OCEANAGOLD CORPORATION

FINANCIAL REPORT

DECEMBER 31, 2011

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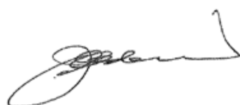
Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of OceanaGold Corporation were prepared by management in accordance with Canadian general accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and to require publicly accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. Accordingly, these are the company's first annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgements and estimates and the choice of accounting principles and methods that are appropriate to the circumstances of OceanaGold Corporation and the entities it controls ("the Group"). 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.

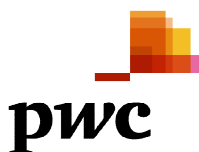
The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfils its financial reporting responsibilities. An Audit and Financial Risk Management Committee assists the Board of Directors in fulfilling this responsibility. 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 16, 2012

J. Denham Shale
Director
Melbourne, Australia
February 16, 2012



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 statement of financial position as at December 31, 2011 and December 31, 2010 and opening statement of financial position as at January 1, 2010 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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 International Financial Reporting Standards, 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, 2011 and December 31, 2010 and opening statement of financial position at January 1, 2010 and their financial performance and their cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants

February 16, 2012
Melbourne

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

(in United States dollars)	*Notes*	*December 31 2011 $'000*	*December 31 2010 $'000*	*January 01 2010 $'000*
ASSETS				
Current assets				
Cash and cash equivalents		169 989	181 328	42 423
Trade and other receivables	8	7 409	10 395	3 460
Inventories	9	46 975	35 672	25 315
Prepayments		2 107	1 253	1 116
Derivatives	21	-	-	141
Total current assets		226 480	228 648	72 455
Non-current assets				
Trade and other receivables	8	2 671	-	-
Inventories	9	53 686	40 060	33 133
Deferred tax assets	6	5 828	-	17 690
Property, plant and equipment	10	149 193	125 389	119 205
Mining assets	11	379 777	312 119	263 513
Total non-current assets		591 155	477 568	433 541
TOTAL ASSETS		817 635	706 216	505 996
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Trade and other payables		45 566	34 441	29 996
Employee benefits	18	5 382	4 208	2 358
Derivatives	21	-	-	89 875
Interest-bearing loans and borrowings	13	72 675	24 417	62 794
Asset retirement obligation	12	-	25	38
Total current liabilities		123 623	63 091	185 061
Non-current liabilities				
Other obligations		2 246	2 251	2 709
Employee benefits	18	187	73	69
Deferred tax liabilities	6	39 016	12 687	5 061
Interest-bearing loans and borrowings	13	153 148	182 595	120 880
Asset retirement obligation	12	21 175	12 378	9 937
Total non-current liabilities		215 772	209 984	138 656
TOTAL LIABILITIES		339 395	273 075	323 717
SHAREHOLDERS' EQUITY				
Share Capital	14	543 988	543 474	354 915
Accumulated losses		(116 724)	(160 891)	(205 326)
Contributed surplus	15	36 951	33 677	32 690
Accumulated other comprehensive income		14 025	16 881	-
TOTAL SHAREHOLDERS' EQUITY		478 240	433 141	182 279
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		817 635	706 216	505 996

On behalf of the Board of Directors:

James E. Askew
Director
February 16, 2012

J. Denham Shale
Director
February 16, 2012

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31

(in United States dollars)	*Notes*	*2011 $'000*	*2010 $'000*
Revenue			
Gold sales		395 609	305 638
Cost of sales, excluding depreciation and amortisation	5	(216 789)	(150 697)
Depreciation and amortisation		(85 822)	(69 337)
General and administration expenses		(14 537)	(13 805)
Operating profit		**78 461**	**71 799**
Other expenses			
Interest expense		(20 029)	(16 884)
Foreign exchange gain/(loss)		320	(961)
Gain/(loss) on disposal of property, plant and equipment		(697)	(752)
Write off deferred exploration expenditure		(166)	-
		(20 572)	**(18 597)**
Gain /(loss) on fair value of undesignated hedges	21	-	16 215
Interest income		7 120	2 103
Other income/(expense)		183	92
Profit before income tax		65 192	71 612
Income tax expense	6	(21 025)	(27 177)
Net profit attributable to shareholders of OceanaGold Corporation		**44 167**	**44 435**
Other comprehensive income for the period, net of tax:			
Currency translation gain/ (loss)		(2 856)	16 881
Comprehensive income/(loss) attributable to shareholders of OceanaGold Corporation		**41 311**	**61 316**
Net earnings per share:			
- basic and diluted	7	$0.17	$0.20

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

(in United States dollars)	**Share Capital $'000**	**Contributed Surplus $'000**	**Accumulated Other Comprehensive Income $'000**	**Accumulated Losses $'000**	**Total Equity $'000**
Balance at January 1, 2011	**543 474**	**33 677**	**16 881**	**(160 891)**	**433 141**
Comprehensive income for the period	-	-	(2 856)	44 167	41 311
Employee share options:					
Share based payments	-	4 426	-	-	4 426
Forfeiture of options	-	(709)	-	-	(709)
Exercise of options	642	(443)	-	-	199
Issue of shares-costs	(128)	-	-	-	(128)
Balance at December 31, 2011	**543 988**	**36 951**	**14 025**	**(116 724)**	**478 240**
Balance at January 1, 2010	**354 915**	**32 690**	**-**	**(205 326)**	**182 279**
Comprehensive income/ (loss) for the period	-	-	16 881	44 435	61 316
Employee share options:					
Share based payments	-	2 736	-	-	2 736
Forfeiture of options	-	(517)	-	-	(517)
Exercise of options	-	(1 232)	-	-	(1 232)
Issue of shares	188 559	-	-	-	188 559
Balance at December 31, 2010	**543 474**	**33 677**	**16 881**	**(160 891)**	**433 141**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31

(in United States dollars)	*2011*	*2010*
	$'000	*$'000*
Operating activities		
Net earnings	44 167	44 435
Charges/(credits) not affecting cash		
Depreciation and amortisation expense	85 822	69 337
Net loss on disposal and write off of property, plant and equipment and exploration expenditure	863	752
Non-cash interest charges	4 482	3 670
Accrued interest income	(200)	(242)
Unrealised foreign exchange (gains)/losses	(320)	961
Stock based compensation charge/(write-back)	3 717	2 219
Non-cash derivative gain	-	(16 215)
Future tax expense	21 025	27 177
Changes in non-cash working capital		
(Increase)/decrease in trade and other receivables	1 003	(6 117)
(Increase)/decrease in inventory	(18 240)	(7 107)
Decrease in hedge liabilities upon settlement	-	(71 800)
(Decrease)/Increase in accounts payable and other working capital	12 236	5 190
Net cash provided by operating activities	154 555	52 260
Investing activities		
Proceeds from sale of property, plant and equipment	37	644
Payments for property, plant and equipment	(25 138)	(13 150)
Payments for mining assets: exploration and evaluation	(2 477)	(1 571)
Payments for mining assets: development	(69 505)	(6 023)
Payments for mining assets: in production	(49 512)	(74 438)
Net cash used in investing activities	(146 595)	(94 538)
Financing activities		
Proceeds on issue of capital stock	199	201 397
Payment of transaction costs for equity raising	(128)	(11 170)
Payment of finance lease liabilities	(16 298)	(10 573)
Repayments of convertible notes	-	(2 093)
Proceeds/(Repayments) of other borrowings	117	(4 064)
Net cash (used in)/provided by financing activities	(16 110)	173 497
Effect of exchange rate changes on cash held in foreign currency Gain/(loss)	(3 190)	7 686
Net increase/(decrease) in cash and cash equivalents	(11 339)	138 905
Cash and cash equivalents at beginning of period	181 328	42 423
Cash and cash equivalents at end of period	169 989	181 328
Cash interest paid	(15 546)	(13 135)
Cash interest received	7 162	1 861

Non-Cash Investing and Financing Activities – refer Note 24

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

1 BASIS OF PREPARATION AND ADOPTION OF IFRS

OceanaGold Corporation ("OceanaGold")("The Company") is a company domiciled in Canada. It is listed on the Toronto Stock Exchange, the Australian Stock Exchange and the New Zealand Stock Exchange. The registered address of the Company is c/o Fasken Martineau DuMoulin LLP, 2900-550 Burrard Street, Vancouver, British Columbia V6C 0A3, Canada. The Company 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 Company prepares its financial statements in accordance with Canadian general accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and to require publicly accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. Accordingly, these are the company's first annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These financial statements have been prepared in accordance with IFRS, including IFRS 1. Subject to certain transition elections disclosed in Note 3, the company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 3 discloses the impact of the transition to IFRS on the company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the company's annual consolidated financial statements for the year ended December 31, 2010.

These financial statements have been prepared on a going concern basis. For the year ended December 31, 2011, the Company reported a profit after tax of $44.2m. As at December 31, 2011 the current assets of the company exceeded current liabilities by $102.9m. The company has cash on hand of $170.0m and cash flow projections indicate sufficient funds to meet all operating obligations for at least 12 months.

2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Foreign currency translation

These consolidated financial statements are expressed in United States dollars ("US$") which is the reporting currency for OceanaGold Corporation. The functional currency is Australian dollars ("A$"). The controlled entities of OceanaGold have either US Dollars, Australian dollars, New Zealand dollars ("NZ$") or Euros ("EUR") as their functional currency.

(i) Functional and presentation currency

The financial statements of entities that have a functional currency different from the reporting currency are translated into US$ as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the reporting period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognised in other comprehensive income as cumulative translation adjustments.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognised in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognised in the statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

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

Actual results may differ from those estimates. Changes in estimates are recognised in the period in which the changes occur to the extent that they are not errors.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and on 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 and other receivables are initially recorded at the amount of contracted sales proceeds, and then subsequently carried at amortised cost less a provision for impairment.

Receivables related to the Emissions Trading Scheme ("ETS") in New Zealand are initially recorded at cost or deemed cost and subsequently at the lower of cost and net realisable value. For allocations of emissions allowances granted by the New Zealand government, cost is deemed to be equal to the fair value at the date of allocation.

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 attributable commercial, environmental, health and safety expenses, and inventory movements.

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

Stores
Inventories of consumable supplies and spare parts are valued at cost less a provision for obsolescence. Cost includes all expenses directly related to the purchase of the stores inventory. Cost is assigned on a weighted average basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the profit or loss during the reporting period in which they are incurred.

Property, plant and equipment, 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 are as follows:

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

The assets residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, at each financial year end.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Exploration, evaluation and development expenditure

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

Mining Properties under Development
Mining properties under development are accounted for at cost and are not amortised until production has commenced. Cost includes expenditure that is directly attributable to the development of mining properties and preparing them for production.

Impairment of non-financial assets

Property, plant and equipment and mining assets (including exploration, evaluation and development expenditure) are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that are not amortised (due to indefinite useful lives or are not yet available for use, and goodwill) are subject to an annual impairment test or when events or changes in circumstances indicate the carrying value may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount in the statement of income for the period in which the impairment arises.

The company evaluates impairment losses, other than goodwill impairment, for potential reversals where there are indicators that the circumstances that resulted in the impairment have reversed.

Provisions

Provisions are recognised when the Group has a present obligation, it is probable that there will be a future sacrifice of economic benefits and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be recovered from a third party, the receivable is recognised as a separate asset but only when the reimbursement is virtually certain and it can be measured reliably. The expense relating to any provision is presented in the statement of income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the liability (if not built into the estimated cash flows). The increase in the provision due to the passage of time is recognised as an interest expense.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset Retirement and Environmental Rehabilitation
Asset retirement and environmental rehabilitation provisions include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. The provision is recognised in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments and are subject to formal review at regular intervals.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is accounted for in the statement of income in each accounting period. The amortisation of the discount is shown as an interest expense, rather than as an operating cost. Other movements in the provisions for closure and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the lives of operations and revisions to discount rates are capitalised within property, plant and equipment or mining properties and development, to the extent that any amount of deduction does not exceed the carrying amount of the asset. Any deduction in excess of the carrying amount is recognised as a loss immediately. If an adjustment results in an addition to the costs of the related asset, consideration will be given to whether an indication of impairment exists and the impairment policy will apply. These costs are then depreciated over the life of the area of interest to which they relate.

Trade and other payables

Trade and other payables are 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.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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 carried at amortised cost using the effective interest method by taking into account any issue costs and any discount or premium on settlement.

Borrowings are removed from the balance sheets when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognised in the statement of income as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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 profit or loss.

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 the statement of income.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Wages, Salaries and Annual Leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in Other Payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Defined Contribution Pension Funds
Contributions to defined contribution funds are recognised as an expense in the statement of income as they become payable.

Share based compensation

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

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

(i) The Executive Share Options Plan ("ESOP"), which provides benefits to the directors 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 between the grant date and the date on which the relevant employees become fully entitled to the award ('vesting date').

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

(b) the extent to which the vesting period has expired, and
(c) 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 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.

Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are capitalised and amortised over the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting

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

Derivative financial instruments are initially recognised in the balance sheet at fair value and 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.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

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

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

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

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 would remain in Other Comprehensive Income and is recognised when the committed or forecast production is ultimately recognised in the income statement. 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 income.

When the hedged 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 are recognised in the income statement.

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);
- 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Income tax comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case the income tax is also recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognised to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

Tax on income in interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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 period. Diluted earnings/loss per share is calculated by dividing the earnings/loss by the weighted-average number of shares outstanding during the period, assuming that all potentially dilutive securities were exercised. The company's potentially dilutive securities comprise stock options granted to employees and directors, and convertible notes.

Deferred stripping

Costs associated with the removal of over-burden 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 future benefit ("betterment") to the mining property. Charges represent a betterment to the mining 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.

Sales taxes

Revenues, expenses and assets are recognised net of the amount of sales tax, unless the sales tax 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 sales tax receivable or payable. The net amount of sales tax 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 sales tax 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 sales tax recoverable from, or payable to, the relevant taxation authority. The net of sales tax payable and receivable is remitted to the appropriate tax body in accordance with legislative requirements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation

The financial statements of the company consolidate the accounts of OceanaGold Corporation and its subsidiaries. All intercompany transactions, balances and unrealised gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities (including special purpose entities) which OceanaGold Corporation controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether OceanaGold Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by OceanaGold Corporation and are de-consolidated from the date that control ceases.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions.

Contributed equity

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

Accounting policies effective for future periods

IFRS 1 – *Exemption for severe hyperinflation and removal of fixed dates*
Amended to create additional exemptions (i) for when an entity that has been subject to severe hyperinflation resumes presenting or presents for the first time, financial statements in accordance with IFRS, and (ii) to eliminate references to fixed dates for one exception and one exemption, both dealing with financial assets and liabilities. Effective for annual periods beginning on or after July 1, 2011. Not expected to have an impact on the Company as IFRS adopted January 1, 2011.

IFRS 7 – *Financial instruments – disclosures*
Amended to require additional disclosures in respect of risk exposures arising from transferred financial assets. Effective for annual periods beginning on/after July 1, 2011. Not expected to have a material effect on the Company.

IAS12 – *Deferred tax accounting for investment property at fair value*
Amended to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. Effective for annual periods beginning on or after January 1, 2012. Not expected to have an impact on the Company as there are no investment properties.

IFRS 9 – *Financial instruments - classification and measurement*
This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two Measurement categories: amortised cost and fair value. All equity instruments are measured at fair value.

A debt instrument is at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. Effective for years beginning on/after January 1, 2015.

IFRS 9 – *Financial instruments – classification and measurement*
Updated to include guidance on financial liabilities and de-recognition of financial instruments. Effective for years beginning on/after January 1, 2015. The company has not assessed the impact of this new standard.

IAS 1 – *Presentation of items of other comprehensive income ("OCI")*
Change to the disclosure in OCI, including a requirement to separate items presented into two groups based on whether or not they may be recycled to profit or loss in the future. Effective for years beginning on/after July 1, 2012

IAS 19 – *Employee benefits*
Amended for (i) changes to recognition and measurement of defined benefit pension expense and termination benefits, and (ii) expanded disclosure. Effective for years beginning on/after January 1, 2013. No impact as the company does not have defined benefit plan

IFRS 13 – *Fair value measurement and disclosure requirements*
Provides a single source of guidance on how to measure fair value and enhances disclosure requirements for fair value measurements. Effective for years beginning on/after January 1, 2013. Not expected to have a material effect on the Company.

New standards addressing scope of reporting entity

IFRS 10 – *Consolidated Financial Statements*
IAS 27– *Consolidated and Separate Financial Statements*, and
SIC 12 – *Consolidation – Special Purpose Entities*
IFRS 11 – *Joint Arrangements*
Entities in joint operations will follow accounting for jointly controlled assets and jointly controlled operations under IAS 31.

IFRS 12 – *Disclosure of Interests in Other Entities*
Effective for years beginning on/after January 1, 2013.
Not expected to have a material effect on the Company.

IFRIC 20 - *"Stripping costs in the production phase of a surface mine"*
Provides guidance on the accounting for overburden (pre-strip) in the production phase. Costs can only be recognised as an asset if they can be attributed to an identifiable component of the ore body. Effective January 1, 2013. This approach is consistent to the betterment approach currently adopted by the Group so any impact will not be significant.

IFRS 7 - *"Financial instruments" – disclosures*
Amended to enhance disclosure requirements relating to offsetting of financial assets and financial liabilities. Effective for annual periods beginning on/after January 1, 2013. Not expected to affect the accounting of offsetting arrangements or have a material effect on the Company.

IAS 32 - *"Financial instruments" – presentation*
Amended to clarify requirements for offsetting of financial assets and financial liabilities. Effective for annual periods beginning on/after January 1, 2014. Not expected to affect the treatment of offsetting arrangements or have a material effect on the Company.

3 TRANSITION TO IFRS

The effect of the company's transition to IFRS, described in note 1, is summarised as follows:

(i) Transition elections
The company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

	As described in note 3(ii)
Deemed cost of mining assets	(b)
Cumulative translation adjustment	(e)
Asset retirement obligation	(d)

3 TRANSITION TO IFRS (continued)

(ii) Reconciliation of financial position as previously reported under Canadian GAAP to IFRS

(in thousands of United States dollars)

	Notes	December 31, 2010			January 1, 2010		
		Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS
ASSETS							
Current assets							
Cash and cash equivalents		181 328		181 328	42 423		42 423
Trade and other receivables		10 395		10 395	3 460		3 460
Inventories		35 672		35 672	25 315		25 315
Prepayments		1 253		1 253	1 116		1 116
Derivatives		-		-	141		141
Deferred tax assets	(a)	-		-	9 006	(9 006)	-
Total current assets		228 648		228 648	81 461	(9 006)	72 455
Non-current assets							
Inventories		40 060		40 060	33 133		33 133
Deferred tax assets	(a)	-		-	8 684	9 006	17 690
Property, plant and equipment	(d)	124 277	1 112	125 389	118 156	1 049	119 205
Mining assets	(b)	650 761	(338 642)	312 119	546 272	(282 759)	263 513
Total non-current assets		815 098	(337 530)	477 568	706 245	(272 704)	433 541
TOTAL ASSETS		1 043 746	(337 530)	706 216	787 706	(281 710)	505 996
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current liabilities							
Trade and other payables		34 441		34 441	29 996		29 996
Employee benefits		4 208		4 208	2 358		2 358
Derivatives		-		-	89 875		89 875
Interest-bearing loans and borrowings		24 417		24 417	62 794		62 794
Asset retirement obligation		25		25	38		38
Deferred tax liabilities	(c)	6 029	(6 029)	-	-		-
Total current liabilities		69 120	(6 029)	63 091	185 061		185 061
Non-current liabilities							
Other payables		2 251		2 251	2 709		2 709
Employee benefits		73		73	69		69
Deferred tax liabilities	(c)	89 978	(77 291)	12 687	77 753	(72 692)	5 061
Interest-bearing loans and borrowings		182 595		182 595	120 880		120 880
Asset retirement obligations	(d)	10 975	1 403	12 378	8 621	1 316	9 937
Total non-current liabilities		285 872	(75 888)	209 984	210 032	(71 376)	138 656
TOTAL LIABILITIES		354 992	(81 917)	273 075	395 093	(71 376)	323 717
SHAREHOLDERS' EQUITY							
Share capital		543 474		543 474	354 915		354 915
Accumulated losses		(12 579)	(148 312)	(160 891)	(57 014)	(148 312)	(205 326)
Contributed surplus		33 677		33 677	32 690		32 690
Accumulated other comprehensive income	(e)	124 182	(107 301)	16 881	62 022	(62 022)	-
TOTAL SHAREHOLDERS' EQUITY		688 754	(255 613)	433 141	392 613	(210 334)	182 279
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1 043 746	(337 530)	706 216	787 706	(281 710)	505 996

3 TRANSITION TO IFRS (continued)

Explanatory notes

(a) Deferred tax assets
All deferred tax assets have been reclassified as non-current in compliance with IFRS.

(b) Carrying value of mining assets
The company elected in accordance with IFRS 1 to adopt the fair value of the Didipio project as the deemed cost and this resulted in an adjustment to the carrying value of the asset of $283 million (including IFRS translation adjustment) at January 1, 2010.

(c) Deferred tax liabilities
Deferred tax liabilities associated with the Didipio project have been adjusted in line with the change in the carrying value of these assets under IFRS. All deferred tax liabilities have been reclassified as non-current in compliance with IFRS.

(d) Asset retirement obligation
Under CGAAP, a credit-adjusted discount rate was used to calculate the net present value of the obligation. IFRS requires a risk-free discount rate to be applied to risk-adjusted cash flows. The adjustment reflects this change.

(e) Translation reserve
On transition to IFRS, the translation reserve was transferred to Accumulated Losses.

(iii) Adjustments to the Statement of Comprehensive Income

The transition from Canadian GAAP to IFRS had no significant impact on the statement of comprehensive income.

(iv) Adjustments to the Statement of Cash Flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the company except that, under IFRS, cash flows relating to interest are classified as operating, investing or financing in a consistent manner each period. Under Canadian GAAP, cash flows relating to interest payments were classified as operating. The company will continue to classify interest receipts and payments as operating cash flows.

4 CRITICAL ESTIMATES AND JUDGEMENTS

For the years ended December 31, 2011 and December 31, 2010

Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Mining assets – deemed cost

The company adjusted the book value of the Didipio project (currently in pre-development) as at January 1, 2010 by $283 million (including IFRS translation adjustment), based on the assessment of the fair value of the project. The fair value has been adopted as the deemed cost of the project in accordance with IFRS 1.

The fair value was based on the estimated discounted cash flows. These calculations used cash flow projections based on project budgets used by management and discounted using pre tax rates adjusted for specific risks in relation to the project.

The recoverability of this balance is dependent on the successful development of the project and generation of expected cash flows on commencement of operations which are affected by future commodity prices, foreign exchange rates and mining costs.

(ii) Capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related tenements itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

4 CRITICAL ESTIMATES AND JUDGEMENTS (continued)

(iii) Capitalised exploration and evaluation expenditure (continued)

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices and foreign exchange rates.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

(iv) *Net realisable value of inventories*

The Company reviews the carrying value of its inventories at each reporting date to ensure that the cost does not exceed net realisable value. Estimates of net realisable value include a number of assumptions, including commodity price forecasts, foreign exchange rates and costs to process inventories to a saleable product.

(v) *Asset retirement obligations*

Decommissioning and restoration costs are a normal consequence of mining, and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision, consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results. These estimates are reviewed annually and adjusted where necessary to ensure that the most up to date data is used.

(vi) *Determination of ore reserves and resources*

Ore reserves and resources are based on information compiled by a Competent Person as defined in accordance with the Australasian Code of Mineral Resources and Ore Reserves (the JORC code) and in accordance with National Instrument 43-101-Standards of Disclosure for Mineral Projects ("NI-41-101") under the guidelines set out by the Canadian Institute of Mining, Metallurgy and Petroleum. There are numerous uncertainties inherent in estimating ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values and provisions for rehabilitation.

(vii) *Taxation*

The company's accounting policy for taxation requires management judgement in relation to the application of income tax legislation. There may be some transactions and calculations undertaken during the ordinary course of business where the ultimate tax determination is uncertain. The company recognises liabilities for tax, and if appropriate taxation investigation or audit issues, based on whether tax will be due and payable. Where the taxation outcome of such matters is different from the amount initially recorded, such difference will impact the current and deferred tax positions in the period in which the assessment is made.

In addition, certain deferred tax assets for deductible temporary differences and carried forward taxation losses have been recognised. In recognising these deferred tax assets, assumptions have been made regarding the company's ability to generate future taxable profits. Utilisation of the tax losses also depends on the ability of the tax consolidated entities to satisfy certain tests at the time the losses are recouped. If the entities fail to satisfy the tests, the carried forward losses that are currently recognised as deferred tax assets would have to be written off to income tax expense. There is an inherent risk and uncertainty in applying these judgements and a possibility that changes in legislation will impact upon the carrying amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet.

5 COST OF SALES BY NATURE OF EXPENSES

	December 31 2011 $'000	December 31 2010 $'000
Cost of sales consists of:		
Materials and consumables costs	117 378	69 250
Employee Benefits Expenses	52 096	31 068
Other direct costs	47 315	50 379
	216 789	150 697

6 INCOME TAX

Major components of income tax expense:

Statement of operations	December 31 2011 $'000	December 31 2010 $'000
Current income tax	-	-
Deferred income tax		
Income tax benefit relating to tax losses utilised/(carried forward)	13 488	(11 104)
Adjustments in respect of deferred income tax of previous years	1 527	627
Origination and reversal of temporary differences	6 010	37 654
Income tax expense reported in statement of comprehensive income	21 025	27 177

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:

	December 31 2011 $'000	December 31 2010 $'000
Accounting earnings before tax from continuing operations	65 192	71 612
At the statutory income tax rate of 26.5% (2010: 28.5%)	17 276	20 409
Adjustments in respect of income tax of previous years	1 527	259
Expenditure not allowable for income tax purposes	1 411	3 481
Tax losses not recognised	483	2 886
Effect of differing tax rates between Canada, Australia and New Zealand	328	142
Income tax expense reported in the statement of comprehensive income	21 025	27 177

The statutory income tax rates in Australia and New Zealand are respectively 30% and 28% (2010: 30% and 28%).

Deferred income tax

Deferred income tax at December 31 relates to the following:

	December 31 2011 $'000	December 31 2010 $'000	January 1 2010 $'000
Deferred income tax assets			
Losses available for offset against future taxable income	57 895	71 383	58 045
Revaluations of derivative instruments to fair value	-	-	26 963
Provisions	9 557	6 363	4 884
Other	1 379	855	3 045
Gross deferred income tax assets	68 831	78 601	92 937
Set-off deferred tax liabilities	(63 003)	(78 601)	(75 247)
Net non-current deferred tax assets	5 828	-	17 690
Deferred income tax liabilities			
Mining assets	(53 191)	(54 012)	(45 086))
Property, plant and equipment	(41 369)	(29 656)	(28 537)
Inventory	(1 831)	(1 422)	(1 264)
Interest Receivable	(61)	(532)	(463)
Accrued Revenue	(2 173)	(2 272)	(1 373)
Convertible notes	(3 394)	(3 394)	(3 394)
Other	-	-	(191)
Gross deferred income tax liabilities	(102 019)	(91 288)	(80 308)
Set-off deferred tax assets	63 003	78 601	75 247
Net non-current deferred tax liabilities	(39 016)	(12 687)	(5 061)

6 INCOME TAX (continued)

Due to uncertainty in utilisation of tax losses in the foreseeable future, a deferred tax asset has not been recognised in respect of tax losses in the Company and its Australian and Philippines subsidiaries, amounting to $39.9m. The ability to use tax losses is subject to generating taxable income in future periods and complying with the tax legislation requirements prevailing at the time of utilisation. During the year, tax losses of $2.5m (2010:nil) were utilised which were not previously recognised as a deferred tax asset.

7 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:

	December 31 2011 $'000	*December 31 2010 $'000*
Numerator:		
Net income attributable to equity holders from continuing operations (used in calculation of basic and diluted earnings per share)	44 167	44 435
Interest on convertible notes	11 454	9 759
Net income attributable to equity holders from continuing operations (used in calculation of diluted earnings per share)	55 621	54 194
	Thousands	*Thousands*
Denominator:		
Weighted average number of common shares (used in calculation of basic earnings per share)	262 434	224 528
Effect of dilution:		
Share options	3 461	5 343
Convertible notes	41 128	41 128
Adjusted weighted average number of common shares (used in calculation of diluted earnings per share)	307 023	270 999
Net income per share:		
- basic and diluted	$0.17	$0.20

For the years to December 31, 2011 and December 31, 2010, the conversion of employee share options and convertible notes were anti-dilutive as they increased earnings per share.

8 TRADE AND OTHER RECEIVABLES

	December 31 2011 $'000	*December 31 2010 $'000*	*January 1 2010 $'000*
Current			
Trade receivables	4 376	6 375	2 889
Interest receivable	200	242	207
Other receivables	2 833	3 778	364
	7 409	10 395	3 460
Non-Current			
Other receivables	2 671	-	-
	2 671	-	-

Other receivables include deposits at bank in support of environmental bonds, deposits set out for rental of properties and carbon tax credits.

9 INVENTORIES

	December 31 2011 $'000	*December 31 2010 $'000*	*January 1 2010 $'000*
Current			
Gold in circuit	10 006	4 171	4 416
Ore – at cost	10 421	9 518	3 289
Maintenance Stores	26 548	21 983	17 610
	46 975	35 672	25 315
Non-Current			
Ore – at cost	48 803	33 667	28 873
Ore – at net realisable value	4 883	6 393	4 260
	53 686	40 060	33 133
Total inventories	100 661	75 732	58 448

During the year, ore inventories were written down by $3.3m (2010:$0.8m reversal of write-down).

10 PROPERTY, PLANT AND EQUIPMENT

	Year ended December 31, 2011				
	Land	**Buildings**	**Plant and equipment**	**Rehabilitation**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***
Net book value					
At January 1, 2011:					
Cost	7 075	7 934	275 815	10 016	300 840
Accumulated depreciation	-	(3 580)	(166 711)	(5 160)	(175 451)
January 1, 2011	7 075	4 354	109 104	4 856	125 389
Movement for the year:					
Additions	2 814	449	54 138	7 819	65 220
Disposals/ transfers	-	-	(11 805)	-	(11 805)
Depreciation for the year	-	(408)	(26 405)	(1 675)	(28 488)
Exchange differences	(175)	(8)	(2 382)	1 442	(1 123)
At December 31, 2011	9 714	4 387	122 650	12 442	149 193
At December 31, 2011:					
Cost	9 714	8 349	314 031	19 208	351 302
Accumulated depreciation	-	(3 962)	(191 381)	(6 766)	(202 109)
	9 714	4 387	122 650	12 442	149 193

	Year ended December 31, 2010				
	Land	**Buildings**	**Plant and equipment**	**Rehabilitation**	**Total**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***
Net book value					
At January 1, 2010:					
Cost	5 868	7 109	238 235	8 108	259 320
Accumulated depreciation	-	(2 957)	(133 371)	(3 787)	(140 115)
January 1, 2010	5 868	4 152	104 864	4 321	119 205
Movement for the year:					
Additions	721	238	24 355	1 110	26 424
Disposals	-	-	(5 362)	-	(5 362)
Depreciation for the year	-	(358)	(22 522)	(994)	(23 874)
Exchange differences	486	322	7 769	419	8 996
At December 31, 2010	7 075	4 354	109 104	4 856	125 389
At December 31, 2010:					
Cost	7 075	7 934	275 815	10 016	300 840
Accumulated depreciation	-	(3 580)	(166 711)	(5 160)	(175 451)
	7 075	4 354	109 104	4 856	125 389

Plant and equipment includes assets under capital lease net of accumulated depreciation of $57.8m (2010: $39.6M). 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, 2011 (2010: nil).

11 MINING ASSETS

	Year ended December 31, 2011			
	Exploration and evaluation phase *$'000*	Development phase *$'000*	In production *$'000*	Total *$'000*
Net book value				
At January 1, 2011:				
Cost	11 128	113 365	404 412	528 905
Accumulated Amortisation	-	-	(216 786)	(216 786)
January 1, 2011	11 128	113 365	187 626	312 119
Movement for the year:				
Additions/ Transfers	2 477	69 505	63 747	135 729
Disposals / Write- Off	(166)	-	-	(166)
Amortisation for the year	-	-	(67 787)	(67 787)
Exchange differences	(33)	92	(177)	(118)
At December 31, 2011	13 406	182 962	183 409	379 777
At December 31, 2011:				
Cost	13 406	182 962	465 307	661 675
Accumulated amortisation	-	-	(281 898)	(281 898)
	13 406	182 962	183 409	379 777

Borrowing costs
There are no borrowing costs capitalised into the cost of assets held on the balance sheet at December 31, 2011 (2010: nil).

	Year ended December 31, 2010			
	Exploration and evaluation phase *$'000*	Development phase *$'000*	In production *$'000*	Total *$'000*
Net book value				
At January 1, 2010:				
Cost	10 284	105 154	294 792	410 230
Accumulated depreciation	-	-	(146 717)	(146 717)
January 1, 2010	10 284	105 154	148 075	263 513
Movement for the year:				
Additions/ Transfers	459	8 139	79 908	88 506
Disposals	-	-	(41)	(41)
Depreciation for the year	-	-	(53 717)	(53 717)
Exchange differences	385	72	13 401	13 858
At December 31, 2010	11 128	113 365	187 626	312 119
At December 31, 2010:				
Cost	11 128	113 365	404 412	528 905
Accumulated depreciation	-	-	(216 786)	(216 786)
	11 128	113 365	187 626	312 119

12 ASSET RETIREMENT OBLIGATIONS

	December 31 2011 $'000	*December 31 2010 $'000*
Current		
Rehabilitation	-	25
Movement:		
At January 1	25	38
Utilised	(25)	(17)
Exchange adjustment	-	4
At December 31	-	25
Non-Current		
Rehabilitation	21 175	12 378
Movement:		
At January 1	12 378	9 937
Arising during the year	7 819	1 255
Accretion	1 083	783
Utilised	(56)	(417)
Exchange adjustment	(49)	820
At December 31	21 175	12 378

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 present value of estimated future costs, assuming a risk free discount rate of 5.64% (2010: 5.70%; 2009:4.60%). The liability for retirement and remediation on an undiscounted basis is estimated to be approximately $26.3m.

13 INTEREST-BEARING LOANS AND BORROWINGS

	Effective interest rate %	*Maturity*	*December 31 2011 $'000*	*December 31 2010 $'000*	*January 1 2010 $'000*
Current					
Capital leases	6.62%	(note 22)	15 241	23 933	9 354
5.75% Convertible notes (A$53m)	9.16%	12/22/2012	56 897	-	48 735
Other Loans	2.35%	31/05/2012	537	484	4 705
			72 675	24 417	62 794
Non-current					
Capital leases	6.62%	(note 22)	45 968	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	75 567	73 431	63 006
7.00% Convertible notes (A$30m)	10.64%	12/22/2013	31 613	31 471	27 002
			153 148	182 595	120 880

5.75% Convertible notes (Unsecured)
The notes bear interest at 5.75% per annum payable semi-annually in arrears. The 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. 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.

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 May 2012 to November 2016, and bear interest rates ranging from 3.75% to 8.17%. Refer to note 22(b) for the related lease commitments.

Assets Pledged

All the assets of the Company's New Zealand operating subsidiary Oceana Gold (New Zealand) Limited are pledged as security to a consortium of banks.

14 SHARE CAPITAL

Movement in common shares on issue

	December 31 2011 '000	*December 31 2011 $'000*	*December 31 2010 '000*	*December 31 2010 $'000*
Balance at the beginning of the period	262 063	543 474	185 880	354 915
Shares issued	-	-	75 114	198 215
Options exercised	580	642	1 069	3 182
Share issue costs	-	(128)	-	(11 173)
Tax effect of share issue costs recognised/ (derecognised)	-	-	-	(1 665)
Balance at the end of the period	262 643	543 988	262 063	543 474

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).

15 CONTRIBUTED SURPLUS

Contributed surplus	*December 31 2011 $'000*	*December 31 2010 $'000*	*January 1 2010 $'000*
Employee stock based compensation	6 908	3 634	2 647
Shareholder options (lapsed on January 1, 2009)	18 083	18 083	18 083
Equity portion of Convertible notes	11 960	11 960	11 960
	36 951	33 677	32 690

16 SEGMENT INFORMATION

The company's operations are managed on a regional basis. The two reportable segments are New Zealand and the Philippines. The business segments presented reflect the management structure of the company and the way in which the company's management reviews business performance.

	New Zealand $'000	Philippines $'000	Corporate $'000	Elimination $'000	Total $'000
Year Ended December 31, 2011					
Revenue					
Sales to external customers	395 609	-	-	-	395 609
Inter segment management and gold handling fees	-	-	7 626	(7 626)	-
Total Segment Revenue	395 609	-	7 626	(7 626)	395 609
Result					
Segment result excluding depreciation and amortisation	176 385	(201)	(12 261)	-	163 923
Depreciation and Amortisation	(85 699)	(94)	(29)	-	(85 822)
Inter segment management and gold handling fees	(7 626)	-	7 626	-	-
Total segment result before interest and tax	83 060	(295)	(4 664)	-	78 101
Income tax (expense)	(21 640)	-	615	-	(21 025)
Total segment result	61 420	(295)	(4 049)	-	57 076
Net Interest expense					(12 909)
Net earnings for the year					44 167
Assets					
Additions to Property, Plant, Equipment and Mining Assets	117 885	70 994	265	-	189 144
Total Segment assets	544 763	205 988	66 884	-	817 635

16 SEGMENT INFORMATION (continued)

	New Zealand	Philippines	Corporate	Elimination	Total
	$'000	$'000	$'000	$'000	$'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 and depreciation and amortisation	152 807	(561)	(12 731)	-	139 515
Depreciation and Amortisation	(69 163)	(115)	(59)	-	(69 337)
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
Interest expense					(14 781)
Net earnings for the year					44 435
Assets					
Additions to Property, Plant, Equipment and Mining Assets	103 987	6 480	4 463	-	114 930
Total Segment assets	466 898	116 190	123 128	-	706 216
At January 1, 2010					
Total Segment assets	372 176	111 199	22 621	-	505 996

Income derived in the New Zealand segment is from the sale of gold.

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, 2011		*December 31, 2010*	
	No.	**WAEP**	**No.**	**WAEP**
Outstanding at the start of the period	5 645 153	A$1.92	5 637 259	A$1.45
Granted	3 500 380	A$2.61	2 213 999	A$2.82
Forfeited	(1 160 997)	A$1.88	(1 137 219)	A$1.27
Exercised	(579 996)	A$0.32	(1 068 886)	A$1.97
Balance at the end of the period	**7 404 540**	**A$2.38**	**5 645 153**	**A$1.92**
Exercisable at the end of the period	**2 367 790**	**A$2.36**	**1 204 847**	**A$2.54**

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 life of 4.49 years.

At December 31, 2011, $3.5m remains to be expensed over the life of the options.

17 STOCK-BASED COMPENSATION (continued)

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
31/12/2010	0%	53.21%	5.32%	4.0	3.6472	3.65	1.7073
31/12/2010	0%	53.21%	5.36%	4.5	3.6472	3.65	1.8068
31/12/2010	0%	53.21%	5.40%	5.0	3.6472	3.65	1.9007
14/02/2011	0%	48.32%	5.36%	4.0	2.68	2.59	1.1052
14/02/2011	0%	48.32%	5.42%	4.5	2.68	2.59	1.1758
14/02/2011	0%	48.32%	5.48%	5.0	2.68	2.59	1.2430
14/02/2011	0%	48.32%	5.32%	3.5	2.68	2.59	1.0290
14/02/2011	0%	48.32%	5.42%	4.5	2.68	2.59	1.1758
14/02/2011	0%	48.32%	5.51%	5.5	2.68	2.59	1.3043
27/04/2011	0%	47.68%	5.25%	4.0	2.85	2.64	1.0764
27/04/2011	0%	47.68%	5.30%	4.5	2.85	2.64	1.1493
27/04/2011	0%	47.68%	5.36%	5.0	2.85	2.64	1.2176
27/04/2011	0%	47.68%	5.21%	3.5	2.85	2.64	0.9984
27/04/2011	0%	47.68%	5.37%	5.5	2.85	2.64	1.2803
10/06/2011	0%	44.38%	4.88%	3.5	2.50	2.32	0.8208
10/06/2011	0%	44.38%	4.95%	4.5	2.50	2.32	0.9476
10/06/2011	0%	44.38%	5.04%	5.5	2.50	2.32	1.0597
10/06/2011	0%	44.38%	4.91%	4.0	2.50	2.32	0.8800
10/06/2011	0%	44.38%	5.00%	5.0	2.50	2.32	1.0055
25/08/2011	0%	49.00%	3.92%	4.0	2.13	2.15	0.9189
25/08/2011	0%	49.00%	3.99%	4.5	2.13	2.15	0.9746
25/08/2011	0%	49.00%	4.05%	5.0	2.13	2.15	1.0263
25/08/2011	0%	49.00%	3.88%	3.5	2.13	2.15	0.8608
25/08/2011	0%	49.00%	4.12%	5.5	2.13	2.15	1.0757

(b) Employee share acquisition plan

Under the OceanaGold Corporation Employee Share Acquisition Plan (the "Plan"), the Company offers eligible 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]
2010	244,397	18,958	A$55,325	63,363	A$153,130	-	199,992	A$729,971
2011	199,992	21,827	A$53,098	22,495	A$54,818	-	199,324	A$416,587

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

Leave entitlements liability

	December 31 2011 $'000	*December 31 2010 $'000*
Aggregate employee benefit liability is comprised of:		
Employee benefits provision - current	5 382	4 208
Employee benefits provision - non-current	187	73
	5 569	4 281

Employee Benefits Provision - Current

	December 31 2011 $'000	*December 31 2010 $'000*
Balance at beginning	4 208	2 358
Arising during the year	5 301	3 155
Utilised	(4 096)	(1 625)
Exchange rate adjustment	(31)	320
Closing Balance	5 382	4 208

Employee Benefits Provision - Non-Current

	December 31 2011 $'000	*December 31 2010 $'000*
Balance at beginning	73	69
Arising during the year	114	4
Utilised	-	-
Exchange rate adjustment	-	-
Closing Balance	187	73

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 is 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.

19 FINANCIAL INSTRUMENTS (continued)

(b) Gold Price and Foreign Exchange Risk

At December 31, 2011, no hedge facility was in place, and there were no outstanding derivative liabilities (2010: nil).

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.

Foreign exchange risk is managed by holding cash and cash equivalents in different currencies in line with the anticipated requirements of the business and achieving the diversified holding mainly through selling gold in the currencies needed.

Sensitivities

At December 31, 2011 if the US dollar had depreciated / appreciated by 10% with all other variables remaining constant, the effect on the after tax profit will be $3.4m (2010: $4.2m) lower/higher due to exchange losses on US dollar cash and cash equivalents. The impact on other equity is nil for both 2011 and 2010.

(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's 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, 2011 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 $1.1m (2010:$0.9m) higher/lower, as a result of higher/lower interest income from cash and cash equivalents and higher/lower interest expense from capital leases. The impact on other equity is nil for both 2011 and 2010.

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, 2011	*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								
Trade payables	45 566	-	-	-	-	-	45 566	-
Insurance loan	537	-	-	-	-	-	537	2.35%
Capital Leases	14 154	13 387	11 152	9 227	6 642	-	54 562	6.64%
Convertible Notes	56 897	107 179	-	-	-	-	164 076	9.89%
	117 154	120 566	11 152	9 227	6 642	-	264 741	
Floating rate								
Financial Assets								
Cash and cash equivalents	169 989	-	-	-	-	-	169 989	3.05%
Trade and Other receivables	7 409	2 671	-	-	-	-	10 080	-
	177 398	2 671	-	-	-	-	180 069	
Financial Liabilities								
Capital Leases	4 098	3 912	3 729	2 061	99	-	13 899	6.64%
	4 098	3 912	3 729	2 061	99	-	13 899	

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								
Trade payables	34 441	-	-	-	-	-	34 441	-
Insurance loan	484	-	-	-	-	-	484	3.00%
Convertible Notes	-	55 163	104 902	-	-	-	160 065	9.89%
	34 925	55 163	104 902	-	-	-	194 990	
Floating rate								
Financial Assets								
Cash and cash equivalents	181 328	-	-	-	-	-	181 328	3.77%
Trade and Other receivables	10 395	-	-	-	-	-	10 395	-
	191 723	-	-	-	-	-	191 723	
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	

(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.

At December 31, 2011, the consolidated group's cash was mainly held with four major banks with the largest exposure being 69% with one bank with which the consolidated group does its transactional banking. All financial assets were not deemed overdue or impaired.

(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, 2011		**Interest rate risk**				**Foreign exchange risk**			
		-100 bps		**+100 bps**		**-10%**		**+10%**	
	Carrying amount $'000	Profit/ (Loss) $'000	Other equity $'000	Profit/ (Loss) $'000	Other equity $'000	Profit/ (Loss) $'000	Other equity $'000	Profit/ (Loss) $'000	Other equity $'000
Financial assets									
Cash and cash equivalents	169 989	(1 700)	-	1 700	-	3 377	-	(3 377)	-
Other assets	10 080	-	-	-	-	-	-	-	-
Financial Liabilities									
Capital Leases	61 209	123	-	(123)	-	-	-	-	-
Other liabilities	212 425	-	-	-	-	-	-	-	-
Total increase/(decrease)		**(1 577)**	**-**	**1 577**	**-**	**3 377**	**-**	**(3 377)**	**-**

December 31, 2010		**Interest rate risk**				**Foreign exchange risk**			
		-100 bps		**+100 bps**		**-10%**		**+10%**	
	Carrying amount $'000	Profit/ (Loss) $'000	Other equity $'000	Profit/ (Loss) $'000	Other equity $'000	Profit/ (Loss) $'000	Other equity $'000	Profit/ (Loss) $'000	Other equity $'000
Financial assets									
Cash and cash equivalents	181 328	(1 813)	-	1 813	-	4 204	-	(4 204)	-
Other assets	10 395	-	-	-	-	-	-	-	-
Financial Liabilities									
Capital Leases	46 463	464	-	(464)	-	-	-	-	-
Other liabilities	197 242	-	-	-	-	-	-	-	-
Total increase/(decrease)		**(1 349)**	**-**	**1 349**	**-**	**4 204**	**-**	**(4 204)**	**-**

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-equity ratio. The components and calculation of this ratio is shown below.

	December 31 2011 $'000	*December 31 2010 $'000*
Total Debt (as shown in the statement of financial position)*	225 823	207 012
Less: Cash and cash equivalents	(169 989)	(181 328)
Net Debt	55 834	25 684
Total Equity (as shown in the statement of financial position)	478 240	433 141
Debt to equity ratio	0.12	0.06

* Interest bearing liabilities

The change in the debt-to-equity ratio results principally from a lower cash balance, increased lease financing 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, 2011 and 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*	
	December 31 2011 $'000	*December 31 2010 $'000*	*December 31 2011 $'000*	*December 31 2010 $'000*
Financial assets				
Cash and cash equivalents	169 989	181 328	169 989	181 328
Loans and Receivables				
Trade and other receivables	10 080	10 395	8 331	10 395
Financial liabilities				
Trade payables	47 812	36 692	47 812	36 692
Capital leases	61 209	46 463	61 209	46 463
Convertible notes	164 076	160 065	165 468	161 234
Insurance premium loan	537	484	537	484

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

(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)

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

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 short term maturities.

Other than cash and cash equivalents, none of the other financial assets and liabilities are readily traded on organized markets in a standardised form, and would be considered Level 2 for the purposes of classification.

(b) Unrecognised Financial Instruments

There are no unrecognised financial instruments held by the Group at December 31, 2011 (2010: nil).

(c) Financial Instruments –IFRS Opening Statement of Financial Position – January 01, 2010

At January 01, 2010, the Group had outstanding derivative hedge liabilities of $89.9m, consisting of gold call options and gold forward sales contracts. These derivatives did not qualify for hedge accounting. On March 31, 2010, the Group closed out all the hedges.

22 COMMITMENTS

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

	December 31 2011 $'000	*December 31 2010 $,000*
Within 1 year	5 034	4 605
Within 1 to 2 years	4 342	4 179
Within 2 to 3 years	2 870	3 761
Within 3 to 4 years	290	2 425
Within 4 to 5 years	70	149
More than five years	-	4
	12 606	15 123

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:

	December 31 2011 $'000	*December 31 2010 $'000*
Within 1 year	18 252	25 799
Within 1 to 2 years	17 299	7 606
Within 2 to 3 years	14 881	6 627
Within 3 to 4 years	11 288	6 310
Within 4 to 5 years	6 741	3 808
More than five years	-	1 308
	68 461	51 458
Future finance charges	(7 252)	(4 995)
Present value of minimum lease payments	61 209	46 463
Reconciled to:		
Current interest bearing liability (Note 12)	15 240	23 933
Non-Current interest bearing liability (Note 12)	45 969	22 530
Total	61 209	46 463

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 2012. These royalties represent 3% to 4% of gold sales and were $13.1m in 2011 (2010: $11.5m).

(d) Capital commitments

At December 31, 2011, the consolidated entity has commitments of $40.8m (2010: $9.7m), principally relating to the purchase of property, plant and equipment and the development of mining assets.

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

	December 31 2011 $'000	*December 31 2010 $'000*
Within one year:		
- purchase of property, plant and equipment	3 333	9 710
- development of mining assets	37 465	-
	40 798	9 710

The consolidated entity is committed to annual expenditure of approximately $0.3m (2010: $0.3m) to comply with regulatory conditions attached to its New Zealand prospecting, exploration and mining permits.

23 RELATED PARTIES

There are no related party transactions other than those with key management personnel as noted below.

(a) Compensation of Key Management

Key management includes directors (executive and non-executive) and some members of the Executive Committee. The compensation paid or payable to key management for employee services is shown below:

	Year ended	
	December 31, 2011	December 31, 2010
	$'000	$'000
Salaries and short-term employee benefits	3 584	2 235
Post-employment benefits	108	99
Share-based payments	2 126	1 370
Termination benefits	-	320
Total	5 818	4 024

(b) Loans to key management personnel

There are no loans to key management personnel during the year (December 2010: Nil).

(c) Other transactions with key management personnel

There are no other transactions with key management personnel during the year (December 2010: Nil).

24 NON CASH INVESTING AND FINANCING ACTIVITIES

	Year ended	
	December 31, 2011	December 31, 2010
	$'000	$'000
Acquisition of plant and equipment by means of finance leases	30 809	13 438

25 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 $21.3 million (2010: $17.2million).

b. The consolidated entity has provided a cash operating bond to the New Zealand Department of Conservation of $0.3 million (2010: $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, 2011 the outstanding rental obligations under the capital lease are $61.2 million (2010: $33.3 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.

26 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.