



OCEANAGOLD CORPORATION

FINANCIAL REPORT
DECEMBER 31, 2012

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The financial statements were authorised for issue by the directors on February 14, 2013. The directors have the power to amend and reissue the financial statements.

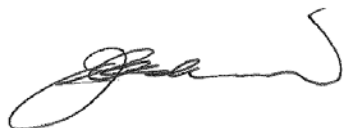
Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of OceanaGold Corporation were prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") which are incorporated in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). 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 recognizes 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 14, 2013



J. Denham Shale
Director
Melbourne, Australia
February 14, 2013



To the Shareholders of OceanaGold Corporation

We have audited the accompanying consolidated financial statements of OceanaGold and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011 and the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, 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 controls 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 audits. We have conducted our audits 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 controls 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 controls. 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 audits 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, 2012 and December 31, 2011 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

A stylized, handwritten-style signature of 'PricewaterhouseCoopers' in black ink.

PricewaterhouseCoopers
Chartered Accountants

February 14, 2013
Melbourne

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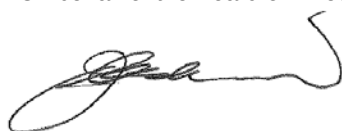
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

<i>(in United States dollars)</i>	<i>Notes</i>	<i>December 31 2012 \$'000</i>	<i>December 31 2011 \$'000</i>
ASSETS			
Current assets			
Cash and cash equivalents		96 502	169 989
Trade and other receivables	7	15 209	7 409
Derivatives and other financial assets	8	4 404	-
Inventories	9	65 866	46 975
Prepayments		3 797	2 107
Total current assets		185 778	226 480
Non-current assets			
Trade and other receivables	7	17 961	2 671
Derivatives and other financial assets	8	6 328	-
Inventories	9	49 176	53 686
Deferred tax assets	5	5 268	5 828
Property, plant and equipment	10	159 657	149 193
Mining assets	11	607 488	379 777
Total non-current assets		845 878	591 155
TOTAL ASSETS		1 031 656	817 635
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables		62 119	45 566
Employee benefits	20	6 971	5 382
Derivatives and other financial liabilities	13	151	-
Interest-bearing loans and borrowings	14	130 172	72 675
Total current liabilities		199 413	123 623
Non-current liabilities			
Other obligations		2 301	2 246
Employee benefits	20	504	187
Deferred tax liabilities	5	52 132	39 016
Interest-bearing loans and borrowings	14	136 694	153 148
Asset retirement obligations	12	30 752	21 175
Total non-current liabilities		222 383	215 772
TOTAL LIABILITIES		421 796	339 395
SHAREHOLDERS' EQUITY			
Share Capital	15	636 189	543 988
Accumulated losses		(96 054)	(116 726)
Contributed surplus	16	38 418	36 951
Other reserves	17	31 307	14 027
TOTAL SHAREHOLDERS' EQUITY		609 860	478 240
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1 031 656	817 635

On behalf of the Board of Directors:



James E. Askew
Director
February 14, 2013



J. Denham Shale
Director
February 14, 2013

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

<i>(in United States dollars)</i>	<i>Notes</i>	<i>2012 \$'000</i>	<i>2011 \$'000</i>
Revenue			
Gold sales		385 448	395 609
Cost of sales, excluding depreciation and amortization	4	(226 039)	(216 789)
Depreciation and amortization		(91 376)	(85 822)
General and administration expenses		(14 911)	(14 537)
Operating profit		53 122	78 461
Other expenses			
Interest expense and finance costs		(24 145)	(20 029)
Foreign exchange gain/(loss)		(961)	320
Gain/(loss) on disposal of property, plant and equipment		(552)	(697)
Write off deferred exploration expenditure		-	(166)
Total Other expenses		(25 658)	(20 572)
Gain/(loss) on fair value of undesignated hedges		503	-
Interest income		2 635	7 120
Other income/(expense)		1 647	183
Profit before income tax		32 249	65 192
Income tax expense	5	(11 577)	(21 025)
Net Profit		20 672	44 167
Other comprehensive income, net of tax:			
Net change in fair value of available-for-sale assets		(836)	-
Currency translation gain/(loss)		18 116	(2 856)
Total other comprehensive income (net of tax)		17 280	(2 856)
Comprehensive income attributable to shareholders		37 952	41 311
Net earnings per share:			
- basic and diluted	6	\$0.08	\$0.17

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

<i>(in United States dollars)</i>	<i>Share Capital \$'000</i>	<i>Contributed Surplus \$'000</i>	<i>Other Reserves \$'000</i>	<i>Accumulated Losses \$'000</i>	<i>Total Equity \$'000</i>
Balance at January 1, 2012	543 988	36 951	14 027	(116 726)	478 240
Comprehensive income/(loss) for the period	-	-	17 280	20 672	37 952
Employee share options:					
Share based payments	-	2 935	-	-	2 935
Forfeiture of options	-	(277)	-	-	(277)
Exercise of options	1 860	(1 191)	-	-	669
Issue of shares (net of costs)	90 341	-	-	-	90 341
Balance at December 31, 2012	636 189	38 418	31 307	(96 054)	609 860
Balance at January 1, 2011	543 474	33 677	16 883	(160 893)	433 141
Comprehensive income/(loss) 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 (net of costs)	(128)	-	-	-	(128)
Balance at December 31, 2011	543 988	36 951	14 027	(116 726)	478 240

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

<i>(in United States dollars)</i>	2012	2011
	\$'000	\$'000
Operating activities		
Net profit/(loss)	20 672	44 167
<i>Charges/(credits) not affecting cash</i>		
Depreciation and amortization expense	91 376	85 822
Net (gain)/loss on disposal of property, plant & equipment	552	863
Non-cash interest charges	5 527	4 482
Accrued interest income	(25)	(200)
Unrealized foreign exchange (gains)/losses	961	(320)
Stock based compensation charge	2 658	3 717
Gain/(loss) on fair value of undesignated hedges	(503)	-
Non-cash transaction costs	451	-
Future tax expense/(benefit)	11 577	21 025
<i>Changes in non-cash working capital</i>		
(Increase)/decrease in trade and other receivables	(25 485)	1 003
(Increase)/decrease in inventory	(5 510)	(18 240)
(Decrease)/increase in accounts payable	9 759	-
(Decrease)/increase in other working capital	3 243	12 236
Net cash provided by/(used in) operating activities	115 253	154 555
Investing activities		
Payment for investments	(4 286)	-
Proceeds from sale of property, plant and equipment	4	37
Payments for property, plant and equipment	(20 990)	(25 138)
Payments for mining assets: exploration and evaluation	(7 992)	(2 477)
Payments for mining assets: development	(182 010)	(69 505)
Payments for mining assets: in production	(79 274)	(49 512)
Net cash used in investing activities	(294 548)	(146 595)
Financing activities		
Proceeds from issue of shares	95 426	199
Payment of transaction costs/fees for loans	(6 749)	-
Payments for equity raising costs	(4 415)	(128)
Repayment of finance lease liabilities	(17 325)	(16 298)
Proceeds from settlement of derivatives/(payment) of premium	12	-
(Repayments) of borrowings	(61 352)	(1 159)
Proceeds from borrowings	103 322	1 276
Net cash (used in)/provided by financing activities	108 919	(16 110)
Effect of exchange rate changes on cash held in foreign currencies gain/(loss)	(3 111)	(3 190)
Net increase/(decrease) in cash and cash equivalents	(73 487)	(11 339)
Cash and cash equivalents at beginning of period	169 989	181 328
Cash and cash equivalents at end of period	96 502	169 989
Cash interest paid	(17 090)	(15 546)
Cash interest received	2 610	7 162

Non-Cash Investing and Financing Activities – refer Note 26

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

1 BASIS OF PREPARATION

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 prepares its financial statements in accordance with IFRS as issued by the IASB which are incorporated in the CICA Handbook. The consolidated financial statements of the Company, as at and for the year ended 31 December 2012, comprise of the Company (in its capacity of ultimate parent) and its subsidiaries (together referred to as the "Group"). These financial statements have been prepared under the historic cost convention, as modified by the revaluation of available-for-sale debt instruments; and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The Group 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.

For the year ended December 31, 2012, the Group reported a profit after tax of \$20.7m (2011: \$44.2m). As at December 31, 2012 the current liabilities of the Group exceeded current assets by \$13.6m (2011: (102.9m)), after including as current liabilities, convertible note repayments due in December 2013. However, a US\$ banking facility, secured from a group of reputable multinational banks, is available and may be used for the repayment of these current convertible notes (refer to note 14). The Group has cash on hand of \$96.5m (2011:\$170.0m) and cash flow projections indicate sufficient funds to meet all operating obligations for at least 12 months. The financial statements have hence been prepared on a going concern basis.

2 SIGNIFICANT ACCOUNTING POLICIES

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

New accounting policies***Stock-based compensation******Performance Share Rights Plan ("PSRP")***

The Group has introduced a new plan which provides benefits to such directors and employees ("participants") of the Group as designated by the Board of Directors, in the form of share-based compensation, whereby the designated participants render services and are compensated in part through grants of rights over shares ("equity settled transactions").

The cost of these equity-settled transactions with participants is measured by reference to the fair value of the compensation at the date at which they are granted. The fair value is determined by an external valuer using Monte Carlo simulation (using the Black-Scholes framework) to model the Company's future security price and Total Shareholder Return ("TSR") performance against the comparator group at vesting date.

The cost of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period between the grant date and the date on which the relevant participants become fully entitled to the award ("vesting date").

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

- (a) the extent to which the vesting period has expired, and
- (b) the number of awards that, in the opinion of the directors of the Group, may ultimately vest.

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

Interests in jointly controlled operations

Where the Group's activities are conducted through unincorporated joint ventures that are jointly controlled operations, its proportionate share of the assets, liabilities, production and related operating costs are included in the financial statements.

Interests in jointly controlled assets

Where the Group's activities are conducted through unincorporated joint ventures that are jointly controlled assets, its proportionate share of the assets, liabilities, production and related operating costs are included in the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)***Non-derivative financial assets******Available-for-sale financial assets***

Available-for-sale assets are non-derivative financial assets that are designated as available for sale or are not classified as: Financial assets at fair value through profit or loss; Held-to-maturity financial assets; Loans and receivables; or Cash and cash equivalents. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the available-for-sale equity reserve (which forms part of other reserves). When an investment is derecognized, the cumulative gain or loss in equity is reclassified to profit or loss.

Existing accounting policies***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 ("AUD"). The controlled entities of OceanaGold have either US dollars, Australian dollars, New Zealand dollars ("NZ\$"), Philippines pesos ("PHP") 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 recognized 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 recognized 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 recognized in the statement of income.

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 recognized in the period in which the changes occur to the extent that they are not errors. Critical estimates and judgements are set out in note 3.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position 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 amortized 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 nominal amount originally agreed.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)***Inventories******Bullion and Ore***

Inventories are valued at the lower of weighted average cost and net realisable value. Costs include mining and production costs as well as 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 recognized 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 derecognized when replaced. All other repairs and maintenance costs 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 asset's residual values, useful lives and amortization methods are reviewed and adjusted if appropriate, at each financial year end.

An item of property, plant and equipment is derecognized 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 derecognized.

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 amortization in respect of each identifiable area of interest. Amortization of capitalized 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)*Mining Properties under Development*

Mining properties under development are accounted for at cost and are not amortized until production has commenced. Cost includes expenditure that is directly attributable to the development of mining properties and preparing them for production. Mining properties under development also include some tangible assets which will be reclassified to property, plant and equipment upon completion of the construction project.

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 amortized (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 recognized 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 Group 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 recognized 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 recognized 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 comprehensive 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 recognized as an interest expense.

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 recognized 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 amortization 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 amortization 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 capitalized 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 recognized 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)***Interest-bearing loans and borrowings***

All loans and borrowings are initially recognized 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 amortized 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 statement of financial position 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 recognized 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 recognized at fair value as a liability in the statement of financial position, 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 amortized cost basis, until extinguished on conversion or by repayment of debt. The increase in the liability due to the passage of time is recognized as a finance cost in the profit or loss.

The remainder of the proceeds is allocated to the conversion option that is recognized 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 recognized 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 recognized.

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 recognized 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 recognized as an expense in the statement of income as they become payable.

Share based compensation

The Group 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').

During the year there were three 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 recognized, 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 recognized for equity-settled transactions at each reporting date until vesting date reflects:

- (a) the extent to which the vesting period has expired, and
- (b) the number of awards that, in the opinion of the directors of the Group, will ultimately vest.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognized as an operational expense. The value is measured by the Group's contribution to the ESAP which matches the employee's contribution dollar for dollar. This plan ceased to operate from October 2012.

(iii) Performance Share Rights Plans ("PSRP"), which provides benefits to the directors and employees.

Refer to discussion under "New accounting policies" on page 7.

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 Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized 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 recognized in the statement of operations.

Capitalized 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 recognized 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 capitalized and amortized over the lease term.

Derivative financial instruments and hedge accounting

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

Derivative financial instruments are initially recognized in the Statement of Financial Position at fair value and subsequently re-measured at their fair values at each reporting date.

The fair value of gold hedging instruments including forwards, put and 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 recognized 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 recognized asset or liability or a forecasted transaction.

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

At the inception of the transaction, the Group 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 recognized in accumulated other comprehensive income. The ineffective portion is recognized 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 recognized when the committed or forecast production is ultimately recognized 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

When the hedged commitment results in the recognition of an asset or a liability, the associated gains or losses, previously recognized 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 recognized in the income statement.

Revenue

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

Bullion Sales

Revenue from sales of gold and silver is recognized 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 Group;
- 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 Group (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 Group; and
- The costs incurred or to be incurred in respect of the transaction are determinable.

Interest Income

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

Borrowing costs

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

Income tax

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)***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 amortized over the reserve in the betterment accessed by the stripping activity using the units of production method.

Sales taxes

Revenues, expenses and assets are recognized 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 recognized 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 statement of financial position.

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.

Consolidation

The financial statements of the Group 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

The following accounting policies are effective for future periods:

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: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized 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. This standard is effective for years beginning on/after January 1, 2015. The Group has not assessed the impact of this new standard.

IFRS 9 – Financial instruments – classification and measurement

This standard has been updated to include guidance on financial liabilities and de-recognition of financial instruments. This standard is effective for years beginning on/after January 1, 2015. The Group 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. This standard is effective for years beginning on/after July 1, 2012.

IAS 19 – Employee benefits

This standard has been amended for (i) changes to recognition and measurement of defined benefit pension expense and termination benefits, and (ii) expanded disclosure. This standard is effective for years beginning on/after January 1, 2013. The Group is assessing the impact of this amendment. However, the impact is not expected to be material.

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. This standard is effective for years beginning on/after January 1, 2013. Not expected to have a material effect on the Group.

New standards addressing scope of reporting entity

- **IFRS 10 – Consolidated Financial Statements:** This standard replaces the guidance on control and consolidation in IAS 27 - *Consolidated and Separate Financial Statements* and SIC-12 - Consolidation – Special Purpose Entities. The changes to the definition of control will result in the same criteria being applied to all entities when determining control.
- **IAS 27– Consolidated and Separate Financial Statements:** This standard is being renamed “Separate Financial Statements” and deals solely with separate financial statements, the guidance for which remains unchanged.
- **SIC 12 – Consolidation – Special Purpose Entities:** The guidance on control and consolidation will be covered in IFRS 10 - *Consolidated Financial Statements*.
- **IFRS 11 – Joint Arrangements:** This standard reduces the types of joint arrangements to two: joint ventures and joint operations. It requires the use of equity accounting for interests in joint ventures, eliminating the existing policy choice of proportionate consolidation for jointly controlled entities under IAS 31. Entities that participate in joint operations will follow accounting much like that for jointly controlled assets and jointly controlled operations under IAS 31 - *Interests in Joint Ventures*.
- **IFRS 12 – Disclosure of Interests in Other Entities:** This standard sets out the disclosure requirements for entities reporting under IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28 - *Investments in Associates*.

These standards are effective for years beginning on/after January 1, 2013 and are not expected to have a material effect on the Group.

IFRIC 20 - “Stripping costs in the production phase of a surface mine”

This provides guidance on the accounting for overburden (pre-strip) in the production phase. Costs can only be recognized as an asset if they can be attributed to an identifiable component of the ore body. This standard is effective January 1, 2013. The Group is looking at any possible fine tuning / simplification of its current estimation methodology in line with the guidance. The Group is assessing the impact of this amendment. However, the impact is not expected to be material.

IFRS 7 - “Financial instruments” – disclosures

This standard has been amended to enhance disclosure requirements relating to offsetting of financial assets and financial liabilities. This standard is 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 Group.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)*IAS 32 - "Financial instruments" – presentation*

This standard has been amended to clarify requirements for offsetting of financial assets and financial liabilities. This standard is effective for annual periods beginning on/after January 1, 2014. It is not expected to affect the treatment of offsetting arrangements or have a material effect on the Group.

3 CRITICAL 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

The future recoverability of mining assets including capitalized 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 mining assets through sale.

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.

Exploration and evaluation expenditure

Exploration and evaluation expenditure is capitalized 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. These assets are allocated based on the geographical location of the asset. To the extent that capitalized 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.

(ii) Net realizable value of inventories

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

(iii) 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.

(iv) 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-43-101") 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 amortization rates, asset carrying values and provisions for rehabilitation.

3 CRITICAL ESTIMATES AND JUDGEMENTS (continued)

(v) *Taxation*

The Group's accounting policy for taxation requires management judgment 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 Group recognizes 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 recognized. In recognizing these deferred tax assets, assumptions have been made regarding the Group's ability to generate future taxable profits. Utilization 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 recognized as deferred tax assets would have to be written off to income tax expense. There is an inherent risk and uncertainty in applying these judgments and a possibility that changes in legislation will impact upon the carrying amount of deferred tax assets and deferred tax liabilities recognized on the statement of financial position.

4 COST OF SALES BY NATURE OF EXPENSES

	<i>December 31</i> <i>2012</i> <i>\$'000</i>	<i>December 31</i> <i>2011</i> <i>\$'000</i>
Cost of sales consists of:		
Materials and consumables costs	138 967	117 378
Employee benefits expenses	63 252	52 096
Other direct costs	23 820	47 315
	<u>226 039</u>	<u>216 789</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

5 INCOME TAX

Major components of income tax expense:

	<i>December 31</i> 2012 \$'000	<i>December 31</i> 2011 \$'000
Statement of operations		
<i>Current income tax</i>		
Income tax expense relating to tax losses utilized	1 618	13 488
<i>Deferred income tax</i>		
Origination and reversal of temporary differences	10 102	6 010
Adjustments in respect of deferred income tax of previous years	(143)	1 527
Income tax expense reported in statement of comprehensive income	<u>11 577</u>	<u>21 025</u>

Numerical reconciliation between aggregate tax expense recognized 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 Group's effective income tax rate for the years ended December 31 is as follows:

Accounting earnings before tax from continuing operations	32 249	65 192
At the statutory income tax rate of 25% (2011: 26.5%)	8 062	17 276
Adjustments in respect of income tax of previous years	(143)	1 527
Expenditure not allowable for income tax purposes	1 559	1 411
Tax losses not recognized	1 402	483
Effect of differing tax rates between Canada, Australia and New Zealand	697	328
Income tax expense reported in the statement of comprehensive income	<u>11 577</u>	<u>21 025</u>

The statutory income tax rates in Australia and New Zealand are respectively 30% and 28% (2011: 30% and 28%).

Deferred income tax

Deferred income tax at December 31 relates to the following:

<i>Deferred tax assets</i>		
Losses available for offset against future taxable income	56 277	57 895
Provisions	9 341	9 557
Other	-	1 379
Gross deferred tax assets	65 618	68 831
Set-off deferred tax liabilities	(60 350)	(63 003)
Net non-current deferred tax assets	<u>5 268</u>	<u>5 828</u>
<i>Deferred tax liabilities</i>		
Mining assets	(63 123)	(53 191)
Property, plant and equipment	(44 234)	(41 369)
Inventory	(2 077)	(1 831)
Interest receivable	(50)	(61)
Accrued revenue	(1 996)	(2 173)
Convertible notes	(1 002)	(3 394)
Gross deferred tax liabilities	(112 482)	(102 019)
Set-off deferred tax assets	60 350	63 003
Net non-current deferred tax liabilities	<u>(52 132)</u>	<u>(39 016)</u>

Due to uncertainty in utilization of tax losses in the foreseeable future, a deferred tax asset has not been recognized in respect of tax losses in the Group and its Australian and Philippines subsidiaries, amounting to \$59.4 m (2011: \$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 utilization. During the year, tax losses of nil (2011: \$2.5m) were utilized which were not previously recognized as a deferred tax asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

6 EARNINGS PER SHARE

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

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

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

	<i>December 31 2012 \$'000</i>	<i>December 31 2011 \$'000</i>
<i>Numerator:</i>		
Net income attributable to equity holders from continuing operations (used in calculation of basic and diluted earnings per share)	20 672	44 167
Interest on convertible notes	8 048	11 454
Net income attributable to equity holders from continuing operations (used in calculation of diluted earnings per share)	<u>28 720</u>	<u>55 621</u>
	<i>Thousands</i>	<i>Thousands</i>
<i>Denominator:</i>		
Weighted average number of common shares (used in calculation of basic earnings per share)	263 964	262 434
Effect of dilution:		
Share options	3 863	3 461
Convertible notes	28 423	41 128
Adjusted weighted average number of common shares (used in calculation of diluted earnings per share)	<u>296 250</u>	<u>307 023</u>
Net income per share:		
- basic and diluted	<u>\$0.08</u>	<u>\$0.17</u>

For the years to December 31, 2012 and December 31, 2011, the conversion of employee share options and convertible notes was anti-dilutive as they increased earnings per share.

7 TRADE AND OTHER RECEIVABLES

	<i>December 31 2012 \$'000</i>	<i>December 31 2011 \$'000</i>
Current		
Trade receivables	10 207	4 376
Interest receivable	25	200
Other receivables	4 977	2 833
	<u>15 209</u>	<u>7 409</u>
Non-Current		
Other receivables	17 961	2 671
	<u>17 961</u>	<u>2 671</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

8 DERIVATIVES AND OTHER FINANCIAL ASSETS

	<i>December 31</i> <i>2012</i> <i>\$'000</i>	<i>December 31</i> <i>2011</i> <i>\$'000</i>
Current		
Forward rate agreements ¹	552	-
Gold put options ²	89	-
Other assets ³	3 763	-
	<u>4 404</u>	<u>-</u>
Non-Current		
Other Assets ³	1 985	-
Available-for-sale financial assets ⁴	4 343	-
	<u>6 328</u>	<u>-</u>
	<u>10 732</u>	<u>-</u>

1. Represents forward rate agreements to sell specified amounts of US\$ at specified amounts of A\$ expiring December 16, 2013. The purpose of these agreements is to eliminate foreign exchange risk to ensure that potential US\$ bank facility draw downs will be sufficient to repay the A\$ convertible notes as they fall due.
2. Represents a series of gold put options concluding June 26, 2013 with a strike price of US\$1,400 per ounce for 55,332 ounces of gold remaining outstanding at December 31, 2012.
3. Represents the unamortized portion of establishment fees and other costs incurred in obtaining US\$ banking facilities. These fees are being amortized to reflect an approximate pattern of consumption over the terms of the facilities.
4. Represents investments in listed companies.

9 INVENTORIES

	<i>December 31</i> <i>2012</i> <i>\$'000</i>	<i>December 31</i> <i>2011</i> <i>\$'000</i>
Current		
Gold in circuit	11 911	10 006
Ore – at cost	21 832	10 421
Maintenance Stores	32 123	26 548
	<u>65 866</u>	<u>46 975</u>
Non-Current		
Ore – at cost	48 729	48 803
Ore – at net realisable value	447	4 883
	<u>49 176</u>	<u>53 686</u>
Total inventories	<u>115 042</u>	<u>100 661</u>

During the year, ore inventories were written down by \$0.8m (2011:\$3.3m reversal of write-down).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

10 PROPERTY, PLANT AND EQUIPMENT

Year ended December 31, 2012					
	Land	Buildings	Plant and equipment	Rehabilitation	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Net book value					
At January 1, 2012:					
Cost	9 714	8 349	314 031	19 208	351 302
Accumulated depreciation	-	(3 962)	(191 381)	(6 766)	(202 109)
January 1, 2012	9 714	4 387	122 650	12 442	149 193
Movement for the year:					
Additions	5 014	471	24 581	3 646	33 712
Disposals/transfers	-	-	(159)	(231)	(390)
Depreciation for the year	-	(420)	(30 434)	(1 613)	(32 467)
Exchange differences	834	291	7 555	929	9 609
At December 31, 2012	15 562	4 729	124 193	15 173	159 657
At December 31, 2012:					
Cost	15 562	9 368	357 497	23 985	406 412
Accumulated depreciation	-	(4 639)	(233 304)	(8 812)	(246 755)
	15 562	4 729	124 193	15 173	159 657

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

Plant and equipment includes assets under capital lease net of accumulated depreciation of \$59.4m (2011: \$57.8m). The assets under capital leases are pledged as security for capital lease liabilities.

Borrowing costs

There are no borrowing costs capitalized into the cost of assets held on the statement of financial position at December 31, 2012 (2011: nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

11 MINING ASSETS

	Year ended December 31, 2012			
	Exploration and evaluation phase \$'000	Development phase \$'000	In production \$'000	Total \$'000
Net book value				
At January 1, 2012:				
Cost	13 406	182 962	465 307	661 675
Accumulated amortization	-	-	(281 898)	(281 898)
January 1, 2012	13 406	182 962	183 409	379 777
Movement for the year:				
Additions/transfers	7 992	190 537	83 063	281 592
Disposals/write-offs	(946)	-	(306)	(1 252)
Amortization for the year	-	-	(65 289)	(65 289)
Exchange differences	599	66	11 995	12 660
At December 31, 2012	21 051	373 565	212 872	607 488
At December 31, 2012:				
Cost	21 051	373 565	578 400	973 016
Accumulated amortization	-	-	(365 528)	(365 528)
	21 051	373 565	212 872	607 488
	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 amortization	-	-	(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-offs	(166)	-	-	(166)
Amortization 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 amortization	-	-	(281 898)	(281 898)
	13 406	182 962	183 409	379 777

Borrowing costs

There are no borrowing costs capitalized into the cost of assets held on the statement of financial position at December 31, 2012 (2011: nil). The Group has not capitalised borrowing costs relating to the construction of Didipio as the exemption on transition to IFRS under IAS 23(r) was applied in respect of qualifying assets for which the commencement date for capitalisation is before the effective date of the standard (being January 1, 2009).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

12 ASSET RETIREMENT OBLIGATIONS

	<i>December 31 2012 \$'000</i>	<i>December 31 2011 \$'000</i>
Current		
Rehabilitation	-	-
<i>Movement:</i>		
At January 1	-	25
Utilized	-	(25)
Exchange adjustment	-	-
At December 31	-	-
Non-Current		
Rehabilitation	30 752	21 175
<i>Movement:</i>		
At January 1	21 175	12 378
Arising during the year	8 428	7 819
Accretion	926	1 083
Utilized	(1 251)	(56)
Exchange adjustment	1 474	(49)
At December 31	30 752	21 175

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 Macraes, Reefton and Didipio.

Rehabilitation provisions are based on rehabilitation plans estimated on survey data, external contracted rates and the timing of the current mining schedule. Provisions are discounted using a risk free rate with the cash flows adjusted for risks.

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 3.86% to 5% (2011: 5.64%). The liability for retirement and remediation on an undiscounted basis is estimated to be approximately \$39.9m (2011: \$26.3m).

13 DERIVATIVES AND OTHER FINANCIAL LIABILITIES

	<i>December 31 2012 \$'000</i>	<i>December 31 2011 \$'000</i>
Current		
Forward rate agreements ¹	151	-
	151	-

1. Represents forward rate agreements to sell specified amounts of US\$ at specified amounts of A\$ expiring December 16, 2013. The purpose of these agreements is to eliminate foreign exchange risk for each series of A\$ convertible notes prior to drawdown of the US\$ facility to repay these notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

14 INTEREST-BEARING LOANS AND BORROWINGS

	<i>Maturity</i>	<i>December 31 2012 \$'000</i>	<i>December 31 2011 \$'000</i>
Current			
Capital leases ¹	(note 24)	17 407	15 241
5.75% Convertible notes (A\$53m) ²	12/22/2012	-	56 897
7.00% Convertible notes (A\$70m) ³	12/22/2013	78 757	-
7.00% Convertible notes (A\$30m) ³	12/22/2013	33 079	-
Other loan	02/28/2013	929	537
		<u>130 172</u>	<u>72 675</u>
Non-current			
Capital leases ¹	(note 24)	36 594	45 968
7.00% Convertible notes (A\$70m) ³	12/22/2013	-	75 567
7.00% Convertible notes (A\$30m) ³	12/22/2013	-	31 613
US\$ banking facilities ⁴	06/30/2015	100 100	-
		<u>136 694</u>	<u>153 148</u>

1. Capital Leases

The Group has capital lease facilities in place with ANZ Banking Group, Caterpillar Finance, GE Finance, and Cable Price. These facilities have maturities between January 2013 to March 2017.

2. 5.75% Convertible notes (Unsecured)

These convertible notes matured and were repaid in December 2012.

3. 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 capitalized 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 capitalized 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\$3.8401 (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\$4.0327 (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.

4. US\$ banking facilities

Term and revolving credit facilities, totaling US\$225m were put in place to be used, if necessary, for repayment of the above convertible notes maturing in December 2012 and December 2013 and for general working capital purposes. These facilities have been negotiated with a multinational banking syndicate, have common terms and will mature on June 30, 2015. Interest on these facilities is based on floating US\$ LIBOR plus a margin. The first principal repayment is due June 30, 2014. At December 31, 2012, the Group had available undrawn facilities of US\$122.2m.

5. Other capital facilities

The Group entered into an additional \$US25m Convertible Revolving Credit Facility whereby it has the option to repay any drawn down funds with the issuance of ordinary shares under this facility, subject to the ASX listing rules. This facility remains undrawn at year end.

Assets Pledged

The banking syndicate for the Group's US\$ banking facilities have been granted real property mortgages over titles relevant to the Macraes and Reefion Mines. Furthermore, subsidiaries Oceana Gold Limited and Climax Mining Pty Ltd have created encumbrances in favour of the banking syndicate over shares that they own in various other subsidiaries of the Group.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

15 SHARE CAPITAL

Movement in common shares on issue

	<i>December 31 2012 Thousand shares</i>	<i>December 31 2012 \$'000</i>	<i>December 31 2011 Thousand shares</i>	<i>December 31 2011 \$'000</i>
Balance at the beginning of the period	262 643	543 988	262 063	543 474
Shares issued	30 000	94 757	-	-
Options exercised	875	1 860	580	642
Share issue costs	-	(4 416)	-	(128)
Balance at the end of the period	<u>293 518</u>	<u>636 189</u>	<u>262 643</u>	<u>543 988</u>

Common shares holders 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.

Common shares have no par value and are all fully paid. The Company has not established a maximum number for authorized shares.

Each CHESS Depository Interests ("CDIs") represents a beneficial interest in a common share in the Company. CDI holders have the same rights as holders of common shares except that they must confirm their voting intentions by proxy before the meeting of the company.

The Company has share option and rights schemes under which options and rights to subscribe for the company's shares have been granted to executives and management. At the Company's 2012 annual meeting, shareholders approved the issue of up to 6% of the Company's issued and outstanding shares.

On December 19, 2012, the Company issued a total of 30,000,000 shares represented by 5,817,200 common shares in Canada at C\$3.11 per share (A\$3.00 per share) and 24,182,800 CDI in Australia at an issue price of A\$3.00 per CDI.

During 2012, the Company also had an employee share purchase plan whereby certain employees were 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 were 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. This share purchase plan was terminated in accordance with the rules of the plan on 31 December 2012. (Refer to note 19).

16 CONTRIBUTED SURPLUS MOVEMENT

	<i>December 31 2012 \$'000</i>	<i>December 31 2011 \$'000</i>
Balance at start of period	36 951	33 677
Share based compensation expense	2 935	4,426
Forfeited options	(277)	(709)
Exercised options	(1 191)	(443)
Balance at end of period	<u>38 418</u>	<u>36 951</u>
Contributed surplus		
Employee stock based compensation	8 375	6 908
Shareholder options (lapsed on January 1, 2009)	18 083	18 083
Equity portion of Convertible notes	11 960	11 960
	<u>38 418</u>	<u>36 951</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

17 OTHER RESERVES

	December 31 2012 \$'000	December 31 2011 \$'000
Foreign currency translation reserve ¹	32 143	14 027
Available-for-sale equity reserve ²	(836)	-
Total other reserves	<u>31 307</u>	<u>14 027</u>

1. *Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

2. *Available-for-sale equity reserve*

The available-for-sale equity reserve is used to record fair value differences on available-for-sale equity instruments. When an investment is derecognized, the cumulative gain or loss in equity is reclassified to profit or loss.

18 SEGMENT INFORMATION

The Group'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 Group and the way in which the Group's management reviews business performance.

	New Zealand \$'000	Philippines \$'000	Corporate \$'000	Elimination \$'000	Total \$'000
Year Ended December 31, 2012					
Revenue					
Sales to external customers	385 448	-	-	-	385 448
Inter segment management and gold handling fees	-	-	6 943	(6 943)	-
Total segment revenue	<u>385 448</u>	<u>-</u>	<u>6 943</u>	<u>(6 943)</u>	<u>385 448</u>
Result					
Segment result excluding unrealized hedge losses and depreciation and amortization	154 959	289	(10 616)	-	144 632
Depreciation and amortization	(91 180)	(165)	(31)	-	(91 376)
Inter segment management and gold handling fees	(6 943)	-	6 943	-	-
Gain/(loss) on fair value of derivative instruments	1 150	-	(647)	-	503
Total segment result before interest and tax	<u>57 986</u>	<u>124</u>	<u>(4 351)</u>	<u>-</u>	<u>53 759</u>
Net Interest expense					(21 510)
Income tax benefit/(expense)					<u>(11 577)</u>
Net profit/(loss) for the year					<u>20 672</u>
Assets					
Additions to property, plant, equipment and mining Assets	122 877	192 369	58	-	315 304
Total Segment assets	<u>536 674</u>	<u>415 225</u>	<u>79 757</u>	<u>-</u>	<u>1 031 656</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

18 SEGMENT INFORMATION (continued)

	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	<u>395 609</u>	<u>-</u>	<u>7 626</u>	<u>(7 626)</u>	<u>395 609</u>
Result					
Segment result excluding unrealized hedge losses and depreciation and amortization	176 385	(201)	(12 261)	-	163 923
Depreciation and amortization	(85 699)	(94)	(29)	-	(85 822)
Inter segment management and gold handling fees	(7 626)	-	7 626	-	-
Gain/(loss) on fair value of derivative instruments	-	-	-	-	-
Total segment result before interest and tax	<u>83 060</u>	<u>(295)</u>	<u>(4 664)</u>	<u>-</u>	<u>78 101</u>
Net interest expense					(12 909)
Income tax benefit/(expense)					<u>(21 025)</u>
Net profit/(loss) for the year					<u>44 167</u>
Assets					
Additions to property, plant, equipment and mining assets	117 885	70 994	265	-	189 144
Total segment assets	<u>544 763</u>	<u>205 988</u>	<u>66 884</u>	<u>-</u>	<u>817 635</u>

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

19 STOCK-BASED COMPENSATION**(a) Executive share options plan**

Directors, executives and certain senior members of staff of the Group 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 three 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, 2012		December 31, 2011	
	No.	WAEP	No.	WAEP
Outstanding at the start of the period	7 404 540	A\$2.38	5 645 153	A\$1.92
Granted	410 000	A\$2.30	3 500 380	A\$2.61
Forfeited	(385 090)	A\$2.43	(1 160 997)	A\$1.88
Expired	(470 000)	A\$3.58	-	-
Exercised	(875 312)	A\$0.74	(579 996)	A\$0.32
Balance at the end of the period	6 084 138	A\$2.51	7 404 540	A\$2.38
Exercisable at the end of the period	3 524 514	A\$2.42	2 367 790	A\$2.36

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.

Historical volatility has been used for the purposes. Expected volatility is based on the historical share price volatility using three 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 2012 or 2011 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 4.66 years.

At December 31, 2012, \$0.9m (2011: 3.5m) remains to be expensed over the life of the options.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

19 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 (years)	Option Exercise Price	Share Price at Grant Date	Weighted Average Fair Value
15/02/2012	0%	57.25%	4.01%	8	2.3965	2.32	1.4836
15/02/2012	0%	57.25%	3.91%	7	2.3965	2.32	1.3999
15/02/2012	0%	57.25%	3.83%	6	2.3965	2.32	1.3064
15/03/2012	0%	56.73%	4.27%	8	2.3310	2.32	1.4973
15/03/2012	0%	56.73%	4.17%	7	2.3310	2.32	1.4140
15/03/2012	0%	56.73%	4.10%	6	2.3310	2.32	1.3219
05/04/2012	0%	56.19%	3.82%	7	2.5194	2.36	1.3861
05/06/2012	0%	56.70%	2.81%	8	1.8396	2.04	1.3142
05/06/2012	0%	56.70%	2.68%	7	1.8396	2.04	1.2463
05/06/2012	0%	56.70%	2.59%	6	1.8396	2.04	1.1717

(b) Performance Share Rights Plan

On July 12, 2012, the Managing Director and certain employees of the Group, as designated by the Board of Directors, were granted rights to common shares of the Company, OceanaGold Corporation. Each right entitles the holder to one common share upon exercise. The rights were issued for nil consideration and are subject to market-based performance conditions (based on various Total Shareholder Return (TSR) hurdles) and continuity of employment. The performance period is between January 1, 2012 and December 31, 2014 and the vesting and award date is March 31, 2015. The rights cannot be transferred without the Company's prior approval and right holders are not entitled to dividends of unvested rights.

(i) Performance share rights plan movements

The following table reconciles the outstanding rights granted under the performance share rights plan at the beginning and the end of the period:

WAEP = weighted average exercise price

	December 31, 2012		December 31, 2011	
	No.	WAEP	No.	WAEP
Outstanding at the start of the period	-	-	-	-
Granted	2 186 270	A\$0.00	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Balance at the end of the period	2 186 270	A\$0.00	-	-
Exercisable at the end of the period	-	-	-	-

Rights granted were priced using Monte Carlo simulation (using the Black-Scholes framework) to model the Company's future price and TSR performance against the comparator group at vesting date. Monte Carlo simulation is a procedure for randomly sampling changes in market variables in order to value derivatives. This simulation models the TSR of the comparator group jointly by taking into account the historical correlation of the returns of securities in the comparator group.

The expected life used in the model has been based on the assumption that right holders will act in a manner that is financially optimal and will remain with the company for the duration of the rights' life.

Historical volatility has been used for the purposes of the valuation. Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period and is measured as the annualized standard deviation of the continuously compounded rates of

return on the share over a period of time. The expected volatility of the Company and each company in the comparator group has been calculated using three years of historical price data. As a result it reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the outcome.

Dividend yield has been assumed to be nil on the basis that no dividends have been declared for the 2012 or 2011 financial years due to the large ongoing capital commitment.

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

Grant Date	Dividend Yield	Expected Volatility	Risk-Free Interest Rate	Expected Life of Option (years)	Option Exercise Price	Share Price at Grant Date	Weighted Average Fair Value
12/07/2012	0%	58.49%	2.24%	3	0.00	1.82	1.2444

19 STOCK-BASED COMPENSATION (continued)**(c) Employee share acquisition plan**

Under the OceanaGold Corporation Employee Share Acquisition Plan (the "Plan"), the Company offered eligible employees of the Group (other than directors of the Company) the opportunity to purchase shares in OceanaGold. Eligible employees were 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 were acquired at market price and held in trust for the participating employees by a dedicated corporate trustee. While the Trustee held the shares, the employees were entitled to full dividends 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.

This plan ceased to operate from December 31, 2012. Prior to cessation, all unvested shares were vested to the existing members and they were given the option to either sell their existing shares for cash or transfer the shares into their names. At December 31, 2012, 15,328 shares were still outstanding in the process of being transferred.

Details of the employee share plan for the Group 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
2011	199,992	21,827	A\$53,098	22,495	A\$54,818	-	199,324	A\$416,587
2012	199,324	73 587	A\$210,247	257,583	A\$833,303	-	15,328	A\$42,305

Notes:

1. The Trustee acquired shares throughout the year, following receipt of contributions from employees and the Group.
2. The fair value of shares acquired by the Trustee is equal to the market price paid by the Trustee for acquisitions of OceanaGold Corporation shares throughout the year. The fair value comprises 50% contribution from employees and 50% contribution from the Company.
3. OceanaGold Corporation began winding up the ESAP in the second half of the year. As part of the termination arrangement, all unvested shares were deemed vested, and existing members were given the choice to either sell or transfer the shares into their own names. The ESAP was formally terminated on December 31, 2012.
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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

20 EMPLOYEE BENEFITS

(a) Leave entitlements liability

	<i>December 31</i> <i>2012</i> <i>\$'000</i>	<i>December 31</i> <i>2011</i> <i>\$'000</i>
Aggregate employee benefit liability is comprised of:		

Employee benefits provision - current	6 971	5 382
Employee benefits provision - non-current	504	187
	<u>7 475</u>	<u>5 569</u>

Employee Benefits Provision - Current

	<i>December 31</i> <i>2012</i> <i>\$'000</i>	<i>December 31</i> <i>2011</i> <i>\$'000</i>
Balance at beginning	5 382	4 208
Arising during the year	7 356	5 301
Utilized	(5 809)	(4 096)
Exchange rate adjustment	42	(31)
Closing Balance	<u>6 971</u>	<u>5 382</u>

Employee Benefits Provision - Non-Current

	<i>December 31</i> <i>2012</i> <i>\$'000</i>	<i>December 31</i> <i>2011</i> <i>\$'000</i>
Balance at beginning	187	73
Arising during the year	317	114
Utilized	-	-
Exchange rate adjustment	-	-
Closing Balance	<u>504</u>	<u>187</u>

(b) Defined Contribution Plans

The Group has defined contribution pension plans for certain groups of employees. The Group's share of contributions to these plans is recognized in the statement of comprehensive income in the year it is earned by the employee.

21 FINANCIAL INSTRUMENTS

Financial Risk Management

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing risk.

Financial Risk Management Objectives and Policies

The Board has the overall responsibility for the establishment and oversight of the Group's financial risk management framework. A Financial Risk Management Policy has been established, which has been approved by and is subject to annual review by the Board. This policy establishes a framework for managing financial risks.

In line with this policy, the Group does not enter into 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.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents and hedging instruments (specifically the gold put options and forward rate agreements).

The Board approves all hedging transactions and has established a Financial Risk Management Policy which includes a hedging policy that limits the level and tenor of hedging activity.

Maximum credit risk of cash and cash equivalents, gold put options and forward rate agreements are the carrying amounts recorded in the statement of financial position.

The Group is not materially exposed to any individual counterparty because it has limited its exposure by spreading contracts for these instruments across several different counterparties.

At December 31, 2012, the Group's cash was mainly held with three major banks with the largest exposure being 71% (2011:69%). At December 31, 2012, the Group's gold put options were with two financial institutions and foreign exchange forward rate agreements were with four financial institutions.

All financial assets were not deemed overdue or impaired.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure cost effective continuity in funding and trading liquidity. Funding liquidity is maintained through the use of the US\$ term and revolving credit facilities, capital leases and operating leases. Trading liquidity is maintained by an effective spread between the counterparties with which the Group enters into derivative transactions.

The Group'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 US\$ term and revolving credit facilities to repay the convertible notes, finance the development of new mines and provide for general working capital needs.

The Group's trading risk policy is to ensure derivative transactions, if any, are spread between at least two secured counterparties acknowledging both volume and tenor of the derivative to reduce the risk of trading illiquidity arising as a result of the inability to close down existing derivative positions, or hedge underlying risks incurred in normal operations.

The following are the contractual maturities of financial liabilities, including the estimated interest payments and excluding the impact of netting arrangements:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

21 FINANCIAL INSTRUMENTS (continued)

Year ended December 31, 2012	Carrying amount \$'000	Contractual cash flows \$'000	12 months or less \$'000	1-3 years \$'000	3+ years \$'000
<i>Non-derivative financial liabilities</i>					
Capital leases	54 001	59 021	19 884	30 146	8 991
Convertible notes	111 836	123 132	123 132	-	-
US\$ banking facilities	100 100	116 400	7 100	109 300	-
Insurance loans	929	929	929	-	-
	<u>266 866</u>	<u>299 482</u>	<u>151 045</u>	<u>139 446</u>	<u>8 991</u>
<i>Derivative financial liabilities</i>					
Forward rate agreements:					
Outflow	151	158 310	158 310	-	-
Inflow	(552)	(158 665)	(158 665)	-	-
	<u>(401)</u>	<u>(355)</u>	<u>(355)</u>	<u>-</u>	<u>-</u>
 Year ended December 31, 2011	 Carrying amount \$'000	 Contractual cash flows \$'000	 12 months or less \$'000	 1-3 years \$'000	 3+ years \$'000
<i>Non-derivative financial liabilities</i>					
Capital leases	61 209	68 461	18 252	32 180	18 029
Convertible notes	164 077	180 030	56 898	123 132	-
US\$ banking facilities	-	-	-	-	-
Insurance loans	537	537	537	-	-
	<u>225 823</u>	<u>249 028</u>	<u>75 687</u>	<u>155 312</u>	<u>18 029</u>
<i>Derivative financial liabilities</i>					
Forward rate agreements:					
Outflow	-	-	-	-	-
Inflow	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The gross inflows/(outflows) disclosed in the previous table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow and outflow amounts for derivatives that have simultaneous gross cash settlement (e.g. forward rate agreements).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Commodity price risk and foreign exchange risk

Prices for the Group's primary commodity product (gold bullion) is determined on international markets and quoted in US dollars. All forward sales programs are managed in accordance with policies approved by the Board. Performance under these policies is regularly reported to the Board. The Group also entered into a series of gold put options expiring June 26, 2013 to eliminate commodity price risk over 82,998 ounces of gold. These options were mandatory conditions for the US\$ banking facilities (refer to note 14). At December 31, 2012 there were 55,332 ounces of gold options remaining.

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. In addition to this, mandatory forward rate agreements have been entered into to eliminate foreign exchange risk for the A\$ convertible notes repayment which are being financed by the US\$ banking facilities.

Sensitivity analysis

At December 31, 2012 if the US dollar had depreciated/ appreciated by 10% with all other variables remaining constant, the effect on the profit will be \$5.9m (2011: \$3.4m) higher/ lower due to exchange gains/ losses on cash and cash equivalents. The impact on other equity will be \$2.7m (2011: \$3.1m).

21 FINANCIAL INSTRUMENTS (continued)**Interest rate risk**

The Group'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.

The Group'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.

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was as follows:

Sensitivity analysis

At December 31, 2012 if interest rates had increased/decreased by 100 basis points from the year end rates with all other variables held constant, profit for the year would have been \$0.8m (2011:\$ \$1.6m) higher/lower, as a result of higher/lower interest income from cash and cash equivalents and higher/lower interest expense from the US\$ banking facilities and capital leases. The impact on other equity is nil for both 2012 and 2011.

The Group's exposure to interest rate risk classes of financial assets and financial liabilities, both recognized and unrecognized at the reporting date, is set out below:

	<i>Carrying amount</i>	
	<i>2012</i>	<i>2011</i>
	<i>\$'000</i>	<i>\$'000</i>
Fixed rate		
<i>Financial Assets</i>		
Trade and Other receivables	33 170	10 080
	<u>33 170</u>	<u>10 080</u>
<i>Financial Liabilities</i>		
Trade payables	62 119	45 566
Insurance loan	929	537
Capital Leases	37 797	54 562
Convertible Notes	111 836	164 076
	<u>212 681</u>	<u>264 741</u>
Floating rate		
<i>Financial Assets</i>		
Cash and cash equivalents	96 502	169 989
	<u>96 502</u>	<u>169 989</u>
<i>Financial Liabilities</i>		
Capital Leases	16 204	13 899
US\$ banking facilities	100 100	-
	<u>116 304</u>	<u>13 899</u>

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates and 10% in foreign currency exchange rates would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

21 FINANCIAL INSTRUMENTS (continued)

December 31, 2012

	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
Financial assets								
Cash and cash equivalents	96 502	(965)	-	965	-	5 851	-	(5 851)
Other assets	33 170	-	-	-	-	-	-	-
Financial Liabilities								
Capital leases	54 001	162	-	(162)	-	(2 700)	-	2 700
Other liabilities	277 285	6	-	(6)	-	-	-	-
Total	460 958	(797)	-	797	-	5 851	(2 700)	(5 851)

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
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)	-	(3 060)	-	3 060
Other liabilities	212 425	-	-	-	-	-	-	-
Total	453 703	(1 577)	-	1 577	-	3 377	(3 060)	(3 377)

22 CAPITAL DISCLOSURE

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

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

	December 31 2012 \$'000	December 31 2011 \$'000
Total Debt (as shown in the statement of financial position)*	266 866	225 823
Less: Cash and cash equivalents	(96 502)	(169 989)
Net Debt	170 364	55 834
Total Equity (as shown in the statement of financial position)	609 860	478 240
Debt to equity ratio	0.28	0.12

* Interest bearing liabilities

The change in the debt-to-equity ratio results principally from a lower cash balance, increased lease financing, new general working capital borrowings and a depreciating US dollar, the reporting currency.

The Group is subject to a number of externally imposed capital requirements relating to financing agreements; as at December 31, 2012 and 2011 the Group was in compliance with all requirements.

23 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: 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)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

31 December 2012	Level 1	Level 2	Level 3	Total
Available for sale financial assets	4 343	-	-	4 343
Forward rate agreements	-	552	-	552
Gold put options	-	89	-	89
Total assets	4 343	641	-	4 984
Forward rate agreements	-	151	-	151
Total liabilities	-	151	-	151

31 December 2011	Level 1	Level 2	Level 3	Total
Available for sale financial assets	-	-	-	-
Forward rate agreements	-	-	-	-
Gold put options	-	-	-	-
Total assets	-	-	-	-
Forward rate agreements	-	-	-	-
Total liabilities	-	-	-	-

There are no unrecognized financial instruments held by the Group at December 31, 2012 (2011: nil).

24 COMMITMENTS

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

	<i>December 31</i>	<i>December 31</i>
	<i>2012</i>	<i>2011</i>
	<i>\$'000</i>	<i>\$,000</i>
Within 1 year	5 341	5 034
Within 1 to 2 years	3 445	4 342
Within 2 to 3 years	456	2 870
Within 3 to 4 years	75	290
Within 4 to 5 years	-	70
	<u>9 317</u>	<u>12 606</u>

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

24 COMMITMENTS (continued)

(b) Lease commitments under capital leases:

	December 31 2012 \$'000	December 31 2011 \$'000
Within 1 year	19 884	18 252
Within 1 to 2 years	17 474	17 299
Within 2 to 3 years	12 672	14 881
Within 3 to 4 years	8 003	11 288
Within 4 to 5 years	988	6 741
More than five years	-	-
	59 021	68 461
Future finance charges	(5 020)	(7 252)
Present value of minimum lease payments	54 001	61 209
<i>Reconciled to:</i>		
Current interest bearing liability (Note 14)	17 407	15 240
Non-Current interest bearing liability (Note 14)	36 594	45 969
Total	54 001	61 209

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

(c) Gold Production

The Group had certain obligations to pay royalties on gold production at prescribed levels in 2012 which are expected to continue in 2013. In future these royalties represent 1% to 2% of gold sales and were \$8.9m in 2012 (2011: \$13.1m).

(d) Capital commitments

At December 31, 2012, the Group has commitments of \$33.1m (2011: \$40.8m), 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 2012 \$'000	December 31 2011 \$'000
Within one year:		
- purchase of property, plant and equipment	20 652	3 333
- development of mining assets	12 484	37 465
	33 136	40 798

The Group is committed to annual expenditure of approximately \$0.3m (2011: \$0.3m) to comply with regulatory conditions attached to its New Zealand prospecting, exploration and mining permits.

(e) Didipio Financial or Technical Assistance Agreement

The Didipio Project is held under a Financial or Technical Assistance Agreement ("FTAA") granted by the Philippines Government in 1994. The FTAA grants title, exploration and mining rights with a fixed fiscal regime. Under the terms of the FTAA, after a period in which the Group 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 and certain specified amounts paid to specified land claim owners shall be included as part of the 60% payable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

25 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, 2012	December 31, 2011
	\$'000	\$'000
Salaries and short-term employee benefits	4 176	3 584
Post-employment benefits	127	108
Share-based payments	1 363	2 126
Termination benefits	-	-
Total	<u>5 666</u>	<u>5 818</u>

(b) Loans to key management personnel

There are no loans to key management personnel during the year (December 2011: Nil).

(c) Other transactions with key management personnel

There are no other transactions with key management personnel during the year (December 2011: Nil).

26 NON CASH INVESTING AND FINANCING ACTIVITIES

	Year ended December 31, 2012	December 31, 2011
	\$'000	\$'000
Acquisition of plant and equipment by means of finance leases	<u>9 644</u>	<u>3 009</u>

27 CONTINGENCIES

- (a) The Group 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 Reef-ton Gold Project which amount to approximately \$31.1 million (2011: \$21.3 million).
- (b) The Group has provided a cash operating bond to the New Zealand Department of Conservation of \$0.4 million (2011: \$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 Group may receive from time to time claims for damages including workers compensation claims, motor vehicle accidents or other items of similar nature. The Group 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, 2012 the outstanding rental obligations under the capital lease are \$54.0 million (2011: \$61.2 million). Associated with this guarantee are certain financial compliance undertakings by the Group, including gearing covenants.
- (e) The Group has provided guarantees in respect of the US\$225 million banking facilities (note 14). At December 31, 2012 the total outstanding balance under these facilities is US\$100.1 million (December 31, 2011: nil). Associated with this guarantee are certain financial compliance undertakings by the Group, including gearing covenants.

28 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On January 18, 2013 the Group repaid \$40 million of the US\$ banking facilities, resulting in a remaining outstanding balance of \$60.1 million and available funds of \$162.2 million. The amount repaid related specifically to the general working capital facility. This facility is now fully undrawn, with available funds of \$50 million.

Other than the matter noted above, there have been no subsequent events that have arisen since the end of the financial year to the date of this report.