan	484	441	484	441

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy established using Canadian GAAP:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

Financial assets and liabilities at fair value as at December 31

	Level 1		**Level 2**		**Level 3**		**Total**	
	$'000		***$'000***		***$'000***		***$'000***	
	2010	***2009***	***2010***	***2009***	***2010***	***2009***	***2010***	***2009***
Financial assets								
Put options[2]	-	-	-	141	-	-	-	141
	-	**-**	**-**	**141**	**-**	**-**	**-**	**141**
Financial liabilities								
Convertible notes[1]	-	-	161 234	157,514	-	-	161 234	157,514
Forward gold contracts[2]	-	-	-	54 557	-	-	-	54 557
Call options[2]	-	-	-	35 318	-	-	-	35 318
	-	**-**	**161 234**	**247 389**	**-**	**-**	**161 234**	**247 389**

(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, 2010 (2009: nil).

22 COMMITMENTS

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

	2010 *$'000*	*2009* *$,000*
Within 1 year	4 605	4 560
Within 1 to 2 years	4 179	3 623
Within 2 to 3 years	3 761	3 284
Within 3 to 4 years	2 425	2 990
Within 4 to 5 years	149	1 961
More than five years	4	49
	15 123	16 467

Operating leases are used to fund 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:

	2010 *$'000*	*2009* *$'000*
Within 1 year	25 799	11 075
Within 1 to 2 years	7 606	20 216
Within 2 to 3 years	6 627	3 768
Within 3 to 4 years	6 310	6 832
Within 4 to 5 years	3 808	2 082
More than five years	1 308	-
	51 458	43 973
Future finance charges	(4 995)	(3 747)
Present value of minimum lease payments	46 463	40 226
Reconciled to:		
Current interest bearing liability (Note 12)	23 933	9 354
Non-Current interest bearing liability (Note 12)	22 530	30 872
Total	46 463	40 226

Capital leases are used to fund the acquisition of plant and equipment, primarily mobile mining equipment. Rental payments are subject to quarterly interest rate adjustments.

(c) Gold Production

The consolidated entity 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, 2010, the consolidated entity has commitments of $9.7m (2009: $0.3m), principally relating to the purchase of property, plant and equipment.

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

	2010 *$'000*	*2009* *$'000*
Within one year:		
- purchase of property, plant and equipment	9 710	267

(e) The consolidated entity is committed to annual expenditure of approximately $0.3m (2009: $0.3m) to comply with regulatory conditions attached to its New Zealand prospecting licences and prospecting, exploration and mining permits

23 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 $17.2 million (2009: $16.6 million).

b. The consolidated entity has provided a cash operating bond to the New Zealand Department of Conservation of $0.3 million (2009: $0.3 million) 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 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, 2010 the outstanding rental obligations under the capital lease are $33.3 million (2009: $40.4 million). 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, amongst 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.

24 EVENTS OCCURRING AFTER THE REPORTING PERIOD

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