OceanaGold Corporation
Annual Report 2008

'08 HIGHLIGHTS

INCREASED YEARLY
GOLD SALES BY

49% TO 264,124 OUNCES

COMPARED TO FY2007

COMMISSIONED

THE FRASERS UNDERGROUND MINE IN JANUARY – THE COMPANY'S SECOND NEW GOLD MINE IN NEW ZEALAND IN THE PAST TWO YEARS

ACHIEVED EBITDA (EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION BUT EXCLUDING GAIN/LOSS ON UNDESIGNATED HEDGES) OF

$66.1 MILLION

THIS COMPARES TO FY 2007 EBITDA OF **$8.7 MILLION**

EXCEEDED DESIGN THROUGHPUT RATES AT THE REEFTON OPERATION AND PROCESSED

19% MORE ORE

THAN PLANNED IN 2008

ACHIEVED STRONG CASH COST IMPROVEMENT BY Q4 THROUGH

INCREASED
GOLD PRODUCTION

AND A DECREASE IN CONSUMABLE COSTS TO ACHIEVE

$532 PER OUNCE

COMPLETED
60% OF THE BULK

EARTHWORKS AND DETAILED DESIGN FOR THE DIDIPIO GOLD & COPPER PROJECT IN LUZON, PHILIPPINES BEFORE TEMPORARILY PLACING IT ON CARE & MAINTENANCE

OCEANAGOLD

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

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

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

www.oceanagold.com

Delivering on sustainable growth

Profile

OceanaGold Corporation (OceanaGold) is a significant Pacific Rim gold producer listed on the Toronto, Australian and New Zealand Stock Exchanges. With three operating gold mines and a portfolio of assets located in New Zealand and the Philippines, the company is forecast to produce between 280,000 to 300,000 ounces of gold in 2009.

Cover *(left to right):* **Merv Dickey –** Gold Room Supervisor *(Macraes)*, **Lisa Robinson –** Administration Assistant *(Reefton)*, **Stewart Paul –** Environmental Technician *(Macraes)*, **Pat Schraven –** Human Resources Manager *(New Zealand Operations)*, **Carolyn McKewen –** Data Systems Administrator *(Macraes)* and Palmerston Volunteer Fire Fighter, **Saul Friedlich –** Process Operator *(Reefton)*, **Murray Royal –** Maintenance Fitter *(Reefton)*, **Lucy Exconde –** Site Environmental Manager *(Didipio)*, **Neachell Henare –** Mine Operator *(Macraes)*, **Gary Eccleshall –** Mine Operator *(Macraes)*, **Anne-Lise Snow –** Mine Operator *(Macraes)*, **Jeff Steenson –** Maintenance Fitter *(Reefton)*

Cautionary Statements Regarding Forward-Looking Information This Annual Report contains "forward-looking information" within the meaning of applicable securities laws which may include, but is not limited to, statements with respect to the future financial and operating performance of the company, its subsidiaries and affiliated companies, its mining projects, the future price of gold, the estimation of mineral reserves and mineral resources, the realization of mineral reserve and resource estimates, costs of production, estimates of initial capital, sustaining capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of the development of new mines, costs and timing of future exploration, requirements for additional capital, governmental regulation of mining operations and exploration operations, timing and receipt of approvals, consents and permits under applicable mineral legislation, environmental risks, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "targets", "aims", "anticipates" or "believes" or variations (including negative variations) of such words and phrases, or may be identified by statements to the effect that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company and/or its subsidiaries and/or its affiliated companies to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, future prices of gold; general business, economic, competitive, political and social uncertainties; the actual results of current production, development and/or exploration activities; conclusions of economic evaluations and studies; fluctuations in the value of the United States dollar relative to the Canadian dollar, the Australian dollar or the New Zealand dollar; changes in project parameters as plans continue to be refined; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability or insurrection or war; labour force availability and turnover; delays in obtaining financing or governmental approvals or in the completion of development or construction activities or in the commencement of operations; as well as those factors discussed in the section entitled "Risk Factors" in the company's Annual Information Form in respect of its year ending December 31, 2008 filed with Canadian securities regulatory authorities. Although the company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this Annual Report and, subject to applicable securities laws, the company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein.

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

Chairman and CEO's Review

Photo: Luke Matheson
Mine Geologist
(Reefton)

Chairman and CEO's Review

2008 was a year of unprecedented volatility ultimately resulting in severe deterioration of both the equity and credit markets worldwide; the US's Dow Jones lost 33.8% its worst year since 1931, Canada's S&P/TSX Composite Index dropped –35%, and Australia's All Ordinaries Index dropped a stunning 41.3%. Several major economies slipped into recession and most companies across all industries saw their share prices decline, access to capital evaporate and financing partners immediately become more risk averse. The resource industry suffered particular value erosion as investors exited the sector in search of safer havens with less perceived risk.

OceanaGold has not been immune to the dramatic changes in the resource sector and global capital markets. Our underperformance against operating and construction targets early in the year plus suspension of Didipio exacerbated OceanaGold's stock price performance progressively through 2008. Investors who had supported financing targeting Didipio construction were particularly critical of the underperformance. However, our growing production base in New Zealand combined with operational improvements and the progressively strengthening New Zealand dollar gold prices through 2008 has provided a stable footing for the company in 2009.

The start of 2008 marked the completion of another important milestone for the company as the Frasers Underground mine at the Macraes Goldfield was commissioned. Frasers is the second new mine that OceanaGold has commissioned in New Zealand in two years. Our gold production has now grown by about 50% to a range of 280,000 – 300,000 ounces per year. By year end, our three mines in New Zealand were operating at or above design levels setting the stage for record production in 2009.

During the first half of the year OceanaGold commenced site construction activities at the Didipio Gold & Copper project in Northern Luzon, Philippines. After completing the 22 kilometre site access road in 2007, bulk earthworks and detailed design began during the first quarter of 2008. The increasing inflationary environment during 2008 plus scope and currency changes resulted in dramatic cost increases for the Didipio project. The concurrent deterioration of global credit markets, followed by a decline in base metals prices made access to additional capital increasingly more difficult. By mid-year 2008, the company decided to reduce site activities at the project as a cost savings measure. Fabrication of the process plant's major components continued and were essentially completed. However, as global recessionary pressures increased the company was unable to source supplemental financing and thus placed Didipio on care and maintenance in December.

This was done as a prudent measure to conserve the company's cash resources until financial conditions improve. We are still working closely with our key stakeholders in the Philippines and remain active at site and in the community. Even though the global economic environment remains challenging, we continue evaluating development options to complete Didipio.

The inflationary environment during the first 8 months of 2008 also resulted in a significant spike to OceanaGold's operating costs in New Zealand. Diesel and electricity account for about 30% of total costs and both experienced record price increases during June and July. Fortunately, a major decline in these and other commodity costs, plus improved operating performance in all facets of our projects during the fourth quarter reduced cash costs. Concurrently, the New Zealand dollar declined by 35% against the U.S. dollar. Since more than 70% of our costs are denominated in New Zealand dollars, cash margins began expanding. Margins further increased with higher gold prices by year end.

“Our gold production has now grown by about 50% to a range of 280,000 – 300,000 ounces per year. By year end, our three mines in New Zealand were operating at or above design levels setting the stage for record production in 2009.”

In these uncertain times your Board and Executives are focused on maximising cashflow to further strengthen the company's financial position for the near-term. This has meant that costs have been reduced and departments streamlined to increase efficiencies. We continue to look for opportunities for further improvement in our business to deliver consistently improving performance at our operating mines.

We believe there will continue to be economic global uncertainty during 2009 as economies slip into recession, unemployment rates increase, and further pressure is put on governments to enact tangible measures to abate what many believe is the most severe financial crisis since the Great Depression. All of these factors along with continued security uncertainty in many parts of the world should underpin demand for secure assets and safe haven investments. As a significant gold producer with 100% of our producing assets located in New Zealand we believe that we are a gold investment of choice.

With three producing mines we now have more flexibility within our business to ensure consistent performance when operational challenges arise. Our ability to efficiently operate low grade mines and effectively treat refractory ore will allow the company and its shareholders to benefit from the New Zealand dollar gold price achieving new highs.

As with most things, a little good fortune is always required and while 2008 was a year of challenges for OceanaGold and many of our peers, we believe that 2009 holds great promise for gold producers such as OceanaGold.

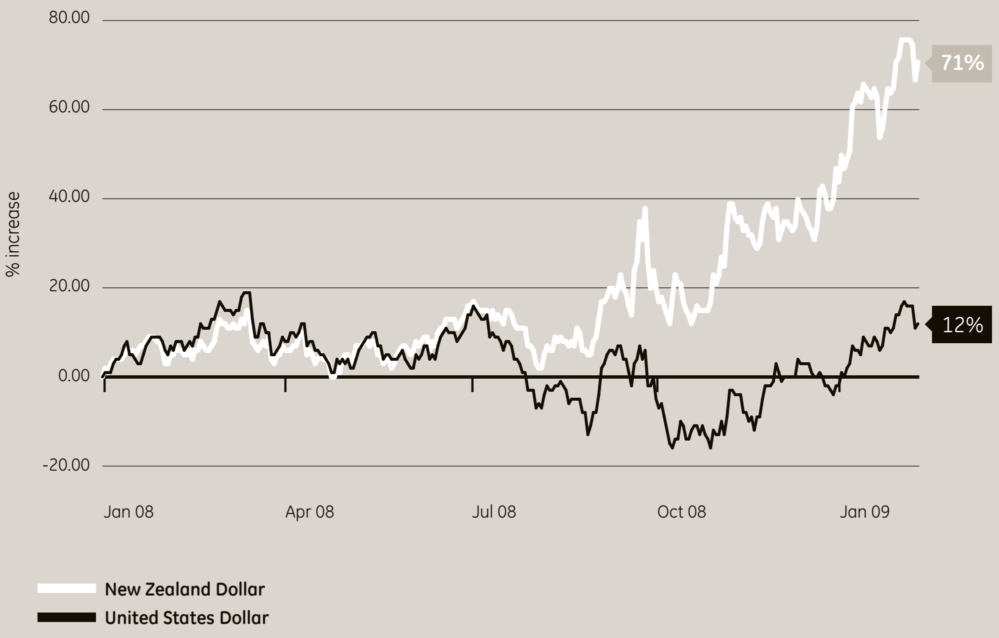
We would like to thank our stakeholders for their support during the challenges we experienced in 2008. Last year at this time, it is fair to say that very few people foresaw what was about to transpire globally. The resources sector experienced an extraordinary reversal of fortune in a short period. Your Board of Directors has tried to be prudent when making decisions to guide the company through these challenges. While organisations everywhere continue to grapple with uncertainty surrounding their business, we are confident about the strong performance prospects for precious metals and OceanaGold in 2009.

We strive to be good stewards of your investment and welcome your comments to **info@oceanagold.com**

Jim Askew
Chairman

Stephen Orr
Chief Executive Officer

Gold price in NZD and USD



Financial Analysis

The company reported a 2008 operating profit, before interest, income tax and unrealised gains and losses on hedges, of $13.5 million compared to a $34.1 million loss in 2007.

Revenue more than doubled during the year to $217.2 million with gold sales of 264,124 ounces, an increase of 49% over 2007. Increased spot gold prices, production gains and higher grades all contributed to improved earnings from operations.

Earnings before interest, tax, depreciation & amortisation and gains/losses on undesignated hedges were $66.1 million for the year, an increase of $57.4 over 2007. This increase was driven primarily by increased production together with improved margins through a combination of higher prices and lower cash costs.

The higher gold price at year end had a negative impact on the carrying value of derivative financial instruments and resulted in an unrealised hedge loss of $73.1 million compared with $62.3 million in 2007. Interest expense rose marginally to $21 million and resulted in the company reporting a net loss of $54.7 million for the year (2007: $69.0 million).

Results from Operations

Gold production for the year was up 42% to 259,812 ounces and was a result of the successful commissioning and ramp up of the higher grade Reefton open pit and Frasers Underground mines in 2007/2008. The company now has three gold producing operations in New Zealand, with the processing plant having simultaneous access to three different production streams with related efficiency gains. Gold production is expected to increase to between 280,000 ounces and 300,000 ounces in 2009.

The average gold price per ounce received during the year was $822, an 18% increase over the 2007 average price of $697.

During the second and third quarter, considerable volatility and sharp increases in the prices of a number of key consumables such as electricity, diesel fuel, reagents, explosives, and grinding media had a negative impact on operating costs. This changed dramatically during the latter part of the year, including significant falls in the prices of fuel and hydro-electricity. This was further impacted by a fall in the value of the New Zealand dollar. The majority of cash costs incurred by our New Zealand operations are directly affected by the NZD/USD exchange rate. The company achieved cash costs per ounce sold of $532 in 2008; $24 per ounce lower than in 2007.

The cash operating margin for 2008 was up 106% over 2007 to $290 per ounce. Higher average gold prices achieved, combined with lower cash operating costs per ounce, resulted in the improved margins.

Cash Flow

Cash flow from operating activities for 2008 increased markedly to $47.7 million compared to $10.7 million in 2007. This improvement was achieved primarily through the increase in production capacity at the Reefton and Frasers Underground mines and the significantly higher gold revenues through higher gold prices achieved, partially offset by increased mining costs.

Cash utilised for investing activities during 2008 totalled $108.3 million which was $10.4 million less than in 2007. The majority of these expenditures were attributable to increased production costs at the New Zealand mining operations, in line with higher production levels, and development work at the Philippine Didipio Gold/Copper Project. The increase was offset by decreased expenditure on property, plant and equipment and exploration and evaluation activities.

Financing related cash outflows in 2008 were $49.1 million compared to $140.7 million inflows during 2007. The cash payments during 2008 related to settlement of derivatives ($25.9 million), other borrowings ($15.7 million) and finance leases ($7.5 million). The majority of the cash inflows during 2007 related to a net equity raising of $85.7 million, proceeds from convertible notes of $24.2 million and finance leases of $12.7 million.

Cash and cash equivalents moved from $119.8 million in 2007 to $9.7 million for 2008.

Funding and Capital Requirements

Cash on hand was $9.7 million as at 31 December 2008. The company will continue to generate positive cash flows from operating activities, funding activities and realisation of assets in the ordinary course of business.

The company will consider various funding strategies during 2009 to secure additional capital. This would include a review of financing facilities and equity as part of ongoing evaluation for capital, project financing and working capital, as required. In 2009 a number of capital projects will be reviewed at our New Zealand operations. In addition, development of the Philippine Didipio Project will be subject to a project redesign with the objective to complete development at a reduced capital requirement. This study will include funding strategies.

Table 1

Results Summary	Year Ended 31 Dec 2008 US$'000	Year Ended 31 Dec 2007 US$'000
As reported in the financial statements		
Sales revenue	**217 214**	104 395
Operating profit/(loss)	**13 454**	(34 103)
Profit/(loss) before income tax	**(75 623)**	(95 022)
Profit/(loss) after income tax	**(54 735)**	(69 039)
Excluding unrealised hedge gains/(losses)		
Sales revenue	**217 214**	104 395
Operating profit/(loss)	**13 175**	(17 696)
Profit/(loss) before income tax	**(2 494)**	(32 768)
Profit/(loss) after income tax	**(3 545)**	(25 461)

Table 2

Financial Statistics	Year Ended 31 Dec 2008	Year Ended 31 Dec 2007
Gold produced (ounces)	**259 812**	183 209
Gold sales (ounces)	**264 124**	177 722
Average price received ($ per ounce)	**822**	697
Cash operating cost		
Cash cost ($ per ounce)	**532**	556
Total cash operating cost ($ per ounce)	**722**	746
Non-cash cost ($ per ounce)	**190**	190
Gross cash operating margin ($ per ounce)	**290**	141
Total cash operating cost ($ per tonne)	20.80	13.50

"Revenue more than doubled during the year to $217.2 million with gold sales of 264,124 ounces, an increase of 49% over 2007."

Our Business

Photo: Tony Te Paea
Mine Operator
(Macraes)

Assets at a Glance

Our management and operating team consists of local and international personnel that have a successful track record in project development and low cost mining. The team specialises in identifying and acquiring projects with superior exploration or development potential and quickly transforming those projects into producing mines. In two years, the team has developed the Reefton Open Pit and Frasers Underground into our newest operating mines in New Zealand.

Through the company's operations at the Macraes mine in Otago, New Zealand, OceanaGold has developed proprietary technologies and expertise to treat refractory ore from low grade ore bodies in environmentally sensitive areas and has leveraged this expertise to expand the production base in New Zealand by more than 50% over the past two years.

Operations

Macraes Goldfield

We operate New Zealand's largest gold mine, Macraes, which is located 100 kilometres by road, north of Dunedin in the Otago region of the South Island of New Zealand. The Macraes Gold Project consists of two mines; Macraes open pit – which has been operating since 1990 and has produced over 2.5 million ounces of gold to date and Frasers Underground which was commissioned by OceanaGold in January 2008.

The combined open pit and underground mines support a current mine life of at least 5 years at a production rate of approximately 200,000 ounces of gold per annum.

Reefton Goldfield

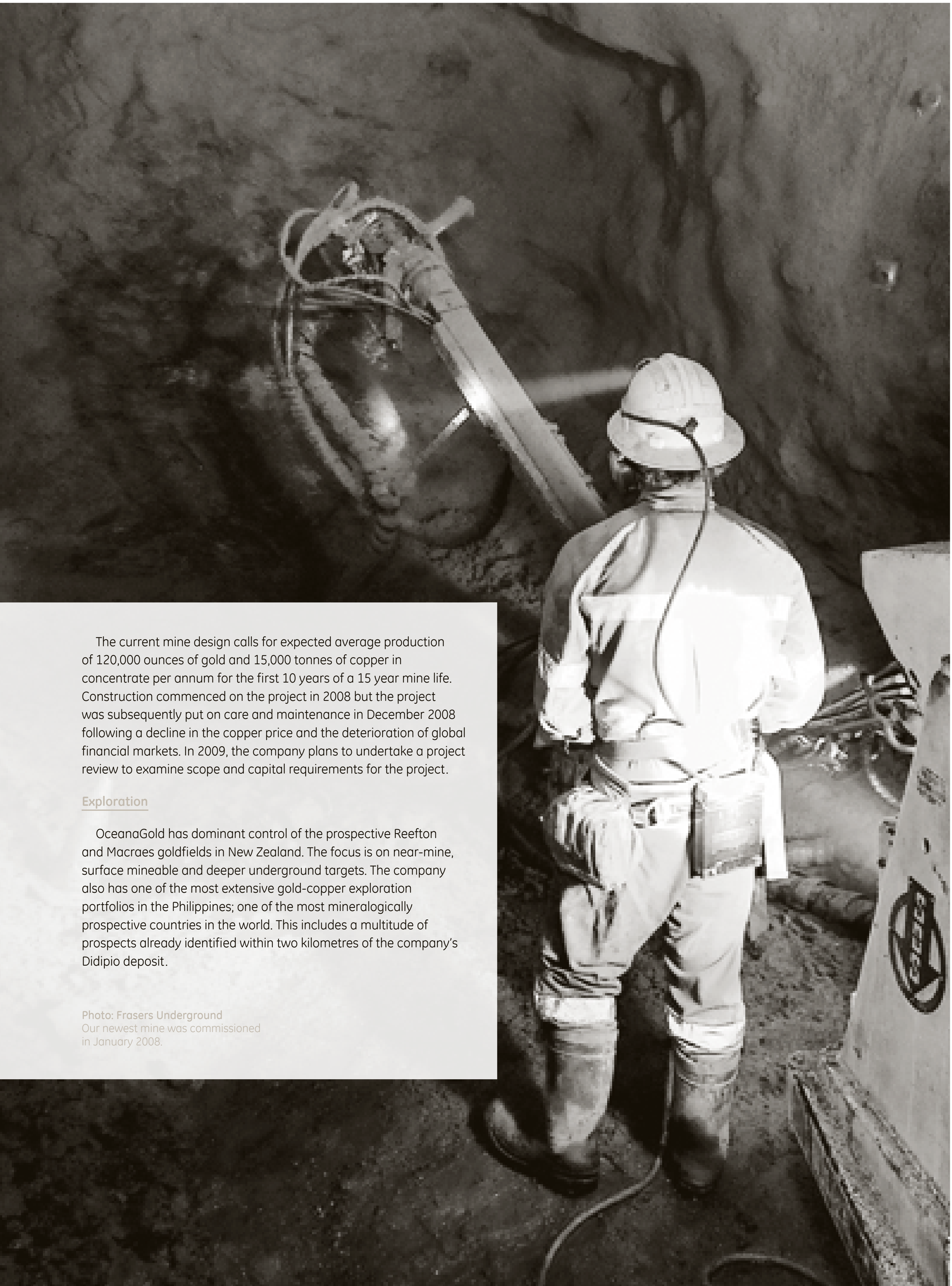
The Reefton mine which was commissioned in 2007 is located seven kilometres southeast of the township of Reefton, in the West Coast region of New Zealand's South Island. Reefton is located within a historic mining district where more than 2 million ounces were mined from hard rock mining in the 19th and early 20th centuries. The mine consists of a series of open pits developed along the Oriental mineral trend. The plant, which has a design capacity of 1Mtpa exceeded that capacity by 19% in 2008, and produces a concentrate that is rail shipped 800 kilometres south to Palmerston where it is trucked to the Macraes operation for final processing through our autoclave.

Reefton is expected to produce on average 70,000 ounces of gold per annum and has approximately 5 years remaining mine life, based on current reserves only.

Development

Didipio Gold & Copper Project

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



The current mine design calls for expected average production of 120,000 ounces of gold and 15,000 tonnes of copper in concentrate per annum for the first 10 years of a 15 year mine life. Construction commenced on the project in 2008 but the project was subsequently put on care and maintenance in December 2008 following a decline in the copper price and the deterioration of global financial markets. In 2009, the company plans to undertake a project review to examine scope and capital requirements for the project.

Exploration

OceanaGold has dominant control of the prospective Reefton and Macraes goldfields in New Zealand. The focus is on near-mine, surface mineable and deeper underground targets. The company also has one of the most extensive gold-copper exploration portfolios in the Philippines; one of the most mineralogically prospective countries in the world. This includes a multitude of prospects already identified within two kilometres of the company's Didipio deposit.

Photo: Frasers Underground
Our newest mine was commissioned in January 2008.

Operations

The Frasers Underground mine was commissioned at the beginning of 2008. After ramping up in the first quarter, the mine continued to demonstrate improved performance and by the third quarter was operating to plan. Process recoveries at the Macraes processing plant also improved quarter on quarter as we optimised the feed rates of concentrate from the Reefton mine with Macraes concentrate. As a result 2008 ended with the company reporting record gold sales of 264,124 ounces, a 49% increase compared to 2007. OceanaGold now has three operating mines in New Zealand that combined are expected to produce between 280,000 and 300,000 ounces of gold in 2009.

Our overall cash costs for the year were $532 per ounce. The company experienced unprecedented cost volatility with some of our major commodities at the operations. Fortunately by the fourth quarter our two largest consumable costs had declined materially from the middle part of the year. Diesel costs had retreated by 50% from its highs in July. Electricity costs, after reaching spot rates exceeding NZ$0.50/kWh in the second quarter, had declined to as low as NZ$0.01/kWh.

Our cash operating margin for 2008 was up 106% over 2007 to $290 per ounce. Higher gold prices combined with a weaker New Zealand dollar (NZD) and reduced cash operating costs resulted in the expanded margins.

The decline of the NZD against the US dollar (USD) was material in 2008. From a high of 0.81 in February, it declined to 0.57 by year end and continued to weaken into the first quarter of 2009. With more than 70% of our costs denominated in NZD, this has been one of the largest contributing factors to the expanded operating margin.

Earnings before interest, taxes, depreciation and amortisation (excluding gains/losses on hedges) for the year was $66.1 million compared to $8.7 million in 2007.

The company reported a net loss of $54.7 million in 2008 compared with a net loss of $69.0 million in 2007. The impact of non-cash charges for undesignated hedge gains and losses was influential throughout the year as the NZD gold price increased which in turn had an impact on the out of money position of the derivative contracts. Undesignated hedge losses of $73.4 million were reported for the year and these negatively affected net earnings. The value of the undesignated hedges is a non-cash adjustment that reflects the notional value at the end of the reporting period. The month end adjustment does not affect cash flow but can have a significant influence on reported net earnings. As a result, EBITDA before undesignated hedge gains/losses is a relative measure of operating performance.

Improvements in EBITDA for the year were primarily the net result of higher gold production from the combined operations and the increased average realised gold price received.

> Our cash operating margin for 2008 was up 106% over 2007 to $290 per ounce.

1 Macraes
2 Reefton
3 Didipio
4 Melbourne

Macraes Goldfield

Annual gold production from the Macraes Goldfield was 183,680 ounces. This was 26% higher than 2007 due to production from newly commissioned Frasers Underground mine and higher grade material from the open pit. Grades through the mill improved 25% year on year, increasing to 1.31g/t.

Rock movement at the Macraes open pit during 2008 was 47.3 million tonnes, slightly behind 2007 at 50.1 million tonnes. High workforce turnover due to increased industry competition for skilled mining professionals through most of the year was a factor in reducing mining efficiencies. While new operators were able to be sourced, many of these were inexperienced and thus constant training was required to meet operational expectations. Fortunately, by year end this pressure abated with many other mining operations suffering slowdowns or closures concurrent with the rapid decline in commodity prices. A new shift roster was implemented along with continuous process improvement programs in the second half of the year which also contributed to increased performance. As a significant employer both directly and indirectly in the Otago and West Coast regions of the South Island of New Zealand, OceanaGold continues to look at ways to further improve retention of its skilled workers.

During the first quarter, process recoveries at the Macraes plant were hampered by the metallurgical complexity of the Reefton versus Macraes concentrate. This was rectified by batch feeding the two concentrates which require different residence times in the autoclave to achieve maximum recovery. By year end process recovery at the plant registered an improvement on the previous year.

Following commissioning in January 2008, the Frasers Underground mine initially experienced geotechnical issues that impeded production rates. However, by the second quarter stoping conditions, ground stability and the grade profile improved. Performance continued to improve throughout 2008. More than 3,700 metres of mine development was completed to access to deeper ore in Panel 2 where mining had successfully transitioned by year end.

Key capital underground infrastructure was completed which included a refuelling bay, explosives magazine, extension of a primary ventilation circuit into Panel 2 and a underground crib-room facility.

Expectations for 2009 at Frasers include an additional 4,000 metres of development with 850,000 – 900,000 tonnes of ore produced from the mine.

Reefton Goldfield

During 2008, most of the mining at Reefton took place in the Globe pit, with some minor tonnages mined from General Gordon and Empress pits further along strike.

Reefton was a strong performer during the year operating consistently above plan and ended the year processing 19% more ore than the process plant was originally designed for.

Total material moved for the year was 13.8 million tonnes compared to 13.0 million tonnes in 2007 and was in line with expectations.

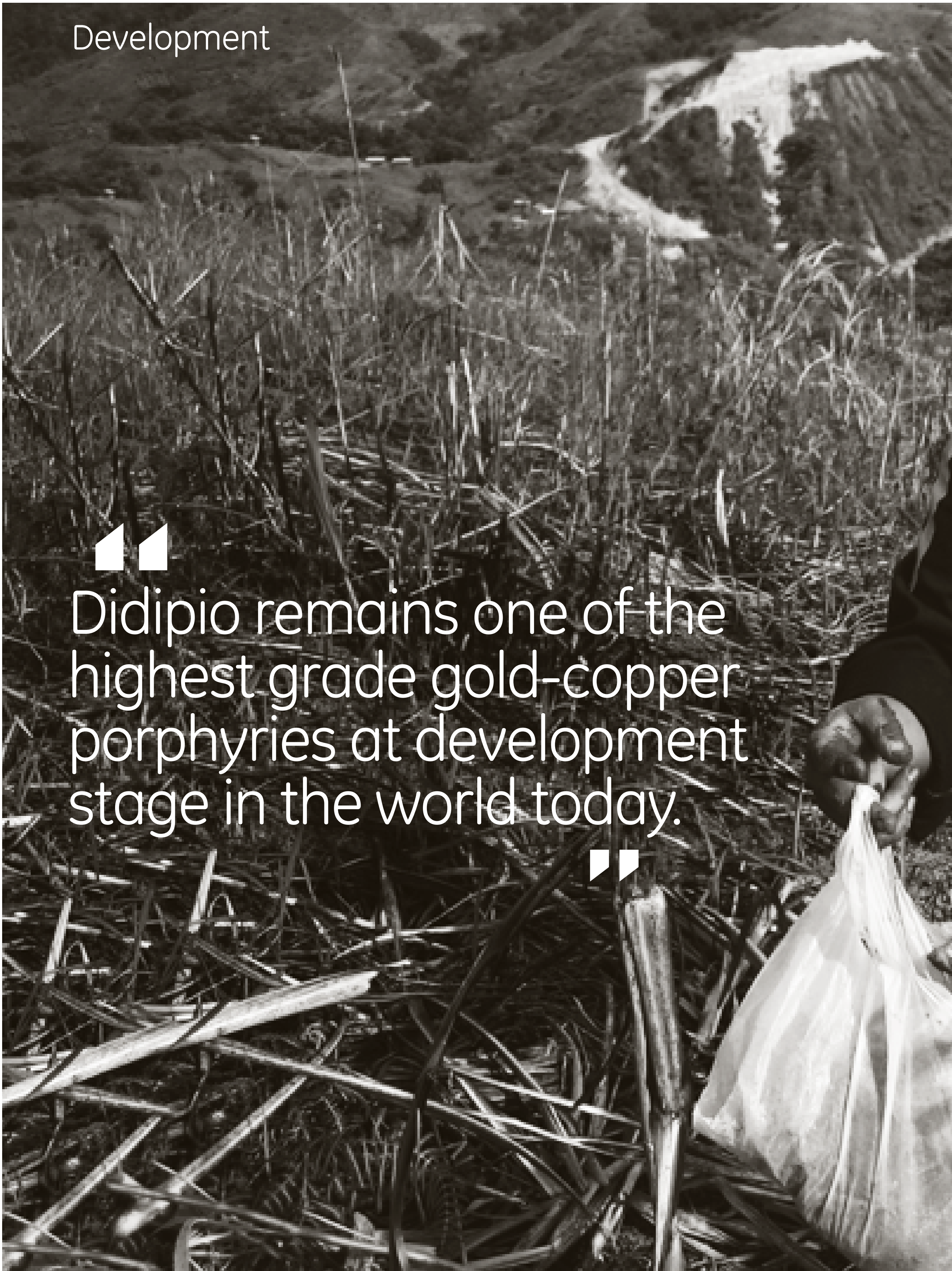
Grade through the mill finished the year at an average of 2.47g/t slightly lower than the 2.60g/t registered in 2007. However, this was about 5% better than expectation and a result of access to high-grade narrow quartz veins.

Reefton processed 76,132 gold ounces at the Macraes facility, which represented a 50% increase over 2007 and a reflection of the first full year of production.

Contracted staff turnover was also a challenge at Reefton. To address the issue a new improved roster was implemented in late October for the contracted mine operators. The roster was identical to the roster adopted at our Macraes mine. It is envisaged that the new roster will improve safety performance, mining quality and efficiencies.

Photo: University of Otago's fourth year geology student, Lisa Milham and Dr Dave Craw
undertaking research at Macraes Goldfield.

Development



> “Didipio remains one of the highest grade gold-copper porphyries at development stage in the world today.”

Photo: Mary Bajita
Didipio Project Team Member
(Philippines)

Didipio Gold & Copper Project (Philippines)

On 3 December 2008 the Didipio Gold and Copper Project in Northern Luzon, Philippines was placed under care and maintenance. The decision to put the project on hold was taken after the company was unable to secure supplemental funding for the project in 2008 and the deterioration of global economic conditions. Continued uncertainty in the financial markets necessitated that the company take prudent measures to protect and preserve its assets in the Philippines.

Prior to restricting expenditures on the project in late June, detailed design achieved 69% completion with procurement of all long lead items also well advanced. Site based activities included final construction works of the access road to site and 60% completion of bulk earthworks for the processing plant. Preliminary works for permanent accommodation, project temporary accommodation, infrastructure and project facilities were also completed.

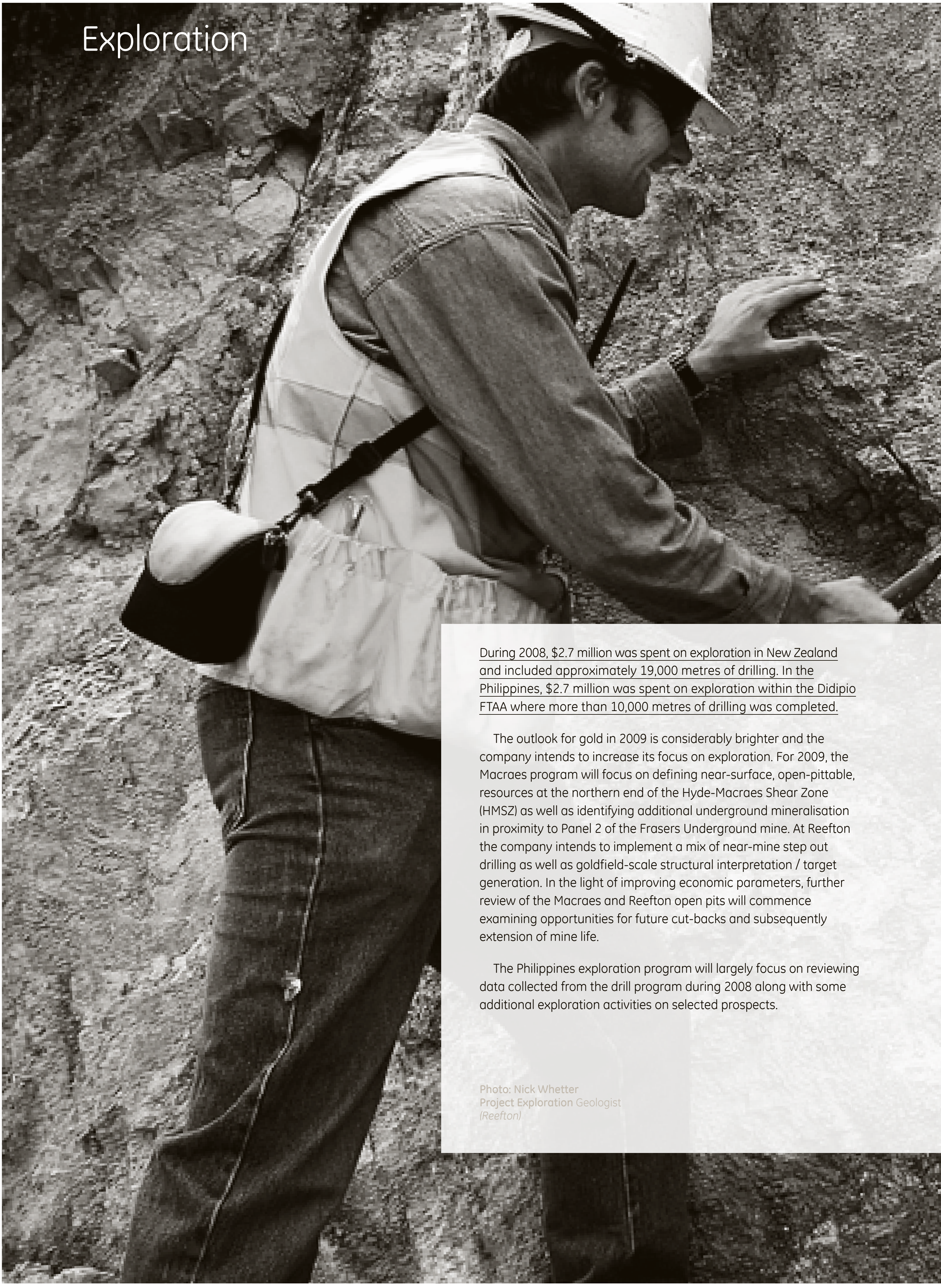
During the second half of the year the site warehouse office was completed and the permanent accommodation area was prepared and ready to commence construction of housing upon resumption of the project. 'Ten person' individual temporary accommodation modules, in addition to bunkhouse style accommodation for a further 100 personnel; and mess hall are also complete.

Long lead-time items such as the mills, flotation cells and gravity concentrators have been completed and will remain at the vendors' premises until they are required at site.

Site activities in the future will be limited to minimal care and maintenance of acquired lands and facilities. The OceanaGold facilities are being fenced and secured. Construction areas have environmental protection in place such as silt fencing and silt settling ponds. These environmental controls will be maintained throughout the care and maintenance program. Local community commitments will be continued as noted in the Sustainability report.

Didipio remains one of the highest grade gold-copper porphyries at development stage in the world today and the company will continue to examine strategies to resume development of the project during 2009.

Exploration



<u>During 2008, $2.7 million was spent on exploration in New Zealand and included approximately 19,000 metres of drilling. In the Philippines, $2.7 million was spent on exploration within the Didipio FTAA where more than 10,000 metres of drilling was completed.</u>

The outlook for gold in 2009 is considerably brighter and the company intends to increase its focus on exploration. For 2009, the Macraes program will focus on defining near-surface, open-pittable, resources at the northern end of the Hyde-Macraes Shear Zone (HMSZ) as well as identifying additional underground mineralisation in proximity to Panel 2 of the Frasers Underground mine. At Reefton the company intends to implement a mix of near-mine step out drilling as well as goldfield-scale structural interpretation / target generation. In the light of improving economic parameters, further review of the Macraes and Reefton open pits will commence examining opportunities for future cut-backs and subsequently extension of mine life.

The Philippines exploration program will largely focus on reviewing data collected from the drill program during 2008 along with some additional exploration activities on selected prospects.

Photo: Nick Whetter
Project Exploration Geologist
(Reefton)

New Zealand

Macraes

Over 4,200 metres of infill drilling was completed for Panel 2 of Frasers Underground. Results from this program confirmed the continuity of grade within the mineralized zone and down-dip extension to this ore body.

A new drill program was initiated to test the down-dip extensions of the Golden Point and Round Hill orebodies, and several holes intersected the host shear zone. Three such programs were completed, at Golden Ridge, Trig 569 and Coronation.

In total 34 holes were drilled for just over 3,000 metres to test the northeastern extension of the Coronation deposit located at the northern end of the current mine footprint. Significant intercepts (with grades >1g/t Au over 1-5m) are confined to the Hanging Wall Shear Zone itself and a semi-concordant lode that occurs about 10 metres below. Both define shallow, north-plunging shoots.

Some of the best intercepts include 3 metres @ 1.62g/t Au, 3 metres @ 3.25g/t Au and 3 metres @ 1.38g/t Au. Modeling of this deposit is underway and a resource estimate will be completed in 2009. A soil sampling program which currently contains 1,361 samples track the trace of the HMSZ northwards beyond Coronation, and is ongoing. This area represents a 2 to 3 kilometre long untested interval of strike and is regarded as the most prospective for open-pittable resources in the entire Macraes tenement package.

Reefton

Exploration in the Reefton Goldfield is challenging, with steep topography, thick forest cover, sparse outcrop and a veneer of glacial sediments, and high rainfall. An infill drilling program of 600 metres was completed and a revised resource model is being prepared at the Supreme prospect, located south of the current mining area. Otherwise, the 2008 work program was designed to drill test possible extensions to mineralized zones on the Globe-Progress Mining Permit alone, and in particular those that might impact on short-term mine planning for 2009.

In 2008 a total of 2,500 metres were drilled into target reefs located in the footwall to the north of the Globe-Progress open pit and on-strike extensions to the General Gordon and Empress open pits. The best intercepts were reported from a second lode in the immediate footwall of the main Globe-Progress lode, which had previously been recognized in costeans at surface.

Results suggest that this structure may contain a significant resource, with relatively high grades over reasonable true thicknesses (eg. 5 metres @ 1.17g/t; 6.7 metres @ 1.71g/t & 8.4 metres @ 2.00g/t; and 4.5 metres @ 3.29g/t & 4.5 metres @ 4.19g/t Au). Further drilling is planned.

In addition to drilling, further research work was completed during 2008 to refine our understanding of the Globe Progress ore bodies. This included detailed mapping in the open pit and 3-D modelling of grade control data. The objective of the research is to assist with the generation of additional targets for future exploration.

Photo: Arnel Arrojo
Manager, Community Development
and Provincial Liaison

Philippines

Didipio

An infill drill program which was designed to better define the high-grade gold core of the Didipio deposit was completed during the year. Assay results confirmed the grade continuity within this core, as expected, and a revised resource estimate, based on the new drilling data and a review of the geological model, was within a few percent of the original estimate as presented in the latest NI43-101 report. A trenching program over the top of Didipio Hill demonstrated that oxide ore at surface averaged 1% Cu. Due to a paucity of data, this near-surface material is not included in the Mineral Reserves.

By mid-year, there were five drill rigs active on the near-mine exploration program, and 32 holes were completed at more than 9,000 metres before the program was suspended in October due to funding constraints. All exploration targets within the footprint of the future mine infrastructure including the area of the planned tailings impoundment were tested, as well as a few others in close proximity.

The prospects drilled included Golden Eagle, Didipio North, Didipio South, Morning Star, Midnight J, Bongo Bongo, True Blue, and D'Beau.

Numerous monzonitic dykes were intersected, some with enhanced grade, but they are usually thin (<3 metres thick, with grade) and are interpreted to be a marginal manifestation of the Didipio mineralisation. However, the detailed logging of alteration vein assemblages at the Midnight J and D'Beau prospects, combined with an interpretation of 3-D modeled dipole-dipole induced polarization (IP) data suggest that at least two targets remain untested at these prospects alone. In addition, there are at least seven other targets that have not been adequately tested within the Didipio Valley and within 2 kilometres of the Didipio deposit.

A comprehensive review of the historical drilling on all regional targets at Didipio was a key focus of activity during 2008. This involved relogging numerous drill holes, many hundreds of metres and sampling of all zones of interest that had not been sampled before. In addition, many of the holes were logged with a PIMA instrument, as part of a hyperspectral orientation study aimed at providing an objective means of logging subtle alteration. The ultimate objective of this ongoing research program is to identify vectors towards mineralisation that might aid future exploration targeting.

Manhulayan

Many new small-scale workings in the vicinity of the main porphyry targets at Manhulayan, were mapped and sampled during 2008. The soil sampling grid was also extended to the south of Costan Ridge, to complete the geochemical coverage of an area of small-scale workings that had not previously been sampled, and a new dipole-dipole IP survey was completed over the full grid. An interpretation of these combined data sets led to a proposal to drill an initial four diamond holes into two targets, only one of which had been drilled inadequately before.

Other Prospects

OceanaGold has eleven granted tenements in the Philippines including the FTAA at Didipio, nine of which are currently being considered for renewal by the Mines and Geosciences Bureau (MGB). A further eleven are in various stages of application, all of which have been acknowledged by the MGB.

Resources and Reserves

As at 31 December 2008, OceanaGold had total Measured and Indicated Mineral Resources of 5.28Moz of gold and 0.29Mt of copper and Inferred Mineral Resources of 2.57Moz of gold and 0.05Mt of copper. This includes Mineral Reserves of 3.10Moz of gold and 0.19Mt of copper. The tables below summarise OceanaGold's Mineral Resource and Mineral Reserve inventories as at 31 December 2008. They supersede all previous statements of OceanaGold's Mineral Resource and Mineral Reserve inventories. The Mineral Resources stated include the Mineral Reserves.

Resource Statement as at 31 December 2008

	Measured			Indicated			Measured & Indicated					Inferred				
Resource Area	Mt	Au g/t	Cu %	Mt	Au g/t	Cu %	Mt	Au g/t	Au Moz	Cu %	Cu Mt	Mt	Au g/t	Au Moz	Cu %	Cu Mt
Macraes	17.80	1.24	-	41.12	1.27	-	58.93	1.26	2.39	-	-	23.60	1.32	1.00	-	-
Reefton	1.20	2.45	-	11.21	1.86	-	12.41	1.91	0.76	-	-	3.31	4.56	0.49	-	-
Sams Creek	-	-	-	-	-	-	-	-	-	-	-	13.50	1.78	0.77	-	-
Didipio*	16.58	1.71	0.57	48.99	0.77	0.40	65.57	1.01	2.12	0.44	0.29	24.20	0.40	0.31	0.20	0.05
Total	**35.58**	**1.50**	**-**	**101.32**	**1.09**	**-**	**136.90**	**1.20**	**5.28**	**-**	**0.29**	**64.61**	**1.24**	**2.57**	**-**	**0.05**

Note: Resources inclusive of Reserves

*0.4 g/t EqAu >2550mRL and 1.0g/t <2550mRL. No resource reported below 2270mRL EqAu cut-off is gold equivalent based on US$500/oz gold and US$1.90/lb copper.

Footnote: the Didipio resource was updated in October, 2008 and is presented in this report.
The Didipio reserve as stated in this report however is based upon the January 2007 resource estimate.

Reserve Statement as at 31 December 2008

Reserve Cut Off Grade	**Reserve Area**	Proved			Probable			Total Reserve				
		Mt	Au g/t	Cu %	Mt	Au g/t	Cu %	Mt	Au g/t	Au Moz	Cu %	Cu Mt
0.5 g/t	Macraes	13.44	1.22	-	13.43	1.32	-	26.87	1.27	1.10	-	-
0.8 g/t	Reefton	0.86	2.41	-	4.33	2.01	-	5.18	2.08	0.35	-	-
0.56	Didipio	21.82	1.82	0.59	13.00	0.89	0.50	34.82	1.48	1.65	0.56	0.194
	Total	**36.11**	**1.61**	**-**	**30.76**	**1.24**	**-**	**66.87**	**1.44**	**3.10**	**-**	**0.194**

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

Technical Disclosure

The estimates of Mineral Reserves and Mineral Resources in this report were prepared in accordance with the standards set out in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves – The JORC Code" (December 2004) as published by the Joint Ore Reserve Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC) and in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") under the guidelines set out by the Canadian Institute of Mining, Metallurgy and Petroleum. The JORC Code is the accepted reporting standard for the Australian Stock Exchange and New Zealand Stock Exchange. Unless otherwise stated, the scientific and technical information in this Annual Report in respect of the mineral projects of the company, updates, and is based upon the following NI 43-101 compliant technical reports (collectively, the "Technical Reports") which have been filed and are available at www.sedar.com under the company's name: (a) "Independent Technical Report for the Macraes Project located in the Province of Otago, New Zealand" dated May 9, 2007, prepared by J. S. McIntyre, I. R. White and R. S. Frew of Behre Dolbear Australia Pty Limited, N. A. Schofield of Hellman and Schofield Pty Ltd., B. L. Gossage of RSG Global Pty Limited and R. R. Penter of GHD Limited;(b) "Independent Technical Report for the Reefton Project located in the Province of Westland, New Zealand" dated May 9, 2007, prepared by J. S. McIntyre, I. R. White and R. S. Frew of Behre Dolbear Australia Pty Limited, B. L. Gossage of RSG Global Pty Limited and R. R. Penter of GHD Limited; and(c) "Independent Technical Report for the Didipio Gold-Copper Project located in Luzon, Philippines" dated June 23, 2008, prepared by A van der Heyden of Hellman and Schofield Proprietary Limited, J. Wyche of Australian Mine Design and Development Proprietary Limited and J. McIntyre of Behre Dolbear Australia Pty Limited. Each of the authors of the Technical Reports is a "qualified person" for purposes of NI 43-101 and is independent of the company within the meaning of NI 43-101.

Where Mineral Reserves and Mineral Resources of the company's mineral properties have been shown to be depleted by annual production as at December 31, 2008, such information is based on information compiled by Jonathan Moore (Exploration and New Zealand Resources), Alex Zuhoski (Macraes Open Pit Reserves), Adrian Winchester (Macraes Underground Reserves), Paul Miles (Reefton Reserves), John Wyche (Philippines Reserves) and Arnold van der Heyden (Philippines Resources). Jonathan Moore, Paul Miles, Adrian Winchester and Alex Zuhoski are Members of the Australian Institute of Mining and Metallurgy and are full-time employees of OceanaGold. John Wyche is a member of the Australian Institute of Mining and Metallurgy and is a full-time employee of Australian Mine Design and Development Pty Ltd. Arnold van der Heyden is a member of the Australian Institute of Mining and Metallurgy and is a full-time employee of Hellman & Schofield. All such persons are "qualified persons" for purposes of NI 43-101 and have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Messrs Moore, Winchester, Zuhoski, Miles and Wyche and van der Heydon consent to inclusion in the report of the matters based on their information in the form and context in which it appears.

Comparison of 2007 and 2008 Inventories

	Measured		Indicated		Inferred	
Mineral Resources	**2007 Moz**	**2008 Moz**	**2007 Moz**	**2008 Moz**	**2007 Moz**	**2008 Moz**
Macraes	0.89	0.71	1.92	1.69	1.18	1.00
Reefton	0.22	0.09	0.68	0.67	0.49	0.49
Sams Creek	-	-	-	-	0.77	0.77
Didipio	1.56	0.91	0.61	1.21	0.29	0.31
Total	**2.66**	**1.71**	**3.21**	**3.57**	**2.73**	**2.57**

	Proved		Probable		Total	
Mineral Reserves	**2007 Moz**	**2008 Moz**	**2007 Moz**	**2008 Moz**	**2007 Moz**	**2008 Moz**
Macraes	0.69	0.53	0.69	0.57	1.38	1.10
Reefton	0.13	0.07	0.40	0.28	0.53	0.35
Didipio	1.00	1.28	0.57	0.37	1.57	1.65
Total	**1.82**	**1.87**	**1.66**	**1.23**	**3.48**	**3.10**

Mineral Resources

OceanaGold's Measured and Indicated Mineral Resource inventory showed a net decrease of 0.59Moz of gold between 31 December 2007 and 31 December 2008 due to:

Decreases resulting from:

- Mining at Frasers Underground mine, Golden Ridge open pit at Macraes and mining at Globe Progress / General Gordon and Empress open pits at Reefton.
- Golden Ridge pit at Macraes has been mined to completion and the resource removed from the inventory.
- Removal of deeper resource beyond the current limit of the Frasers open design.
- Infill drilling of Panel 1 at Frasers Underground resource, Macraes.
- Drilling and remodelling of the Globe and Empress resources at Reefton; and
- Drilling and remodelling of the Didipio resource in the Philippines.

Increases resulting from:

- Infill drilling in Panel 2 extension at Frasers Underground mine.

OceanaGold's Inferred Mineral Resource inventory showed a net decrease of 0.16Moz primarily as a result of conversion of Panel 2 Frasers Underground Inferred mineralisation to Indicated via infill drilling, Exploration success for deep extensions of Golden Point mineralisation resulted in an increase in Inferred resources. The following resources remain unchanged;

- At Macraes, resource estimates for Coronation, Deepdell, Golden Bar and Taylors.
- At Reefton, resource estimates for Souvenir, Supreme and Blackwater.
- Resources for Sams Creek.

Mineral Reserves

OceanaGold's Mineral Reserve inventory showed a net decrease of 0.38Moz between 31 December 2007 and 31 December 2008 due to:

Decreases resulting from:

- Mining at Frasers Underground, Macraes open pit and stockpiles and mining of Globe Progress / General Gordon, Empress open pits and stockpiles at Reefton.
- Mining of Golden Ridge open pit at Macraes to completion.
- Additional regional pillars as part of Panel 2, Frasers Underground redesign.
- Revised ore loss factors for Frasers Underground.
- Remodeling and reoptimisation of Globe / General Gordon at Reefton.
- Revised pit design for Empress open pit at Reefton.

Increases resulting from:

- A modest expansion of the Frasers open pit at the expense of the Frasers Underground reserves for a small net increase in combined reserves; and
- Infill drilling in Panel 2 extension at Frasers Underground, Macraes.

Looking Forward

During 2009, OceanaGold intends to increase its resource base net of mining depletion through concurrent exploration campaigns at Macraes, Reefton and the Philippines.

The Macraes program will include defining near-surface, open-pittable, resources at the northern end of the Hyde-Macraes Shear Zone (HMSZ) both via drilling, stepping off known Coronation mineralisation as well by soil sampling along untested strike. A two-pronged approach will be taken to identify additional underground mineralisation in proximity to Panel 2 of the Frasers Underground mine; this will include some surface drilling to test mineralisation more than 200 meters down-dip of the current eastern limit of drilling, as well as developing an underground drilling drive both to prove up sparsely drilled resource and to extend mineralisation northwards, towards the Macraes Fault.

At Reefton in-pit mapping and 3D grade analysis will continue to augment our geological knowledge base. This approach will be used to target extensions of mineralisation in close proximity to existing open pits. A large scale structural interpretation is also intended to be undertaken in order to generate targets that may have eluded discovery due to post-mineralisation, glacial cover.

In the light of improving economic parameters, OceanaGold will also review all its Macraes and Reefton open pits for cut-back opportunities. A drill program near Reefton is also being planned to test the continuity of the Birthday Reef below previous historic workings in the Blackwater mine, which is adjacent to the Reefton operation.

Photo: Bodine Tarawa, Waimiriranga & Hera (hidden) Ruruku walking across boardwalk in the Heritage & Art Park Wetlands Reserve with Frasers West Waste Dump in background *(Macraes)*

Sustainability

Highlights of our Sustainability Performance in 2008

Governance and Policy

- We identified our material sustainability issues at each of our Business Units.
- We mapped out our key stakeholders at each of our Business Units.
- We reviewed our company wide Governance and Policy structure.
- We reviewed our company wide Security Procedures.
- We defined sustainability Key Performance Indicators (KPI) and developed data collection protocols.
- We developed a Board approved Corporate Social Responsibility (CSR) Policy.
- We drafted a Sustainable Procurement framework.

Environment

- We bettered our New Zealand Negotiated Greenhouse Agreement target, beating our target of 135.5kt of CO^2 emissions for the 2007 year by 4.6%. Results for our 2008 performance are currently being finalised and will be published on the company's website once available.
- We continued to develop our environmental management systems and standards to further align them with ISO 14001.
- We continued our water management programs across our New Zealand operations, and implemented new programs in the Philippines including water quality testing and maintenance of a springs and well inventory at the Didipio project.
- We tracked and documented our waste management and treatment system practices at our operational Business Units.
- We moved closer towards adopting the International Cyanide Code as part of the handling and disposal of cyanide during processing at our Macraes operation in New Zealand.
- We undertook bioengineering and water surface management initiatives at the Didipio project, this included the installation of gabions and comprehensive revegetation, both have controlled erosion along roadways and in areas of disturbance.

Community

- For the first six months of 2008, we continued to be an active member of New Zealand's Inangahua Vision 2010 fundraising committee (until it was disbanded in June 2008). Since 2007 the committee has raised $214,000 for investment into Reefton's local community initiatives.
- We produced a record – 27,000 trout at the Macraes Flat Trout Hatchery. The trout once bred are released into fisheries throughout Otago, New Zealand to assist with the sustainability of this sport fishery throughout the region.
- We continued developing our Heritage and Art Park at Macraes New Zealand, commissioning two new works from artists to the project. The art park is expected to attract visitors to the area long after the mine has closed.
- For the second year in a row, we supported the Philippines Global Fund – Movement Against Malaria.
- For the third year in a row we supported the OceanaGold scholarship program in the Philippines – providing 25 scholarships to students in 2008. We have committed to continue this annual level of funding for the scholarship program until at least March 2010.
- We provided mining and environmental awareness presentations to various community groups both in New Zealand and the Philippines.

Photo: Bodine Tarawa, Hera and Kerrie Ruruku looking out from within a bird watching hut in the Macraes Heritage & Art Park Wetlands Reserve.

Health and Safety

- We increased the level of auditing of contractor compliance to OceanaGold Health and Safety standards and requirements in New Zealand. Auditing of our contractors will be an ongoing process to ensure best practice application of our standards and requirements.
- We implemented a web based database in New Zealand to assist us in standardising health and safety reporting across our operational Business Units. We also continued to develop our safety reporting system in the Philippines.
- We ran various training programs including first aid and basic fire fighting skills for employees throughout the year and will continue to do so in the future.

What Sustainability Means to Us: **Enduring Benefits**

OceanaGold is committed to creating a positive and enduring legacy. Sustainability for us means undertaking steps to ensure that benefits last well beyond the lifecycle of our projects. In planning programs and projects we consider our social responsibilities, our environmental stewardship, and our economic goals. We are guided by our ethics, and held accountable by our policies, stakeholders and shareholders.

To help us achieve our sustainability goals we established a roadmap in 2007. This roadmap clearly defines the steps that we need to take to help us move towards greater sustainability. As you will see in the pages to follow, we made a great deal of progress towards developing and implementing sustainability initiatives across the business.

Action

- Material issues assessment, stakeholder mapping, policy review, data capture review
- Reporting of sustainability performance via 2007 annual report
- Develop key disclosures and indicators, track data using procedures for inclusion in next years report
- Development of stakeholder engagement strategy

Measurement

- Compile our first 'Towards Sustainability Report'
- Undertake internal assurance of report content
- Consultation with external stakeholders to provide input and encourage improvement of our report

Accountability

- External 3rd part assurance of sustainability report using AA1000 standard

Key Policy and Process Developments in 2008

In 2007 we placed a great deal of focus on reviewing our policies and processes associated with our sustainability objectives. We engaged Net Balance, a specialist consultancy to assist us with these tasks. The following was achieved during 2008:

- Material Issues Assessment;
- Stakeholder Mapping;
- Company wide Policy Review;
- Policy Development;
- Data Capture Review;
- Development of key disclosures and indicators (KPI's);
- Tracking of KPI data at each of the Business Units.

Development of our Corporate Social Responsibility (CSR) Policy was one of our key achievements during the year. This Policy outlines our stance on sustainability and was approved by the Board in early 2009.

Through our CSR Policy (refer to company's website www.oceanagold.com), we aim to add value in a way that is consistent with best practice in mineral exploration and extraction, environmental stewardship, safety, and community engagement. We believe that inclusive mining companies can help transform communities in a manner that is consistent with global initiatives around sustainable economic development, poverty alleviation, and improved health outcomes.

We believe in the importance of community participatory planning and in partnering with outcome oriented results based organisations to achieve long term positive change. To this end, we have been working with a variety of organisations on many fronts to empower and support community members near our projects in New Zealand and the Philippines.

Another key achievement during 2008, was the review of our company wide Governance and Policy framework to identify further opportunities for the integration of sustainability objectives.

Some of our key future goals include meeting the expectations included in the Global Compact and ensuring that Environmental Management Systems used by our Business Units continue to be based upon ISO 14001 standards. We will report updates on our progress in these areas on our website and in our future Annual Reports.

CASE STUDY: Sustainable Procurement

In late 2007 OceanaGold's Macraes business took the first steps to develop a more sustainable procurement strategy through the development of a Sustainable Procurement framework. This has since been used as the focal point for guiding supply, and articulated preference for pursuing a local community supply base wherever possible.

To help us assess our supplier performance in the area of sustainability, a number of other initiatives also commenced in 2008. The first of these is the Supplier Prequalification Form, which is a questionnaire designed to gain information on the supplier's financial stability, commitment to our company policies, the local community, and to help them continuously improve their performance. The second initiative is the development of contract schedule sustainability registers. Both of these initiatives are being initially tested at the Macraes operation in 2009.

CASE STUDY: Sustainable Procurement in Practice

Macraes Bus Transportation Contract

In 2008 OceanaGold developed a transport contract to support its sustainability objectives at Macraes and Frasers Underground. The bus contract was developed with a local transport supplier in Waikouaiti to afford sustainable, fuel efficient transport for our employees living in the Waikouaiti, Palmerston, Oamaru, Dunedin and the Warrington/Waitati regions. Overall, this initiative has improved worker productivity and mine production. It also supports staff and the local community by reducing overall fuel consumption, road congestion, per capita fuel costs and provides jobs within the local community.

Photos:

1 Volunteer fire fighters from Palmerston Volunteer Fire Brigade and OceanaGold employees **Willie Turner**, Mine Operator *(Macraes)* and **Carolyn McKewen**, Data Systems Administrator *(Macraes)*.

2 Mark Hill's Haast Eagle (pictured with **Leon Gerrard**, Mine Geologist *(Macraes)* was one of two new art works that was commissioned in OceanaGold's Heritage and Art park in 2008. The art park is expected to attract visitors to the area long after the mine has ceased.

3 Since 2007, OceanaGold has worked on various initiatives with local schools in the Philippines including the Upper Dingsan Elementary School located in the Quirino Province. After receiving a letter from the school in 2008 detailing the shortage of books with "one book often shared between eight students" the company's employees and contractors dug into their own pockets to raise enough funds to buy five new school books for every student in attendance.

> We believe in the importance of community participatory planning and in partnering with outcome oriented results based organisations to achieve long term positive change.

Environment

OceanaGold is committed to responsible environmental management and to complying with all applicable statutory requirements in the countries where it operates. We aim to be an industry leader in the identification, assessment, mitigation, and monitoring of environmental effects. Our Environmental Policy is effected through initiatives which demonstrate how we respect, honour, protect and support the natural environments where we operate.

We are conscious that our activities can have a lasting effect on the environment, and where possible we will aim for a net environmental gain from our activities. We will comply with all applicable laws and standards at home and abroad and we aim to ensure that our programs are consistent to high standards.

We review our policies and programs regularly and we carried out work in 2008 to establish management standards and guidelines for our Business Units. For the latest version of the company's environmental policy go to **www.oceanagold.com**

Our Environmental Performance

Our Environmental Performance against the goals we set in 2007 is detailed below:

Business Unit	2008 Target	Status
Macraes	At Macraes we accurately reported environmental incidents in a timely manner. We maintained the number of Moderate, Significant and Major Impact (levels 3 to 5) environmental incidents at 0.	
	We completed a comprehensive energy audit of the Macraes operation with the assistance of consultants – Enercon.	
	We produced a record 27,000 trout for release from the Macraes Trout Hatchery, exceeding our goal by 17,000 trout.	
	We maintained the Macraes township and the Heritage and Art Park features to a high standard to encourage tourism in the local community, adding another two new art works.	
	Rehabilitation work at Macraes was not undertaken as suitable areas were unavailable during the year and weather conditions were not suitable. We did however apply initial fertiliser to 51 hectares and maintenance fertiliser to 21 hectares (our goal was 40 hectares in total).	
Reefton	We completed approximately 3.15 hectares of rehabilitation which was in line with the area available for rehabilitation and 0.15 hectares above our target.	
Philippines	We rehabilitated disturbed areas as soon as they become available and established approximately 20 hectares of reforestation plantation.	
	We maintained a site tree nursery and distributed/donated 3,442 seedlings to the community	
	We maintained a tree planting program and planted a total of 21,963 seedlings of various tree species within the project site in Nueva Vizcaya. 16,254 of these seedlings were planted in new reforestation areas while 5,709 were used in enrichment planting in old reforestation areas.	
	We expanded monitoring activities to cover the changing levels of activities in the project.	
	We didn't quite achieve our special tree cutting permit target, which requires a 1:1 rehabilitation of areas disturbed. We fell short by 22 hectares but hope to achieve the rehabilitation of this remaining area within 2009.	

Achieved
Partially Achieved
Not Achieved

The 2008 material issues assessment undertaken at all of our Business Units identified our key areas for focus and environmental reporting, these include:

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

We also established a number of KPIs relating to the tracking of our environmental performance in these areas. Tracking of this data year on year will assist us to better analyse our performance and to identify opportunities for improvement and focus in the future.

Whilst we have been monitoring our performance in these areas for a number of years now, this is the first year we have a company wide structured approach through our environmental data management protocols.

In 2008, we undertook a great deal of environmental work in the Philippines to meet our obligations during the development phase of the Didipio project. The results of this focused work have been reported below. Once this project moves out of care and maintenance, we will begin to track and report on our environmental performance in line with our company standards.

This will be undertaken using the same systems and data management protocols that have been applied across the Business Units in New Zealand.

Environmental Compliance and Management Programs

OceanaGold's environmental management program covers the entire mine lifecycle, from exploration through development and operation, to decommissioning, closure and final rehabilitation. We are committed to meeting, or exceeding, regulatory requirements to protect the environment for future generations and to safeguard the sustainability of nearby communities.

To ensure compliance we have extensive environmental monitoring programs at each of our sites. Through these programs we monitor aspects that include:

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

System improvements have resulted in an increase in employee awareness of environmental issues and management. This awareness has been further enhanced through environmental induction programs, which set out our responsibilities and duty of care regarding environmental issues on each of the sites.

OceanaGold promotes a culture of continuous improvement in environmental management. To this end, we work hand-in-hand with community members on environmental initiatives that extend beyond mineral exploration activities.

Our Reefton operations received an abatement notice from the New Zealand regulators in September 2008 and 6 small environmental fines from Council throughout the year. These were the result of issues with sediment discharge from the mine site resulting from heavy winter rain after about 6 months of continuous compliance. OceanaGold has taken this very seriously and has developed a sediment control management plan to assist with resolving the problem. Site personnel are also in regular communication with the regulator on progress in resolving the issues.

Our Philippines operations were also issued with one environmental notice from the regulators. This incident occurred in 2007, however the notice was issued in 2008. This was the result of an issue with air monitoring activities at Didipio. This issue has now been resolved.

Our Macraes operations were not issued with any environmental fines or notices from regulators during 2008.

Energy and Greenhouse

In New Zealand we hold a Negotiated Greenhouse Agreement with the Government to minimise our greenhouse emissions. Last year we bettered our New Zealand Negotiated Greenhouse Agreement target, beating our target of 135.5kt of CO2 emissions for the 2007 year by 4.6%. Results for our 2008 performance are currently being finalised and will be published on the Company's website once available.

In the Philippines, tracking of fuel and energy use at Didipio was undertaken during the year using our data management protocols. This data will assist with establishing systems for the project and to quantify emissions in the future.

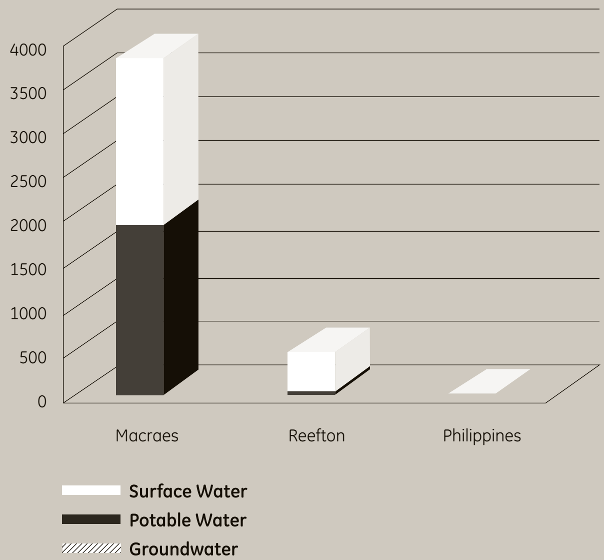
We continue to participate in a number of climate action programs and are committed to minimising our greenhouse gas emissions. An example of one of the initiatives we have implemented is the purchase of a new fleet of more fuel efficient trucks for the Macraes site, which will save some three million litres of fuel over the mine's life. Programs were also implemented in the Philippines to minimise the release of greenhouse gases. Continuous monitoring of all company operated generator sets was undertaken to ensure that they were compliant to environmental standards and the requirements of the Environmental Management Bureau (EMB).

Water

Water quality at our mine sites and in the surrounding area is monitored and managed through our compliance programs. During 2008 we continued to develop our monitoring programs across all operations, including water quality testing and maintenance of a springs and well inventory at the Didipio operations.

In 2008 we also began to track our water use in detail, through our established data management protocols. This information has been used to establish a baseline and will inform water conservation and management efforts moving forward. As the results illustrate, the bulk of our water use is related to our Macraes operations. This higher water usage is associated with increased milling operations at the site which processes the ore from both Macraes and Reefton and the need for dust suppression on site. Water use in the Philippines remains low, this is reflective of the maturity of our operations at this location. Our water sources and water uses for 2008 is illustrated in the graph below:

Water Sources: 2008 usage (ML)



Waste

Waste management practices have been long established at our New Zealand operations. The implementation of our data management protocols this year, has allowed us to further track and monitor the type of waste we generate and how we dispose of it. Our waste is currently either sent to landfill or recycled, and hazardous waste where generated, is handled by specialty waste removalists. Recycling initiatives include scrap metal, drums, cardboard and paper.

Biodiversity and Rehabilitation

We are committed to managing the biodiversity at and around our operations. As such, all of our Business Units have plans in place to track and monitor the health of ecosystems. We are also committed to leaving a positive legacy post mine operation, through rehabilitation of disturbed land and closure planning processes which also consider aspects which include employment, social and community benefits.

During 2008, we completed 3.15 hectares of rehabilitation at the Reefton operations. Rehabilitation works at Macraes could not be undertaken during 2008. This was due to both poor weather conditions and the mining schedule resulting in areas not being available for rehabilitation during the year. We did however ensure that our capital fertiliser works were undertaken. This work covered 51 hectares, along with 21 hectares of maintenance fertiliser application. Both were well above our target for the year.

In the Philippines, while the Didipio project was in exploration and construction, we created a number of multi-stakeholder committees, such as the Mines Rehabilitation Fund Committee which met quarterly to review and consider the many aspects of the project and continue the dialogue with communities of interest regarding closure and remediation plans. During 2008 approximately 20 hectares of reforestation was planted within the vicinity of the Didipio project site.

CASE STUDY: Mainland Island Habitat, Reefton New Zealand

At our Reefton project we work in coordination with the Department of Conservation and operate a pest control program which aims to protect and restore habitats on the mainland through intensive management of introduced predators. Since their arrival to New Zealand, introduced predators have had a severe negative impact on the endemic flora and fauna and have led to the extinction of many native species (http://www.doc.govt.nz)

The mainland island theory has been employed by OceanaGold's Reefton Gold Mine to control the predator population on more than a 1,000 hectare area of land adjacent to our mining activities. Targeted at reducing the number of rats, stoats and possums in the area at the same time, it also supports increasing the native bird population. This is a short-term project, however, which the company is reviewing with the Department of Conservation in an attempt to secure a longer-term positive outcome at a more suitable site.

Our 2009 Environmental Targets

Macraes

- Obtain or better our carbon emission targets set out in the Negotiated Greenhouse Gas Agreement with the New Zealand Government.
- Continue to accurately report environmental incidents in a timely fashion, maintaining the number of Moderate, Significant and Major Impact (levels 3 to 5) environmental incidents at 0.
- Complete rehabilitation work on 40 hectares in 2009 in line with the area available for rehabilitation and apply maintenance fertiliser to 40 hectares of the site.
- Produce 10,000 trout for release from the Macraes Flat Trout Hatchery.
- Maintain the Macraes township and the Heritage and Art Park features to a high standard to encourage tourism in the local community.

Photo: Oliver Donato is one of the beneficiaries of OceanaGold's scholarship program in the Philippines. Oliver is currently completing a Bachelor of Science, majoring in Environmental Science at the Nueva Vizcaya State University, and is pictured at OceanaGold's Didipio seedling nursery where he participated in the company's summer job program.

Reefton

- Bring the site in under the Negotiated Greenhouse Gas Agreement with the New Zealand Government.
- Continue to accurately report environmental incidents in a timely fashion, maintaining the number of Moderate, Significant and Major Impact (levels 3 to 5) environmental incidents at 0.
- Complete 4.75 hectares of rehabilitation inline with the area available for rehabilitation.
- Assess pit perimeter restoration trials.

Philippines

- Stabilise and/or rehabilitate disturbed areas as soon as areas become available.
- Maintain the site tree nursery.
- Maintain tree planting program.
- Expand and enhance the environmental monitoring program inline with increased activity and development on site.

Due to our Philippines project being on care and maintenance we have had to limit our targets for 2009. Once the project re-starts we would look at increasing these.

Community

Working with our communities at OceanaGold extends beyond social corporate donations to creating opportunities for growth and development in host-country communities. We are proud of our partnerships and the positive impacts we have had to date and intend on continuing our support of local communities throughout the mining life cycle.

Our Community Performance:

Our Community Performance against the goals we set in 2007 is detailed in the table below:

Business Unit	2008 Target	Status
Company Wide	In 2008, we carried out stakeholder mapping exercises at all of our Business Units with the help of Net Balance. The results of this mapping exercise will be used to inform a future company wide stakeholder engagement plan. The development of the stakeholder engagement plan was listed as one of our targets for 2008, however this is still currently in the development phase and will be rolled out in future years.	
	During the year, we developed procedures for monitoring, tracking and reporting our community consultation, community investment projects and community expenditure across the company. The results obtained from this process will be used to inform our public reports and will also feed into the future stakeholder engagement activities.	
Macraes	We held bi-monthly meetings with Macraes Community Incorporated and two meetings with local Iwi in 2008. No further formal consultation took place with Iwi as they only wish to be consulted if there is a change to the project which affects their interests.	
	We held two fishing days at the Macraes Flat Trout Hatchery; one in September with East Otago Anglers Club as part of "Take a kid fishing" day and the second with the general Macraes community in November. Ongoing consultation is undertaken with our key stakeholders including the Department of Conservation, Otago Fish and Game Council, Historic Places Trust, Otago Regional Council and Waitaki District Council.	
Reefton	We provided presentations to schools and community groups focusing on all aspects of mining including geology and the environment. Groups included were Reefton Area School, Nayland College, Nelson, New Zealand Planning Conference (planners from New Zealand, from City and District Councils from consultancy firms and from the Ministry of the Environment) and DARE (Decision-making, Assertiveness, Responsibility and Esteem program for young people run by the DARE Foundation), Reefton.	
	We actively participated in the Inangahua Vision 2010 project which covered 16 community development projects, and assisted in securing further funding for this project. Unfortunately the project was disbanded in July 2008 but managed to secure cash funding of approximately NZ$214,000 over its life (since 2007). Projects supported by Inangahua Vision 2010 have so far included: • Development of Maruia Hall, a new community facility; • Upgrading the Inangahua Hall; • Upgrading the Blacks Point Museum with new toilet, central heating system plus new archive and research rooms; • A new storage shed for the Reefton Pony Club; • Resurfacing of the Reefton Tennis Club courts; • Upgrading of the Reefton Youth Centre which included an internal electrical upgrade, partial repiling of building and re-roofing, weatherboard repairs and external painting. The remaining Inangahua Vision 2010 funding distribution is being overseen by the Inangahua Community Board.	
Philippines	We commended the review of our resettlement policy and procedures during 2008. This review has been put on hold while the Didipio project is in care and maintenance, but will be an area for focus once works commence.	
	We progressively updated our relevant community agreements to ensure that they are aligned with the relevant government guidelines.	
	We continued to contribute to project Noah which aims to plant one million trees in the next 3-5 years.	

Achieved
Partially Achieved
Not Achieved

A Gold Mine for Trout: Macraes Flat Trout Hatchery, New Zealand

Built in 2004 and located at the Macraes Gold Mine, the Macraes Trout Hachery (right) is an initiative developed by OceanaGold and Fish & Game Otago. Believed to be the only known trout hatchery located on an active mine site, the hatchery generally raises between 10,000 to 12,000 rainbow trout annually for release into fisheries throughout the Otago region which have no natural spawning and are therefore not self sustaining. The Hatchery is also a popular place for schools, other groups and the local community to visit including "Bring the Kids Fishing Day" events.

During 2008, the trout farm was extremely successful, hatching 27,000 trout. The amount of trout harvested is unprecedented, but the huge number is not expected to continue each year as the hatchery is only designed to raise up to 12,000 trout per annum. The record hatching year will however greatly assist with the sustainability of this fishing industry throughout the region.

After Mine Life: Macraes Heritage and Art Park, New Zealand

Throughout the life of a project, from early grassroots exploration, to closure and remediation, when planning our programs we consider the economic, environment, and social landscapes. Our closure plans consider local land-usage, topography, habitat, socio-economic, and political landscapes.

While the majority of OceanaGold's reclamation focus in New Zealand has been to rehabilitate land back to agriculture and grazing land or to conservation park, a small area is being developed into a unique asset which will provide a sustainable future for the community. OceanaGold is currently assisting the community to develop a visitor attraction based around heritage sites, local ecology, and large scale art works, known as the Heritage and Art Park.

At the Macraes site in New Zealand we have established a Heritage and Art Park which features art works from New Zealand and internationally renowned artists. The idea behind the park is to create an enduring tourism site that generates positive cash flow for nearby communities. This is one key example of environmental stewardship throughout the life cycle of our mining activities.

The key and iconic attraction includes a series of small, medium and large scale artworks unique to Macraes Flat and has become a "must see" tourist destination in the area. During 2008 we added two new artworks:

- Jae Hoon Lee's lightbox work in the historic church which comprises three "church window" shaped boxes made of wood and glass, the largest box stands approximately 1.8 metres tall.
- Mark Hill's Haast Eagle made of stainless steel tube and sheet which stands 7.5 metres tall and with a wingspan of 11.5 metres wide atop Frasers West Rock Stack.

Photo: Steve Dixon – Fish & Game Otago Ranger introduces Waitahuna school children to the Macraes Flat Trout Hatchery, New Zealand

Supporting communities during exploration and development: our Philippines communities

OceanaGold has supported the communities in which it operates from early exploration and development stages. In the Philippines this support is governed by the Mining Act which requires that all mining companies create an evidence-based and results-oriented Social Development Management Plan (SDMP). This plan outlines how a company will support sustainable development in the project region. One (1) percent of direct milling and mining costs are allocated annually to the development of communities and the advancement of mining technologies and geosciences.

While still in exploration, OceanaGold began working with community members living near the Didipio project to create these sustainable development initiatives. In 2006, we entered into a Memorandum of Agreement with the Didipio Community Development Association Inc. To date, the Didipio Community Development Association Inc and OceanaGold have worked on numerous projects, highlights include:

- Assisting in the development of the Didipio Green Valley Institute – the only high school in the area serving the needs of over 100 students.
- Building the Didipio Community Multi-purpose Hall (still in progress).
- Repair and building of hanging bridges to support transportation of farm produce to market.
- Improving the infrastructure at the local elementary schools which included classrooms and playing fields.

OceanaGold continues to partner with credible results driven organisations to improve education and health outcomes, which are cornerstones of our CSR policy.

Netting Malaria: Philippines

In 2006, OceanaGold joined forces with the Global Fund Movement Against Malaria, Philippine Shell Foundation Incorporated and the Cabarroguis Municipal Health Authority to work on malaria eradication programs. Over the course of two years OceanaGold has moved from being a provider of in-kind donations to an active member on the Provincial Management Committee of the Global Fund Movement Against Malaria. Our key aim is to support malaria prevention programs in regions close to our Didipio Gold-Copper Project in northern Luzon, Philippines.

The mission of the Global Fund Movement Against Malaria is to reduce malaria related mortality and morbidity by 70% by 2010.

OceanaGold's early engagement involved supporting the medical teams' efforts through donations of vehicles, fuel and food. Through the years the company has also supported the establishment of permanent local microscopy services which has trained health care workers in educating and detecting malaria among area residents.

OceanaGold is an active employer of contract and transient workers. As such we have a responsibility to ensure incidences of malaria transported by our employees and contract workers are contained and ultimately reduced. To ensure this is achieved OceanaGold established a protocol whereby all contractors and employees report to the health worker for detection and treatment if they are found to be carriers.

Through interactive and collaborative efforts, the program has already reported incidences of malaria decreasing from 59 cases in 2006, to five reported cases in the first six months of 2008.

To date, OceanaGold Philippines has undertaken the following actions:

- Established the Microscopy Center at Tucod, Dingasan, and Dibibi Cabarroguis.
- Trained Barangay health workers in malaria detection.
- Provided detection facilities for health care workers.
- Distributed LLIN (treated mosquito net) to OceanaGold employees, contractors, and community residents of Didipio, Dingasan, and Tucod.
- Retreatment of mosquito nets scheduled every six months.
- Conducted Active Case Detection and Mass Blood survey within Didipio and the neighbouring Barangays.
- Conducted Malaria prevention education campaigns.

CASE STUDY: Local change – students get creative and suggest how to reduce their footprint

OceanaGold's sustainability team at the Didipio project has run a number of workshops for employees and community members. In 2008, the team worked with high-school students from the Didipio Green Valley Institute around the topic of causes, consequences and prevention of environmental problems. The interactive workshop asked students to create action plans to reduce their footprint. This challenged students to think of themselves as capable agents of change who could effectively safeguard ecosystems. Students expressed their ideas in essays, paintings and poetry. Following a selection process, students were awarded prizes and participation certificates.

Supporting A Thirst for Knowledge – Philippines:

OceanaGold has been actively supporting the education of children of all ages in and around the Didipio project region, where the company has been developing its mine. There are seven elementary schools, one day-care centre and high school in the project area. Through the arrangement with Didipio Community Development Association Inc, OceanaGold funds the salaries of seven teachers. In addition, the we also contribute toward educational materials and programs which have significantly enhanced the infrastructure at the local elementary school including the sports fields.

Community members attribute a premium to education. Until recently, however, students interested in pursuing high school diplomas had to leave the area and live away from home. In 2006 OceanaGold signed a Memorandum of Agreement with the Didipio Community Development Association Inc, the Didipio Green Valley Institute to help develop the first local high school which had opened its doors in 2004. Currently, eight teachers guide 118 students through their lessons. These teachers are all local educators who returned to the area to teach at the school. In March 2008 22 students graduated.

Acquiring a tertiary education is also challenging for most who live in Northern Luzon due to the costs associated with university fees and living expenses. Nonetheless, there is a tremendous desire among youth and parents to further their education. To further facilitate access, OceanaGold has been providing scholarships to students interested in pursuing tertiary education. In 2006 OceanaGold entered into a Memorandum of Agreement with Nueva Viscaya University and Quirino State College. Annually, the Company provides 25 scholarships for post-secondary students. Presently, the large majority of the 25 scholarships provided to students studying at Nueva Viscaya State University come from Didipio and the surrounding community. The remaining are from other Barangays of Kasibu, Nueva Viscaya. 85% of the students studying on OceanaGold funded scholarships at the Quirino State College are from Dingasan, Cabarroguis, Quirino; the remainder come from other Barangays in Quirino. To-date, the company has supported 115 university students as they completed their studies.

Our Community Investment:

The establishment of data management protocols for community investment activities has enabled us to track how we engage with and support our local communities. The community investment spend is the KPI that helps us to measure the level of direct monetary support we provide. This does not include the many instances where "in kind" support is provided for various community programs and initiatives, nor does it cover the cost of staff we have committed to manage and contribute to our community programs.

Business Unit	Community Spend (USD)
New Zealand (Dunedin, Macraes & Reefton)	$132,760
Philippines	$158,862

Some of the community members, organisations and programs that benefited from our support in 2008 include:

New Zealand:

- Local Sporting Clubs;
- Volunteer Fire Brigades;
- DARE West Coast;
- Reefton Who Cares Incorporated;
- East Otago High School and Reefton Sacred Heart School;
- Buller Arts and Recreation Trust;
- Otago Hospice;
- Otago Life Education Trust;
- East Otago Community Sports & Cultural Centre;
- LEARNZ (online education program that enables students to 'visit' our operation through virtual reality field trips).

Philippines:

- Didipio Residents and Neighbouring Communities;
- Didipio Daycare Centre;
- Didipio and Dingasan Elementary Schools;
- Local Teachers, College and University Students.

Our Community Feedback:

We continue to develop our formal and informal avenues for community consultation and engagement. We think that each time we engage and consult, this provides an opportunity to gain feedback, and helps us to strengthen our standing in the local community.

We provide feedback and grievance mechanisms at all our Business Units for the community to express their views and/or concerns. The data protocols that we established in 2008 have allowed us to track and collate this information for reporting purposes. We will also use this information to inform future stakeholder engagement activities and to identify opportunities for improvement moving forward.

Business Unit	Number of Complaints	Number of Complaints remaining Unresolved at the end of the year (2008)
Macraes	0	0
Reefton	1	0
Philippines*	139	22

*Register in the Philippines was established in August 2008, complaints prior to this were dealt with directly onsite.

Complaints received from the community in the Philippines generally related to resettlement activities associated with the development of the mine site at Didipio. We recognise that this area provides an opportunity for improvement and look to focus our efforts once the Didipio project is moved out of care and maintenance.

Our 2009 Community Targets

Macraes

- We will continue to hold bi-monthly meetings with Macraes Community Incorporated – the local communities representative group – and we will continue to consult with local Iwi (Maori).
- We will continue to organise fishing days at Macraes which staff and the community are invited to attend.
- Ongoing consultation will be undertaken with other key stakeholders including the Department of Conservation, Historic Places Trust, Waitaki District Council, Otago Regional Council and Otago Fish and Game Council.

Reefton

- We will continue to provide presentations to schools and community groups focusing on all aspects of mining including geology and the environment.
- The Inangahua Vision 2010 project was disbanded in 2008. Should the project restart in 2009 (subject to resolution of project organisational issues) we will continue to meet our funding commitments.
- We will remain actively involved with community groups.
- We will run an open house day at the Reefton mine site for local community members and visitors.
- We will consider any request to subsidise school groups from all regions of New Zealand on commercial tours on a per head basis to encourage visits to our mine.
- We will continue funding community sports and activity groups within the Reefton and wider Inangahua district on consideration of specific requests.
- We will increase funding for DARE (Decision-making, Assertiveness, Responsibility and Esteem program of the DARE Foundation) West Coast program in Reefton.

Philippines

- We will continue assisting the Global Fund Movement Against Malaria program.
- We will continue sponsoring students through our scholarship program, and to which we have committed funding to March 2010.
- We will continue working with the local council in partnership for infrastructure improvements such as public roads, upgrades and maintenance.

Due to our Philippines project being on care and maintenance we have had to limit our targets for 2009. Once the project re-starts we would look at increasing these.

Health & Safety

OceanaGold believes that the health and safety of our employees, contractors and the communities in which we operate is core to our business success. We continually strive to improve our health and safety performance and seek to create a mindset in which our workforce believes that an incident and injury free workplace is an achievable goal and a priority.

Our aim is to increase the level of health and safety awareness at all times, continually reinforcing the principle that all incidents and injuries are preventable. We work to achieve this goal through training and education, thus modifying the behaviour of our employees and contractors.

Our Health and Safety Performance

Our Health and Safety Performance against the goals we set in 2007 is detailed below:

Business Unit	2008 Target	Status
New Zealand (Macraes & Reefton)	We decreased our combined Macraes and Reefton Lost Time Injury Frequency Rate (LTIFR) in 2008 as per our target. Our combined LTIFR per million man hours was reduced from 5.10 in 2007 to 3.57 in 2008.	
	We continued to develop our environmental management systems and standards to further align them with ISO 14001.	
	We are underway implementing auditing of contractor compliance to OceanaGold health and safety standards and requirements. This exercise is ongoing due to the large number of different contract companies we use.	
	We ran first aid and basic fire fighting skills training for all employees throughout the year and will continue to do so.	
	We conducted an internal All Accident Cover (ACC) workplace safety management plan audit	
	We completed more than two mock drills at site during the 2008 year.	
	Over 90% of available members attended OHSC meetings.	
Philippines	We began training courses and setting acceptable skill levels for safety and operation. This included basic life support training, reproductive health awareness and a crisis management workshop.	
	We set up emergency response plan and teams. These included procedures for dealing with vehicle accidents, chemical spills, bomb threats and civil disorder.	
	We further developed safety procedures with daily inspection and monitoring of activities intensified. Site driving rules were provided to drivers of OGPI and contractors. Vehicle inspections and permitting was implanted. Village rules formulated and implemented to increase awareness of safety.	
	We reviewed our induction systems. This is a continuous improvement process.	
	We put a great deal of effort into developing positive relationships with the community. This included continuous monthly coordination with the Mines and Geosciences Bureau, the government department responsible for the administration and disposition of the Philippines' mineral lands and mineral resources. We also attended a number of local mining conferences to keep in touch with our peers and the general mining community.	
	We conducted further training in job safety assessment, incident investigation, procedure development.	
	Unfortunately we have not yet established a fully integrated management system. We have developed registries for incidents, chemicals, forms, reports, inductions, training and MSDS's however due to the Didipio project being placed in care and maintenance, this project has been put on hold.	

Achieved
Partially Achieved
Not Achieved

It is our belief that health and safety management is a joint effort requiring not only a commitment from management but also contributions from our employees and contractors. To this end our annual improvement targets and goals are set to be Specific, Measurable, Achievable, Realistic and Time framed or "SMART".

During the year we established a number of KPIs that relate back to these SMART targets to assist track our Heath and Safety Performance over time. These include:

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

Tracking of this data year on year will assist us to better analyse our performance identify opportunities for improvement, training and development.

In New Zealand, we upheld a tertiary level certification with the Accident Compensation Corporation (ACC) Workplace Safety Management Program in 2008. At Macraes we standardised our occupational health monitoring program for all staff, and at Reefton we formalised Occupational Health Nurse Services and carried out annual health monitoring of staff. Both of these initiatives will assist us to consistently manage the health of all our employees.

One of our key standout highlights in New Zealand during 2008 was the establishment of a six monthly Health and Safety initiatives award program at Reefton. This program will help us to further drive home the safety message and drive improvements across the board.

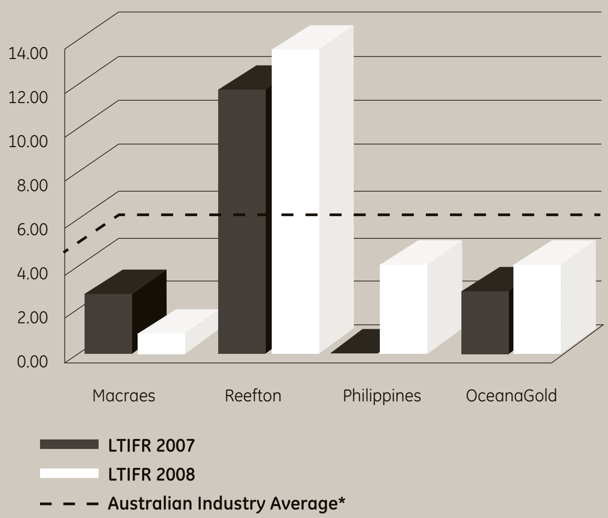
Unfortunately, we experienced a Health and Safety incident at Didipio operations during 2008 which concerned the security of our operations. The incident involved a person being shot and wounded following an encounter with a member of OceanaGold's security contractor. The person suffered a superficial gunshot wound to the upper arm following a skirmish between himself and members of the security firm at the Didipio project in March of 2008. Fortunately this incident did not result in a long term injury to any of the parties involved as OceanaGold employees acted quickly to ensure that the necessary medical attention was received.

Immediately following the incident OceanaGold initiated an internal investigation of the incident in accordance with its Health and Safety Policy. Furthermore, in line with the company's Code of Conduct, OceanaGold engaged an independent international firm based in Australia to conduct an internal review of company procedures prior, during, and after the incident took place.

As result of the incident and the internal investigation, OceanaGold reviewed all company procedures regarding security, made some recommended changes and conducted a review of all security contractors working with the company. Additional training programs were also implemented. There have been no other incidents of this type since these changes have been made.

Our Heath and Safety Statistics

Lost Time Injury Frequency Rate (LTIFR)



Note: Last years LTIFR figures were reported per 200,000 man hours. These have been updated for this year's report and are now reflected per 1,000,000 man hours as per Australian and New Zealand standards.

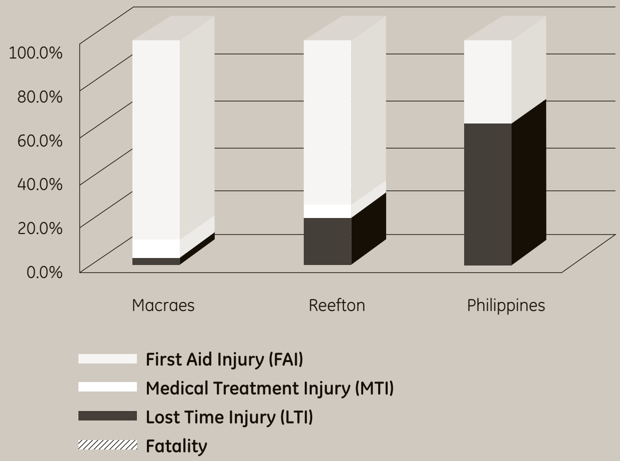
Our company Lost Time Injury Frequency Rate (LTIFR) increased from 2.51 (per million hours) in 2007 to 3.48 in 2008. While we did experience an increase in LTIFR in 2008, this result is still well below the Australian Mining Industry's average of 5[1].

While our combined New Zealand LTIFR (calculated for Macraes and Reefton) reduced as per our target, Reefton did experience an increase in their LTIFR in comparison with 2007 results. As a result future focus will be required to improve their performance in line with industry best practice results, with particular focus placed on contractor performance in this area.

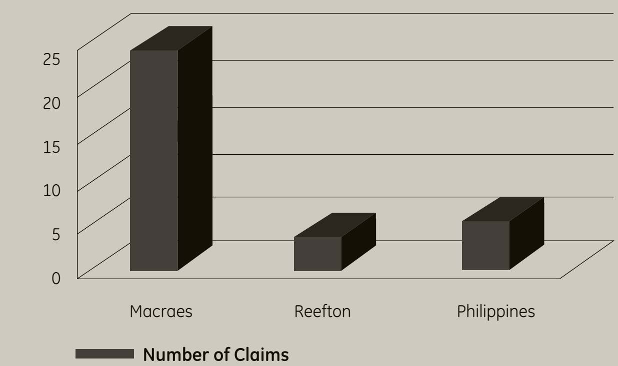
Unfortunately, the ramping up of our operations in the Philippines also resulted in an increase in LTIFR from 0 to 3.41. While this result is still below the industry average, managing this area will be a focus for us in 2009.

Analysis of our LTIFR in 2008 has shown

Injury Type



Workers Compensation Claims 2008



No Fatalities or Health and Safety infringements were experienced at any of our Business Units during 2008. Our workers compensation claims also remained low, with the exception of Macraes, which reported 23 claims (the number of claims relate back to the size of the workforce at Macraes). These claims were generally associated with strain injuries and are managed in conjunction with the Accident Compensation Corporation. It is our aim to reduce these claims, and this will be an area of focus moving forward.

The majority of injuries experienced in New Zealand can be attributed to first aid treatment injuries (FAI). Analysis of incident trends in New Zealand has revealed a necessity for contractor educational awareness be promoted more strongly within the process and mining domains and this began during the third quarter at our New Zealand sites. A series of refresher inductions during this time has seen new and current contractors become more aware of the health and safety standards that OceanaGold requires to be followed in order to prevent incidents and injuries. Consistent reviewing of all contractors' health and safety policies and training programs along with ongoing assistance will be required not only by health and safety personnel but all staff in helping contractor personnel to achieve our indicated and achievable mindset.

1. Minerals Council of Australia "Safety and Health Performance Report 2006 – 2007" (LTIFR Industry Average 2005/2006).

The local conditions in the Philippines continue to be a challenge in achieving our Health and Safety objectives at Didipio. The majority of the injuries experienced were classified as First Aid Injuries and Lost Time Injuries. These injuries included slips and vehicle incidents associated with the challenging and wet ground conditions, along with incidents associated with drilling and construction practices. The Didipio project is currently under care and maintenance and therefore site works are currently on hold. Once activities increase, improving performance in the area of Health and Safety at the project site and with our contractors will be our key area for focus.

Our Health and Safety Training

Implementing and continuing training initiatives will assist us to continuously improve our performance in Health and Safety. As such a number of training Initiatives were rolled out across our Business Units in New Zealand and the Philippines.

With our New Zealand operations experiencing continuous growth in 2008, OceanaGold installed a comprehensive guidance program for the training and development of all first response teams at both sites and a separate program at Macraes for their mines rescue teams. The program also included first aid and fire response training for the whole New Zealand work force, plus advanced first aid training for their Macraes mine rescue teams. Macraes also increased New Zealand Qualifications Authority (NZQA) accredited trainers on site.

One of the challenges that we experienced at the beginning of 2008 was the increased turnover of staff in New Zealand, meaning an added loss to staff trained in emergency response and mine rescue. The implementation of new work rosters however has shown a decline in turnover numbers thus consolidating stronger teams.

In the Philippines we concentrated on ensuring our Emergency Management Plan was firmly entrenched which included developing our emergency response team, re-checking our evacuation plan and developing our clinic, first aid facilities equipment including ambulance. We also ensured staff undertook OH&S training focusing on basic life support and emergency response training.

Our Contribution to Heath and Safety within the Community

Our first response teams are not only on call to assist at incidents on site but are willing contributors in providing aid with off site incidents that occasionally occur within the surrounds of the communities we work in. In 2008, our response team at Macraes assisted in five incidents and has been commended by civil emergency services with regards to the professionalism demonstrated. Additionally, many staff, not just response/mine rescue members are also dedicated volunteers outside of work with local fire brigades and the St John organisation (charitable organisation with a volunteer ethos, operating independently of Government and business, serving New Zealand communities), which demonstrates the unique individual commitment shown to the communities our staff live in.

Photo: **Brent Hill**
Trainee Metallurgist
(Reefton) and
Terry Watson
Maintenance Supervisor
(Reefton)

OceanaGold provides health and safety related support to the communities where OceanaGold employees live. In 2008 our New Zealand health and safety contributions included an automated external defibrillator for use by the Waikouaiti Fire Brigade, a twinner rescue tool and funding a mock exercise event held by the Reefton Fire Brigade. Previous initiatives have been introducing the importance of Palmerston primary school children wearing safety vests whilst walking to and from school and our mining contractor providing safety vests for children delivering newspapers within the Reefton township. Ongoing annual donations to our local St John organisations to assist with their emergency and non-emergency ambulance services were maintained.

In the Philippines our Health & Safety message extends well into the community as our Didipio project is located in an area where little medical care facilities exist. The Company operates a Health and Safety clinic which was established in 2006 and is open to residents of the area as well as the company's employees. In 2008 clinic staff comprised five personnel that included two paramedics from SOS International and was backed by an emergency response team of about 60 security personnel who underwent training which included basic life support and first aid techniques. The clinic personnel provided house calls when patients were unable to visit the clinic themselves but otherwise treated approximately 60 to 70 people daily. Afflictions ranged from coughs, fever, body pains, minor cuts and burns wounds through to trauma and other major ailments which were given immediate treatment and then referred to the nearest hospital using the company's ambulance.

Due to Didipio moving to care and maintenance in late 2008/2009 we have had to reduce the number of staff associated with the clinic to one midwife. When operations ramp up again we would expect to increase clinic personnel again back to previous numbers.

Our 2009 Heath and Safety Targets

New Zealand

- Objective to decrease Lost Time Injury Frequency Rate and maintain a rate that is below the Australian average.
- Standardise health and safety reporting across all the company sites.
- Continue to implement auditing of contractor compliance to OceanaGold health and safety standards and requirements.
- First aid and basic fire fighting skills training for all employees.
- Conduct bi-annual internal All Accident Cover (ACC) workplace safety management plan audit.
- Sponsor at least two mock drills at site during the year.
- Require at least 90% attendance at OHSC meetings by available members.
- Conduct 'healthy heart' health checks for employees.

The Philippines

- Continue operating the Health & Safety Clinic at site which provides medical care to the local community.

Due to our Philippines project being on care and maintenance we have had to limit our targets for 2009. Once the project re-starts we would look at increasing these.

Our People

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

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

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

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

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

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

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

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

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

Joey Leviste is the current Chairman of OceanaGold's wholly-owned subsidiary company in the Philippines, OceanaGold (Philippines), Inc. and has been a Director of the Philippines company since OceanaGold's merger with Climax Mining in 2006. He is also a director of the Philippine Tobacco Flu-Curing Corporation and the Philippine Resident Representative of the Australia-Philippine Business Council where in 2005 he was appointed as a Commissioner to the Consultative Commission tasked with advising the Philippines' President on the changes needed to the 1987 Constitution of the Philippines.

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

Mr Leviste is a member of the Sustainability Committee.

Stephen Orr
Chief Executive Officer & Director
(appointed 17 August 2004)

Stephen Orr joined OceanaGold in August 2004 as its Chief Executive Officer. He has over 30 years of experience in the mining industry including international commercial experience at both executive and operational levels in the gold industry. Prior to his current position, Mr Orr was Vice President, North American Operations then Managing Director – Australia and Africa for Barrick Gold Corporation. He has also previously held positions as President and Chief Executive Officer for Homestake Canada Inc.

Mr Orr holds a Bachelor of Science in Mining Engineering and Masters in Business Administration.

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

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

Mr Shale is currently Chairman of the Farmers Trading Company Limited Group, and a director of Turners Auctions Limited, Eastern Hi Fi Group Limited, Munich Reinsurance Company of Australasia Limited and several other companies. He has a Bachelor of Laws degree and is an Accredited Fellow of the Institute of Directors in New Zealand.

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

Marcus Engelbrecht
Chief Financial Officer
(appointed 26 January 2009)

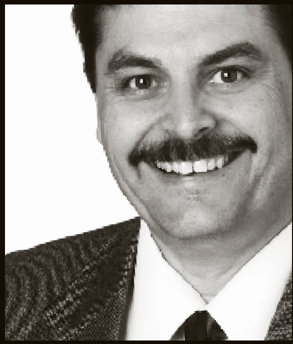
Marcus Engelbrecht has over 20 years resources experience and a proven track record operating in often challenging locales in Africa, Asia and Latin America. He spent nine years in South Africa with Deane & Thresher, Chartered Accountants before starting a 20 year career with BHP Billiton and affiliated companies. Most recently Marcus was a Principal and Director of Mandate Finance, a private company that provided working capital solutions through the provision of financial management options.

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

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

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

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



John Kinyon
Vice President, New Zealand Operations
(appointed 15 August 2005)

John Kinyon has over 30 years experience in the mining industry and joined OceanaGold from Barrick Gold, where he was General Manager, Eskay Creek Mine operation in Northern British Columbia, Canada.

Prior to that, he spent 24 years at Homestake Mining Company, where he held various roles in operations and financial management.

Mr Kinyon is responsible for managing operations. He holds a Bachelor of Science.

Mark Cadzow
Vice President, Technical Services
(appointed 29 April 1991)

Mark Cadzow is a metallurgist with over 30 years experience in mineral processing, precious metals, sulphide minerals and coal. He spent 8 years with BP Australia in coal and mineral research and development, which resulted in a number of patented processes for the recovery of gold and other minerals.

Mr Cadzow joined OceanaGold in 1991 and held the position of Senior Metallurgist and Processing Manager for 10 years during which time he developed the Macraes processing plant into one of Australasia's most complex gold processing plants. He has since become an integral member of the management team, most recently being appointed Vice President, Technical Services in 2005.

He holds a Bachelor of Applied Science (Metallurgy).

Blair Way
Director of the Didipio Gold Copper Project and President, Oceana Gold (Philippines) Inc.
(appointed 1 June 2008)

Blair Way has over 24 years experience in onshore/offshore construction projects throughout Australasia, Canada, the United States and the United Kingdom. He was most recently Project Manager – Non Ferrous Group with Hatch Associates (Brisbane) where he provided project management support for various mining and metal related projects in Australia, South Africa, China, Papua New Guinea and South East Asia. Prior to that Mr Way was Project Director – Major Projects for BHP Billiton (QNI Pty Ltd) in Townsville, Queensland.

Mr Way is responsible for leading the design and construction team at the Didipio Gold Copper Project, Philippines.

He holds a Bachelor of Science (Petroleum Geology) from Acadia University in Nova Scotia, Canada and a Masters of Business Administration from the University of Queensland, Australia.

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

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

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

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

Corporate Governance

Photo: Darryl Miller
Process Operator
(*Reefton)* and
Quenton Johnston
Process Manager
(*Reefton)*

Corporate Governance Statement

This statement provides an outline of the main corporate governance policies and practices that the company had in place during the company's 2008 financial year. The purpose of such policies and practices is to enhance and protect shareholder value, ensure risks are managed appropriately and maintain stakeholder confidence in the integrity of the company. The company has established a governance system that is designed to comply with the regulatory requirements applicable in Australia, Canada and New Zealand. Further details are set out below.

1. Australia

The Board believes that the company substantially complies with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Principles"). Refer to the ASX website: **www.asx.com.au**

As a pre-condition to initial listing on the ASX, the company notes as follows:

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

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

1.1 Lay Solid Foundations for Management and Oversight

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

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

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

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

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

1.2 Structure the Board to add value

As at the end of the period under review, the Board comprised four non-executive directors (including the Chairman) and one executive director (the CEO), who provide an appropriate mix of business and specialist skills and qualifications. During this period, the composition of the Board was as follows:

- **James E Askew** (Chairman and non-executive director);
- **T. Kerry McDonald** (Vice Chairman and non-executive director until 12 May 2008);
- **Stephen A Orr** (Chief Executive Officer);
- **J. Denham Shale** (non-executive director);
- **Terence N Fern** (non-executive director); and
- **Jose P Leviste, Jr** (non-executive director).

Independence of Non-executive Directors

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

The Board has assessed the non-executive directors to be independent in the manner contemplated by the Board Charter. Accordingly, during the company's 2008 financial year the Board comprised a majority of independent, non-executive directors.

Director Profiles

Directors' qualifications, experience, dates of appointments and details of other listed company directorships are outlined on page 40.

Term of Appointment of Non-executive Directors

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

Independent Advice

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

Committees of the Board

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

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

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

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

- **J D Shale** (Chairman);
- **T K McDonald** (until 12 May 2008); and
- **T N Fern**.

Since 12 May 2008, the Audit Committee has had only two members, each being independent non-executive directors. While the Principles recommend that audit committees should have at least three members, the Board considers that the skills, experience and independence of the current Audit Committee members allow the Committee to discharge its functions in accordance with the Principles. Further, the Committee is authorised by its Charter to retain, at the company's expense, outside counsel, consultants or advisors.

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

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

The Remuneration and Nomination Committee Charter includes the:

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

The Remuneration and Nomination Committee is required to meet at lease twice a year and to report to the Board following each meeting. The Company Secretary is also the secretary of the Remuneration and Nomination Committee.

The members of the Remuneration and Nomination Committee during the period under review were:

- **T K McDonald** (Chairman and member until 12 May 2008);
- **J E Askew** (Chairman); and
- **T N Fern**.

During the company's 2008 financial year, the Remuneration and Nomination Committee conducted reviews of performance, remuneration and skills and competencies and made recommendations in accordance with its charter.

Since 12 May 2008, the Remuneration and Nomination Committee has had only two members, each being independent non-executive directors. While the Principles recommend that nomination committees should have at least three members, the Board considers that the skills, experience and independence of the current Remuneration and Nomination Committee members allow the Committee to discharge its functions in accordance with the Principles. Further, the Committee is authorised by its charter to access professional advice from employees of the company and from appropriate external advisors.

The **Sustainability Committee** is responsible for reviewing and making recommendations to the Board in respect of the management of technical risk and the furtherance of the company's commitments to environmentally sound and responsible resource development and a healthy and safe work environment. During the period under review, members of the Sustainability Committee were as follows:

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

Each Committee contained a majority of independent non-executive directors at all times during the period under review. It is customary for the Chairman to invite company executives (including the CEO) to attend Committee meetings.

Participation in Board and Committee Meetings

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

Director	Board of Directors		Audit and Risk Committee		Remuneration and Nomination Committee		Sustainability Committee	
	Number Held	Number Attended	Number Held	Number Attended	Number Held	Number Attended	Number Held	Number Attended
J E Askew	22	22	-	Non-member	3	3	3	3
T K McDonald (until 12 May 2008)	7	7	3	3	2	2	-	Non-member
S A Orr	22	22	5	5	3	3	3	3
J D Shale	22	22	5	5	-	Non-member	3	3
T Fern	22	19	5	3	3	3	-	Non-member
J P Leviste Jr	22	21	-	Non-member	-	Non-member	3	2

1.3 Promote Ethical and Responsible Decision Making

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

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

The codes are supplemented by formal policies and procedures in relation to matters such as health and safety, environment and community, discrimination, harassment and bullying, diversity and equal opportunity and investor relations. Specific issues of note are summarised below:

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

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

Copies of the codes and the Securities Trading Policy are available on the company's website.

1.4 Safeguard Integrity in Financial Reporting

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

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

1.5 Make Timely and Balanced Disclosure

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

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

1.6 Respect the Rights of Shareholders

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

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

The company has adopted a Shareholder Communications Guidelines Policy, which is available on the company's website.

1.7 Recognise and Manage Risk

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

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

The company's risk management framework includes various internal controls and written policies, such as policies regarding authority levels for expenditure, commitments and general decision making and policies and procedures relating to health, safety and environment designed to ensure a high standard of performance and regulatory compliance. During its 2008 financial year, the company engaged external advisors to assist it with a review, gap analysis and update of its internal control procedures to, amongst other matters, ensure compliance with Canadian regulatory requirements.

The Board requires the CEO and Chief Financial Officer to confirm in writing, on an annual basis, that the company's financial reports present a true and fair view of the company's financial position and performance, have been prepared in accordance with relevant accounting standards and are based on the company's internal systems of financial control and compliance.

1.8 Remunerate Fairly and Responsibly

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

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

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

2. Canada

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

3. New Zealand

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

Photo: Russell Pearse
Processing Engineer
(Macraes)

Financial Statements

Management's Responsibility for the Financial Statements

Management's Responsibility for Financial Reporting

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

Stephen A Orr	**Marcus Engelbrecht**
Chief Executive Officer	Chief Financial Officer
Melbourne, Australia	Melbourne, Australia
February 19, 2009	February 19, 2009

PricewaterhouseCoopers
ABN 52 780 433 757

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

PRICEWATERHOUSECOOPERS

To the Shareholders of OceanaGold Corporation

We have audited the consolidated balance sheet of OceanaGold Corporation as at December 31, 2008 and the consolidated statements of operations and accumulated deficit and statement of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

The financial statements as at December, 31 2007 and the year then ended were audited by other auditors who expressed an opinion without reservation on those financial statements in their report dated February 27, 2008.

PricewaterhouseCoopers

PricewaterhouseCoopers
Melbourne, Australia
February 19, 2009

Consolidated Balance Sheets

As at December 31 2008

(in thousands of United States dollars)	Notes	2008 $'000	2007 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**9 711**	119 837
Accounts receivable and other receivables	9	**2 680**	3 426
Inventories	11	**21 910**	20 937
Prepayments		**961**	945
Derivatives	22	**1 493**	1 084
Future income tax assets	7	**8 936**	9 009
Total current assets		**45 691**	155 238
Non-current assets			
Inventories	11	**18 763**	23 953
Derivatives	22	**1 997**	4 097
Future income tax assets	7	**31 175**	12 611
Property, plant and equipment	12	**131 377**	196 320
Mining assets	13	**400 987**	415 723
Total non-current assets		**584 299**	652 704
TOTAL ASSETS		**629 990**	807 942
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**24 459**	26 422
Employee benefits	21	**1 726**	2 291
Derivatives	22	**48 780**	30 402
Interest-bearing loans and borrowings	15	**14 087**	18 687
Asset retirement obligation	14	**53**	293
Total current liabilities		**89 105**	78 095
Non-current liabilities			
Other long term obligations		**3 216**	7 717
Employee benefits	21	**68**	-
Derivatives	22	**80 066**	88 216
Future income tax liabilities	7	**61 457**	71 619
Interest-bearing loans and borrowings	15	**142 625**	198 912
Asset retirement obligation	14	**6 797**	9 218
Total non-current liabilities		**294 229**	375 682
TOTAL LIABILITIES		**383 334**	453 777
SHAREHOLDERS' EQUITY			
Share Capital	16	**334 975**	334 975
Accumulated deficit		**(111 526)**	(56 791)
Contributed surplus	18	**33 897**	32 379
Accumulated other comprehensive income	17	**(10 690)**	43 602
TOTAL SHAREHOLDERS' EQUITY		**246 656**	354 165
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**629 990**	807 942

Nature of operations and going concern (note 1)
Commitments (note 25)
Contingencies (note 26)

On behalf of the Board of Directors:

James Askew
Director

J Denham Shale
Director

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

Consolidated Statements of Operations

For the year ended December 31 2008

(in thousands of United States dollars except per share amounts)	Notes	2008 $'000	2007 $'000
Revenue			
Gold sales		**217 214**	104 395
Release from other comprehensive income of deferred unrealised gain/(loss) on designated hedges		**279**	(16 407)
		217 493	87 988
Cost of sales, excluding depreciation and amortisation		**(138 154)**	(81 669)
Depreciation and amortisation		**(50 547)**	(28 790)
General & administration		**(15 338)**	(11 632)
		13 454	**(34 103)**
Other expenses			
Interest expense		**(20 992)**	(19 414)
Foreign exchange gain/(loss)		**2 254**	(2 661)
		(18 738)	(22 075)
Gain/(loss) on fair value of undesignated hedges		**(73 408)**	(45 847)
Interest income		**2 936**	6 712
Other income	6	**133**	291
Earnings/(loss) before income taxes		**(75 623)**	(95 022)
Income taxes benefit/(expense)	7	**20 888**	25 983
Net earnings/(loss)		**(54 735)**	**(69 039)**
Net earnings/(loss) per share:	8		
- basic & diluted		**($0.34)**	($0.47)

Consolidated Statements of Accumulated Deficit

For the year ended December 31 2008

(in thousands of United States dollars)	Notes	2008 $'000	2007 $'000
Accumulated deficit at beginning of period		**(56 791)**	11 768
Net earnings/(loss)		**(54 735)**	(69 039)
Other		**-**	480
Accumulated deficit at end of period		**(111 526)**	**(56 791)**

Consolidated Statements of Comprehensive Income/(Loss)

For the year ended December 31 2008

(in thousands of United States dollars)	Notes	2008 $'000	2007 $'000
Net earnings/(loss)		**(54 735)**	(69 039)
Other comprehensive income for the year, net of tax:			
Cash flow hedge gain/(loss)	17	**(882)**	9 857
Currency translation differences	17	**(53 410)**	30 670
		(54 292)	40 527
Comprehensive income/(loss)		**(109 027)**	**(28 512)**

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

Consolidated Statements of Cash Flows

For the year ended December 31 2008

(in thousands of United States dollars except per share amounts)	Notes	2008 $'000	2007 $'000
Operating activities			
Net earnings/(loss)		**(54 735)**	(69 039)
Charges/(credits) not affecting cash			
Depreciation and amortisation expense		**50 547**	28 790
Net (gain) on disposal of property, plant and equipment		**(34)**	(179)
Non-cash interest charges		**6 062**	7 787
Unrealised foreign exchange (gains)/losses		**(2 719)**	1 163
Stock based compensation charge		**1 518**	1 565
Non-cash derivative expenses		**73 129**	62 254
Future tax expense/(benefit)		**(20 888)**	(25 983)
Changes in non-cash working capital			
(Increase)/decrease in accounts receivable and other receivables		**(555)**	(520)
(Increase)/decrease in inventory		**(5 811)**	(9 782)
(Decrease)/increase in accounts payable		**5 155**	10 548
(Decrease)/increase in other working capital		**(3 942)**	4 071
Net cash provided by / (used for) providing by operating activities		**47 725**	10 675
Investing activities			
Proceeds from sale of property, plant and equipment		**46**	330
Payments for property, plant and equipment		**(2 974)**	(43 630)
Payments for mining assets: exploration and evaluation		**(5 381)**	(27 282)
Payments for mining assets: development		**(56 373)**	(15 435)
Payments for mining assets: in production		**(43 634)**	(32 658)
Net cash provided by / (used by) used for investing activities		**(108 316)**	(118 675)
Financing activities			
Proceeds on issue of capital stock		**-**	94 702
Payment of transaction costs for equity raising		**-**	(9 023)
Payment of finance lease liabilities		**(7 513)**	(1 808)
Proceeds from finance leases		**-**	12 651
Settlement of derivatives		**(25 906)**	-
Proceeds/(repayments) from other borrowings		**(15 715)**	20 021
Proceeds from convertible notes		**-**	24 213
Net cash provided by / (used for) financing activities		**(49 134)**	140 756
Effect of exchange rate changes on cash		**(401)**	7 056
Net increase / (decrease) in cash and cash equivalents		**(110 126)**	39 812
Cash and cash equivalents at beginning of period		**119 837**	80 025
Cash and cash equivalents at end of period		**9 711**	**119 837**
Cash interest paid		**(15 130)**	(11 627)

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

1 Nature of Operations and Going Concern

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

Basis of presentation

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

For the twelve months ended December 31, 2008, the Company incurred a loss of $54.7m. As at December 31, 2008 the current liabilities of the company exceeded current assets by $43.4m and the company had capital commitments of $6.6m. The company has cash on hand of $9.7m and current cash flow projections indicate sufficient funds to continue as a going concern for at least 12 months. However, should certain assumptions in these projections not be achieved, cash flow deficits may occur, which could lead to doubt as to the ability of the Company to meet its future obligations as they fall due and, accordingly, whether or not the application of the going concern principle is appropriate.

The Company is considering a number of alternatives to secure additional capital including additional funding facilities or equity raisings. Nevertheless, there is no assurance that these initiatives would be successful or sufficient.

The Company's ability to continue as a going concern is dependent upon its ability to generate positive cash flows from operations, additional financing, or realisation of assets in the ordinary course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary where the going concern assumption is inappropriate. These adjustments could be material.

2 Summary of Significant Accounting Policies

Foreign currency translation

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

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

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

Estimates

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

Cash and cash equivalents

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

Trade and other receivables

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

Inventories

Bullion and ore

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

Gold in circuit

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

Stores

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

Property, plant and equipment

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

Depreciation rates used:

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

Impairment

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

Exploration, Evaluation, Development and Restoration Costs

Exploration and Evaluation Expenditure

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

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

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

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

Mining Properties in Production or Under Development

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

Impairment

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

Asset Retirement Obligations

The Group recognises the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal or constructive obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development and/or normal use of the assets. The Group concurrently recognises a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the life of the asset.

The key assumptions on which the fair value of the asset retirement obligations are based include the estimated future cash flow, the timing of those cash flows and the credit-adjusted risk-free rate or rates on which the estimated cash flows have been discounted. Subsequent to the initial measurement the liability is accreted over time through periodic charges to earnings.

Trade and other payables

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

Interest-bearing loans and borrowings

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

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

Convertible notes

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

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

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

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

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

Stock based compensation

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

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

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

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

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

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

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

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

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

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

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

Leases

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

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

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

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

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

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

Derivative financial instruments and hedge accounting

The consolidated entity benefits from the use of derivative financial instruments to manage commodity price and foreign currency exposures.

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

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

The Group applies Section 3855 "Financial Instruments – Recognition and Measurement", Section 3865 "Hedges" and Section 1530 "Comprehensive Income" (see note 3), and certain derivative financial instruments have been designated as hedges under the requirements of Section 3865. For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

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

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

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

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

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

Revenue

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

Bullion sales

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

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

Interest income

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

Borrowing costs

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

Income tax

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

Earnings per share

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

Deferred Stripping

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

Goods and Services Tax (GST)

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

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

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

Consolidation Policy

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

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

3 Adoption of New Accounting Standards

Effective 1 January 2008 the company adopted the following standards:

Section 1535 – Capital Disclosures

This section establishes standards for disclosing information about a company's capital and how it is managed. Under this standard the company will be required to disclose the following, based on the information provided internally to the company's key management personnel:

(i) qualitative information about its objectives, policies and processes for managing capital:

(ii) summary quantitative data about what it manages as capital:

(iii) whether during the period it complied with externally imposed capital requirements to which it is subject: and

(iv) when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

Section 3862 – Financial Instruments – Disclosures

This section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Entities will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

The section requires specific disclosures to be made, including the criteria for:

(i) designating financial assets and liabilities as held for trading;

(ii) designating financial assets as available for sale; and

(iii) determining when impairment is recorded against the related financial asset or when an allowance account is used.

Section 3863 – Financial instruments – Presentation

This section revises and enhances its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in note 22 to these financial statements.

Section 3064 – Goodwill and Intangible Assets

Section 3064 establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC-27 Revenues and expenses during the pre-operating period. As a result of the withdrawal of EIC-27, the Company will no longer be able to defer costs incurred and revenues received prior to commercial production at new mine operations.

4 Impact of Future Accounting Standards

In 2006, Canada's Accounting Standards Board (AcSB) ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being converged with International Financial Reporting Standards over a transitional period. The AcSB has developed and published a detailed implementation plan, with a changeover date for fiscal years beginning on or after January 1, 2011. This convergence initiative is in its early stages. As of the date of these annual Consolidated Financial Statements OceanaGold does not intend to early adopt IFRS. Accordingly, it would be premature to assess the impact of the initiative on the Company at this time.

5 Comparative Amounts

Certain of the comparative amounts have been reclassified to conform to the presentation currently adopted. Of particular note, tax assets and derivatives are now separated between current and non current classification; previously these assets were treated as wholly current assets or liabilities.

6 Other Income

Other income	Notes	2008 $'000	2007 $'000
Gain on disposal of property, plant and equipment		**34**	179
Other		**99**	112
Total other income		**133**	291

7 Income Tax

Major components of income tax expense/benefit:

Statement of operations	2008 $'000	2007 $'000
Future income tax		
Future income tax benefit relating to tax losses carried forward	**(7 971)**	(27 065)
Adjustments in respect of future income tax of previous years	**(2 598)**	1 370
Relating to origination and reversal of temporary differences	**(10 319)**	(288)
Income tax (benefit)/expense reported in statement of operations	**(20 888)**	**(25 983)**

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

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

Accounting (loss) before tax from continuing operations	**(75 623)**	(95 022)
At the statutory income tax rate of 34.12% (2007 34.12%)	**(25 803)**	(32 422)
Adjustments in respect of current income tax of previous years	**(2 598)**	1 341
Expenditure not allowable for income tax purposes	**1 581**	4 246
Tax losses not recognised	**3 531**	-
Effect of differing tax rates between Canada, Australia and New Zealand	**2 401**	852
Income tax (benefit) reported in the statement of operations	**(20 888)**	**(25 983)**

Future income tax	2008 $'000	2007 $'000
Future income tax at December 31 relates to the following:		
Future income tax assets		
Losses available for offset against future taxable income	**57 136**	66 840
Revaluations of hedge contracts to fair value	**38 654**	35 585
Provisions	**4 312**	3 509
Accrued expenses	**3**	4
Share issue costs	**1 563**	2 734
Other	**614**	677
Gross future income tax assets	**102 282**	109 349
Set-off future tax liabilities	**(62 171)**	(87 729)
	40 111	21 620
Less: current portion	**(8 936)**	(9 009)
Net non-current future tax assets	**31 175**	12 611
Future income tax liabilities		
Mining assets	**(86 940)**	(105 275)
Property, plant and equipment	**(32 529)**	(48 622)
Inventory	**(913)**	(1 278)
Interest Receivable	**(313)**	(449)
Accrued Revenue	**(1 771)**	(2 024)
Revaluations of hedge contracts to fair value	**(1 047)**	(1 554)
Other	**(115)**	(146)
Gross future income tax liabilities	**(123 628)**	(159 348)
Set-off future tax assets	**62 171**	87 729
	(61 457)	(71 619)
Less: current portion	**-**	-
Net non-current future tax liabilities	**(61 457)**	(71 619)

The carried forward tax losses are considered more likely than not of recovery based on forecast future taxable profits.

8 Earnings Per Share

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

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

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

	2008 $'000	2007 $'000
Numerator:		
Net income/(loss) attributable to equity holders from continuing operations (used in calculation of basic and diluted earnings per share)	**(54 735)**	(69 039)
Interest on convertible notes*	**-**	-
Net income/(loss) attributable to equity holders from continuing operations (used in calculation of diluted earnings per share)*	**(54 735)**	(69 039)

	Thousands	*Thousands*
Denominator:		
Weighted average number of common shares (used in calculation of basic earnings per share)	**161 635**	146 777
Effect of dilution:		
Share options*	**-**	-
Convertible notes*	**-**	-
Adjusted weighted average number of common shares (used in calculation of diluted earnings per share)	**161 635**	**146 777**
Net loss per share:		
- basic & diluted	**($0.34)**	($0.47)

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

As described in Note 16, the company restructured its share capital during the comparative period. The computation of basic and diluted EPS has been adjusted for all periods presented to reflect that change.

9 Accounts Receivable and Other Receivables

	2008 $'000	2007 $'000
Current		
Trade receivables	**2 449**	2 261
Other receivables	**231**	1 165
	2 680	**3 426**

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

10 Disclosure of Non-Cash Financing and Investing Activities

Non-cash share based compensation expense of $0.1m (2007 $0.3m) has been capitalised into mining assets as a non-cash investing activity.

11 Inventories

	2008 $'000	2007 $'000
Current, at cost		
Gold in circuit	**2 415**	3 677
Gold on hand	**–**	2 828
Ore	**7 434**	2 275
Stores	**12 061**	12,157
	21 910	20 937
Non-Current		
Ore, at cost	**16 647**	–
Ore, at net realisable value	**2 116**	23 953
	18 763	23 953
Total inventories	**40 673**	**44 890**

During 2008, $188.7m of inventories was recognised as an expense (2007: $110.5m) relating to cost of sales. This was net of a reversal of a previous impairment of $3.6m (2007: Nil) as a result of changes in the long term forecast gold selling price.

Total inventories of $40.7m at December 31 2008 are pledged as security under project debt facilities (see Note 15).

12 Property, Plant and Equipment

	2008 $'000	2007 $'000
Freehold land, at cost		
Cost	**3 708**	**4 904**
Buildings, at cost		
Cost	**3 927**	5 089
Accumulated depreciation	**(1 868)**	(2 216)
Net of accumulated depreciation	**2 059**	**2 873**
Plant and equipment, at cost		
Cost	**211 237**	275 630
Accumulated depreciation	**(89 639)**	(94 193)
Net of accumulated depreciation	**121 598**	**181 437**
Rehabilitation		
Cost	**6 415**	9 014
Accumulated depreciation	**(2 403)**	(1 908)
Net of accumulated depreciation	**4 012**	**7 106**
Net book value of property, plant and equipment	**131 377**	**196 320**

Plant and equipment includes assets under capital lease net of accumulated depreciation of $31.9m (2007: $50.3m). The assets under capital lease are security for capital lease liabilities.

Borrowing costs

There are no borrowing costs capitalised into the cost of any assets held on the balance sheet at December 31, 2008 (2007: nil).

13 Mining Assets

	2008 $'000	2007 $'000
Mining Assets: Exploration and evaluation phase at cost		
Cost	**22 717**	9 682
Mining Assets: Development phase at cost		
Cost	**293 817**	350 805
Mining Assets: In production at cost		
Cost	**154 769**	112 691
Accumulated amortisation	**(70 316)**	(57 455)
Net of accumulated amortisation	**84 453**	55 236
Net book value of mining assets	**400 987**	**415 723**

Borrowing costs

There are no borrowing costs capitalised into the cost of any assets held on the balance sheet at December 31, 2008 (2007: nil).

14 Asset Retirement Obligation

	2008 $'000	2007 $'000
Current		
Rehabilitation	**53**	293
Movement:		
At January 1	**293**	-
Arising during the year	**(16)**	153
Utilised	**(718)**	18
Transferred from/(to) non-current	**498**	115
Exchange adjustment	**(4)**	7
At December 31	**53**	293
Non-Current		
Rehabilitation	**6 797**	**9 218**
Movement:		
At January 1	**9 218**	8 422
Arising during the year	**322**	485
Acquired through acquisition	**-**	-
Utilised	**-**	(203)
Transferred from/(to) current	**(498)**	(115)
Exchange adjustment	**(2 245)**	629
At December 31	**6 797**	**9 218**

Rehabilitation

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

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

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

Asset retirement obligations are initially recorded as a liability at fair value, assuming a credit adjusted risk free discount rate of 9% (2007:6.5%). The liability for retirement and remediation on an undiscounted basis is estimated to be approximately $11.0m.

15 Interest-Bearing Loans and Borrowings

	Effective interest rate %	Maturity	2008 $'000	2007 $'000
Current				
Capital leases (note 25)	9.36%	05/31/2014	**6 897**	8 153
Insurance Premium Loan (NZD)	3.26%	02/28/2009	**189**	575
Insurance Premium Loan (AUD)	3.11%	02/28/2009	**51**	-
Project debt facility (NZD)	6.95%	12/31/2010	**6 950**	9 959
			14 087	**18 687**
Non-current				
Capital leases (note 25)	9.36%	05/31/2014	**32 235**	51 761
5.75% Convertible Notes (A$55m)	9.16%	12/22/2012	**37 030**	44 846
7.00% Convertible notes (A$70m)	10.13%	12/22/2013	**48 614**	57 255
7.00% Convertible notes (A$30m)	10.64%	03/22/2014	**20 113**	23 599
Project debt facility (NZD)	6.95%	12/31/2010	**4 633**	21 451
			142 625	**198 912**

5.75% Convertible Notes (Unsecured)

The Notes bear interest at 5.75% per annum payable semi-annually in arrears. The Notes are due for redemption at 109% of their principal amount in 2012 unless converted to common shares prior to this date at the option of the noteholder. The number of shares to be delivered upon conversion shall be determined by dividing the principal amount of the note by the conversion price of A$4.2435 (subject to adjustment for certain specified events).

7.00% Convertible Notes (Unsecured)

The Notes bear interest at 7.00% per annum, payable semi-annually in arrears and have a face value of A$70 million. Interest accrued in respect of the notes for the first two years is not payable but is instead capitalised into the redemption value of the notes. The Notes are due for redemption in 2013 at a value equal to the sum of their principal amount plus the capitalised interest amount, unless converted to common shares prior to this date at the option of the noteholder. The number of shares to be delivered upon conversion shall be determined by dividing the principal amount of the note by the conversion price. The conversion price is A$4.0950 (subject to adjustment for certain specified events).

On March 22, 2007 an additional A$30 million (US$24.2m) in convertible notes was issued under the same terms and conditions as the 7% convertible notes. The conversion price is A$4.3000 (subject to adjustment for certain specified events) and the notes are due for redemption in 2014. Of the A$28.8 million (US$23.2m) net proceeds of the issue A$24.9 million (US$20.1m) was allocated to interest bearing liabilities and A$3.9 million (US$3.1m) was allocated to equity.

Project debt Facility

The consolidated entity has a project debt facility of NZ$20.0m (2007: NZ$41.0m) provided by a consortium of banks. The facility was fully drawn at December 31, 2008. The project debt facility has a floating interest rate which is paid quarterly in arrears.

Capital Leases

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

			ANZ	CAT Master
Original drawdown date			December 28, 2006	October 5, 2006
Term			5 years	7 years
Amount drawn down	–	NZ$ component	37,314,059	30,249,759
Interest rates	–	NZ$ component	8.89%	9.93%

Capital facilities available

At 31 December 2008 the consolidated entity has issued A$155m (2007: A$155m) of convertible notes and has available capital lease facilities of NZ$67.6m (2007: NZ$83.5m) which have been fully drawn.

A consortium of banks provides a 405,572 (2007: 568,326) ounce hedging facility to Oceana Gold New Zealand Ltd (OGNZL) (refer to Note 22). OGNZL's assets are pledged as security.

Additionally, the consolidated entity has available a project debt facility of up to NZ$20m (2007: NZ$41m) provided by a consortium of banks which has been fully drawn at December 31, 2008. OGNZL's assets are pledged as security.

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

16 Share Capital

(a) Authorised capital

The number of authorised common shares of the company is unlimited.

(b) Movement in common shares on issue

	2008 $'000	2007 $'000
Common shares		
Issued and fully paid	**334 975**	334 975

	Thousands	$'000
Movement in common shares on issue		
At January 1 2007	**132 761**	246 146
Shares issued	**28 774**	94 392
Share issue costs	**-**	(9 264)
Tax effect of share issue costs	**-**	3 158
Exercise of options	**100**	543
At December 31 2007	**161 635**	334 975
As at December 31 2008	**161 635**	334 975

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

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

There are an additional 30,321,702 listed options on issue. These options lapsed on January 1, 2009 as they were not exercised. Each OceanaGold option entitled the holder to subscribe for one OceanaGold share at an exercise price of A$4.625. The OceanaGold options could only be exercised during the period from January 1, 2008 to January 1, 2009.

On June 27, 2007 OceanaGold listed on the Toronto Stock Exchange (TSX). An initial public offering of 25,715,000 common shares at C$3.50 per common share was completed on July 5, 2007. The underwriters were also granted an over allotment of shares which were completed on July 25, 2007 where 3,060,000 common shares were issued at C$3.50 per common share. The gross proceeds from the offering were C$100,712,500 (US$94,392,519).

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

The company has a share option scheme under which options to subscribe for the company's shares have been granted to executives. Details of options on issue are provided in Note 20. Shareholders have approved the issue of up to 10% of the Company's issued and outstanding shares.

The Company also has an employee share purchase plan whereby employees are able to direct up to 10% of their gross salary to acquire shares, with the Company matching the employee contribution on a dollar for dollar basis. Plan shares are acquired at market price and held in trust. While the Trustee holds the shares, the employees are entitled to full dividend and voting rights on the shares beneficially held on their behalf. (Refer note 20).

17 Accumulated Other Comprehensive Income/(Loss) ("OCI")

	2008 $'000	2007 $'000
Balance at the start of the period		
Deferred gain/(loss) on cash flow hedging activities	**882**	(8 975)
Currency translation adjustments	**42 720**	12 050
	43 602	3 075
OCI for the year:		
Effective portion of change in fair value of gold put options	**-**	(1 697)
Transfers of cash flow hedge (gains)/losses to earnings on recording hedged items in earnings	**(1 272)**	16 407
Currency translation differences	**(53 410)**	30 670
OCI before tax	**(54 682)**	45 380
Income tax recovery/(expense) on effective portion of change in fair value of gold put options	**390**	561
Income tax recovery/(expense) on transfers of cash flow hedge losses to earnings on recording hedged items in earnings	**-**	(5 414)
OCI net of tax	**(54 292)**	40 527
Accumulated OCI at the end of the period		
Cash flow hedge gains (losses)	**-**	882
Currency translation adjustments	**(10 690)**	42 720
	(10 690)	43 602

The portion of hedge gain/(loss) expected to affect 2009 earnings based on the fair value of hedge contracts at December 31, 2008 is nil (2007: $0.9m).

18 Contributed Surplus Movement

Movement in contributed surplus	2008 $'000	2007 $'000
At January 1	**32 379**	28 171
Stock-based compensation expense	**1 518**	1 884
Cancelled options	**-**	(519)
Exercise of options	**-**	(230)
Issue of convertible notes – value of conversion rights	**-**	3 073
At December 31	**33 897**	32 379
Contributed surplus		
Employee stock based compensation	**3 503**	1 985
Shareholder option reserve	**18 083**	18 083
Equity portion of Convertible notes	**12 311**	12 311
	33 897	32 379

19 Segment Information

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

	New Zealand $'000	Philippines $'000	Corporate $'000	Total $'000
Year Ended December 31, 2008				
Revenue				
Sales to external customers	217 214	-	-	217 214
Inter segment management and gold handling fees	-	-	7 589	7 589
Release from other comprehensive income of deferred unrealised losses on designated hedges	279	-	-	279
Total Segment Revenue	**217 493**	**-**	**7 589**	**225 082**
Result				
Segment result excluding unrealised hedge losses	27 337	(653)	(8 185)	18 499
Inter segment management and gold handling fees	(7 589)	-	7 589	-
Release from other comprehensive income of deferred unrealised losses on designated hedges	278	-	-	278
Loss on fair value of undesignated hedges	(73 408)	-	-	(73 408)
Total segment result before interest and tax	(53 382)	(653)	(596)	(54 631)
Income tax benefit	27 110	-	(6 222)	20 888
Total segment result	(26 272)	(653)	(6 818)	(33 743)
Interest expense				(20 992)
Net loss for the year				**(54 735)**
Assets				
Segment assets	310 065	307 505	12 420	629 990
Year Ended December 31, 2007				
Revenue				
Sales to external customers	104 395	-	-	104 395
Inter segment management and gold handling fees			6 738	6 738
Release from other comprehensive income of deferred unrealised losses on designated hedges	(16 407)	-	-	(16 407)
Total Segment Revenue	**87 988**	**-**	**6 738**	**94 726**
Result				
Segment result excluding unrealised hedge losses	(2 870)	(501)	(9 983)	(13 354)
Inter segment management and gold handling fees	(6 738)	-	6 738	-
Release from other comprehensive income of deferred unrealised losses on designated hedges	(16 407)	-	-	(16 407)
Loss on fair value of undesignated hedges	(45 847)	-	-	(45 847)
Total segment result before interest and tax	(71 862)	(501)	(3 245)	(75 608)
Income tax benefit	25 243	-	740	25 983
Total segment result	(46 619)	(501)	(2 505)	(49 625)
Interest expense				(19 414)
Net loss for the year				**(69 039)**
Assets				
Segment assets	395 862	314 334	97 746	807 942

Income derived in the New Zealand segment is from the sale of gold. The segment note above includes inter-company charges of management and gold handling fees of $7.6m (2007: $6.7m).

20 Stock-Based Compensation

(a) Executive share options plan

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

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

(i) Stock Option movements

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

WAEP = weighted average exercise price

	December 31, 2008		December 31, 2007	
	No.	WAEP	No.	WAEP
Outstanding at the start of the period	2 600 000	A$3.81	1 300 000	A$5.35
Granted	2 403 320	A$1.68	3 390 000	A$3.73
Forfeited	(983 332)	A$3.00	(1 050 000)	A$4.14
Exercised	-	-	(100 000)	A$3.75
Cancelled	-	-	(940 000)	A$5.27
Balance at the end of the period	**4 019 988**	**A$2.74**	**2 600 000**	**A$3.81**
Exercisable at the end of the period	703 338	A$3.825	-	-

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

(ii) Balance at end of the period

The share options at the end of the financial period had an exercise price of between A$0.00 and A$4.255 and a weighted average remaining vesting period of 4.02 years. The share options were restructured on a 1:5 basis for the TSX listing.

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

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

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

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

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

Grant Date	Dividend yield	Expected volatility	Risk-free interest rate	Expected life of option	Option Exercise Price	Share Price at Grant Date	Weighted Average Fair Value
11 Feb 2008	0%	51.0%	7.050%	6.0 years	A$2.703	A$2.845	A$1.660
11 Feb 2008	0%	51.0%	7.050%	7.0 years	A$2.703	A$2.845	A$1.774
11 Feb 2008	0%	51.0%	7.050%	8.0 years	A$2.703	A$2.845	A$1.875
01 Mar 2008	0%	52.4%	6.294%	6.0 years	A$2.721	A$2.740	A$1.573
01 Mar 2008	0%	52.4%	6.286%	7.0 years	A$2.721	A$2.740	A$1.683
01 Mar 2008	0%	52.4%	6.249%	8.0 years	A$2.721	A$2.740	A$1.779
01 May 2008	0%	54.9%	6.170%	6.0 years	A$2.283	A$2.200	A$1.272
01 May 2008	0%	54.9%	6.175%	7.0 years	A$2.283	A$2.200	A$1.362
01 May 2008	0%	54.9%	6.175%	8.0 years	A$2.283	A$2.200	A$1.442
24 Aug 2008	0%	89.0%	5.734%	5.8 years	A$1.533	A$0.665	A$0.424
24 Aug 2008	0%	89.0%	5.741%	6.8 years	A$1.533	A$0.665	A$0.461
24 Aug 2008	0%	89.0%	5.752%	7.8 years	A$1.533	A$0.665	A$0.492
24 Aug 2008	0%	89.0%	5.736%	6.0 years	A$0.630	A$0.665	A$0.515
24 Aug 2008	0%	89.0%	5.744%	7.0 years	A$0.630	A$0.665	A$0.539
24 Aug 2008	0%	89.0%	5.755%	8.0 years	A$0.630	A$0.665	A$0.559
24 Aug 2008	0%	89.0%	5.671%	3.0 years	-	A$0.665	A$0.665

(b) Employee share acquisition plan

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

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

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

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

	Opening Shares Held by Trustee	Shares Acquired by the Trustee During the Year		Shares Transferred from the Trustee During the Year		Forfeited Shares sold by Trustee	Closing Shares Held by the Trustee	
	Number	Number [1]	Fair Value [2]	Number [3]	Fair Value [4]	Number [3]	Number	Fair Value [5]
2007	122 509	54 243	A$188 003	41 774	A$153 559	-	134 978	A$375 239
2008	134 978	195 942	A$157 232	9 165	A$15 726	-	321 755	A$70 786

Notes:

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

21 Employee Benefits

(a) Employee benefit liability

	2008 $'000	2007 $'000
Aggregate employee benefit liability is comprised of:		
Accrued wages and salaries	**660**	331
Provisions current	**1 726**	2 291
Provisions non-current	**68**	-
	2 454	2 622

22 Financial Instruments

(a) Financial Risk Management Policies and Objectives

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

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

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

(b) Gold Price and Foreign Exchange Risk

OGNZL has an economic hedging facility for 405,572 (2007: 568,326) ounces at December 31, 2008. The security for this facility consists of:

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

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

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

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

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

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

The primary instruments held are undesignated forward gold sales contracts for 206,076 ounces with an average price of NZ$773 (2007: 319,788 ounces), undesignated gold put options over 199,496 ounces (2007: 248,538 ounces) with an average exercise price of NZ$1,068 and undesignated gold call options over 136,024 ounces (2007: 104,024 ounces) of forecast 2010 production with an average exercise price of NZ$1,172. These derivative instruments are contracted with a consortium of banks under an economic hedging facility, secured by a pledge against the assets of Oceana Gold (NZ) Ltd.

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

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

Between December 31, 2007 and December 31, 2008 the NZD gold price moved from approximately NZ$1,089 per ounce to NZ$1,523 contributing significantly to the increase in the gold derivative liabilities, offset by the close out or delivery into a number of contracts during the year.

Forward gold sale contracts for 78,312 ounces were closed out on September 30, 2008. The contracts were 'out of the money' by $25.9m on the date of settlement. This liability was paid utilising a restricted cash facility that was set aside in June 2008.

The following summarises the gold forward obligations at December 31, 2008:

	Total Dec 31 2008	Maturity 2009	Maturity 2010
Gold fixed forward sales			
Ounces	206 076	106 236	99 840
Weighted average NZ$/oz	773	773	773
Present value NZ$/oz	747	760	732

The net return if all the bullion forward contracts guaranteed by the consolidated entity were to be delivered as compared to the market value of these obligations at December 31, 2008 was $92.7m deficit (2007: $97.7m deficit).

The following summarises the gold option contracts at December 31, 2008:

Metal Commitments	Total Dec 31 2008	Maturity 2009	Maturity 2010
Gold Put options			
Ounces	199 496	117 416	82 080
Weighted average NZ$/oz	1 068	1 115	1 000
Present value NZ$/oz	1 036	1 098	947
Gold Call Options			
Ounces	136 024	32 000	104 024
Weighted average NZ$/oz	1 172	1 530	1 062
Present value NZ$/w	1 127	1 520	1 006

The net return if all the bullion option contracts guaranteed by the consolidated entity were to be delivered as compared to the market value of these obligations at December 31, 2008 was $32.7m deficit (2007: $15.7m deficit).

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

	2008 $'000	2007 $'000
Current Assets		
Gold put options	**1 493**	1 084
Non Current Assets		
Gold put options	**1 997**	4 097
Total Assets	**3 490**	5 181
Current Liabilities		
Gold call options	**1 831**	-
Gold forward sales contracts	**46 949**	30 402
	48 780	30 402
Non Current Liabilities		
Gold call options	**34 358**	20 894
Gold forward sale contracts	**45 708**	67 322
	80 066	88 216
Total liabilities	**128 846**	118 618

The net loss recognised in the statement of operations relating to the amount of gains and losses reclassified to net income as a result of the discontinuance of cash flow hedges because it is probable that the original anticipated transactions will not occur by the end of the originally specified time period is Nil (2007: Nil).

Sensitivities

At December 31, 2008 if the foreign exchange rates had increased/decreased by 10% with all other constants remaining the same the effect on the after tax profit will be $24.7m higher/lower due to conversion of results from functional currency into reporting currency. The equity affect will be $24.7m due to conversion from functional currency to reporting currency.

(c) Interest Rate Risk and Liquidity Risk

Interest rate risk

Objective

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

Policy

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

Sensitivities

At December 31, 2008 if interest rates had increased/decreased by 100 basis points from the year end rates with all other variables held constant, after tax profit for the year would have been $0.4m higher/lower, as a result of higher/lower interest income from cash and cash equivalents and higher/lower interest expense from capital lease and project loan facility. Equity would be $0.4m higher/lower as a result of interest income and expenses.

Liquidity risk

Objective

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

Policy

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

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

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

Year ended December 31, 2007	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	5 + years $'000	Total $'000	Weighted average effective interest rate %
Fixed rate								
Financial Liabilities								
Insurance loan	575	-	-	-	-	-	575	10.55%
Convertible Notes	-	-	-	-	44 846	80 854	125 700	9.88%
	575	-	-	-	44 846	80 854	126 275	
Floating rate								
Financial Assets								
Cash and cash equivalents	119 837	-	-	-	-	-	119 837	5.51%
	119 837	-	-	-	-	-	119 837	
Financial Liabilities								
Project Debt facility	9 959	9 193	12 258	-	-	-	31 410	11.44%
Capital Leases	8 152	9 123	9 915	20 208	3 454	9 062	59 914	10.60%
	18 111	18 316	22 173	20 208	3 454	9 062	91 324	

(d) Credit Risk

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

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

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

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

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

(e) Sensitivities

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

		Interest rate risk				Foreign exchange risk			
		-100 bps		+100 bps		-10%		+10%	
December 31, 2008	**Carrying amount $'000**	Loss $'000	Equity $'000	Loss $'000	Equity $'000	Loss $'000	Equity $'000	Loss $'000	Equity $'000
Financial assets									
Cash and cash equivalents	9 711	(97)	(97)	97	97	(1 558)	(1 558)	1 558	1 558
Other assets	6 170	-	-	-	-	-	(617)	-	617
Financial Liabilities									
Capital Leases	39 132	391	391	(391)	(391)	-	3 913	-	(3 913)
Project Loan	11 583	116	116	(116)	(116)	-	1 158	-	(1 158)
Other liabilities	262 518	-	-	-	-	-	26 252	-	(26 252)
Total increase/(decrease)		**410**	**410**	**(410)**	**(410)**	**(1 558)**	**(29 148)**	**1 558**	**29 148**

23 Capital Disclosure

The company's objective when managing capital is to:

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

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

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

	31 December 2008	31 December 2007
Total Debt (as shown in the balance sheet)*	**285 558**	336 217
Less: Cash and cash equivalents	**9 711**	119 837
Net Debt	**275 847**	216 380
Total Equity (as shown in the balance sheet)	**246 656**	354 165
Add Subordinated debt instruments	**-**	-
Less: amounts in accumulated other comprehensive income relating to cash flow hedges	**-**	882
Adjusted capital	**246 656**	353 283
Debt to adjusted capital ratio	**1.12**	0.61

* Interest bearing liabilities and Derivative liabilities

The change in the debt-to-adjusted capital ratio results principally from the cash movements with respect to continued investment throughout 2008 in the development of the Didipio mining interests in the Philippines.

The company is subject to a number of externally imposed capital requirements relating to financing agreements; as at December 31, 2008 the company had complied with all requirements.

24 Fair Value of Financial Instruments

(a) Recognised Financial Instruments

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

	Carrying amount		Net Fair value	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Financial assets				
Cash	**9 711**	119 837	**9 711**	119 837
Accounts receivable and other receivables	**2 680**	3 426	**2 680**	3 426
Put options	**3 490**	5 181	**3 490**	5 181
Financial liabilities				
Trade payables	**27 675**	34 139	**27 675**	34 139
Capital leases	**39 131**	59 914	**30 381**	51 270
Forward gold contracts	**92 657**	97 724	**92 657**	97 724
Convertible notes	**105 757**	125 700	**105 436**	120 755
Call options and foreign exchange contracts	**36 190**	20 894	**36 190**	20 894
Project debt facility	**11 583**	31 410	**10 550**	29 726
Insurance premium loan	**240**	575	**240**	575

Cash, Accounts receivable and Trade payables have the same carrying amount as fair value due to being short term maturities.

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

The fair value of forward gold instruments has been calculated by discounting the future value of the forward contract at the appropriate prevailing quoted market rates at reporting date.

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

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

(b) Unrecognised Financial Instruments

There are no unrecognised financial instruments held by the Group at December 31, 2008 (2007: nil).

25 Commitments

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

	2008 $'000	2007 $'000
Within 1 year	**2 501**	3 278
Within 1 to 2 years	**2 327**	247
Within 2 to 3 years	**2 145**	69
Within 3 to 4 years	**2 053**	-
Within 4 to 5 years	**2 053**	-
More than five years	**1 420**	-
	12 499	3 594

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

(b) Lease commitments under capital leases:

	2008 $'000	2007 $'000
Within 1 year	**8 904**	11 331
Within 1 to 2 years	**9 129**	11 787
Within 2 to 3 years	**16 523**	12 085
Within 3 to 4 years	**3 451**	21 863
Within 4 to 5 years	**5 750**	4 571
More than five years	**1 703**	9 861
	45 460	71 498
Future finance charges	**(6 328)**	(11 584)
Present value of minimum lease payments	**39 132**	59 914
Reconciled to:		
Current interest bearing liability (Note 15)	**6 897**	8 153
Non-Current interest bearing liability (Note 15)	**32 235**	51 761
Total	**39 132**	59 914

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

(c) Gold Production

The consolidated entity has certain obligations to deliver future gold production into bullion forward sales contracts. Refer to Note 22(b).

The consolidated entity also has certain obligations to pay royalties on gold production at prescribed levels which are expected to apply in 2009.

(d) Capital commitments

At December 31, 2007, the consolidated entity has commitments of $6.6m (2007: $32.7m), principally relating to the development of mining facilities.

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

	2008 $'000	2007 $'000
Within one year:		
- development of new mining facilities	**5 656**	29 746
After one year but not more than five years:		
- development of new mining facilities	**917**	2 951
Longer than five years	**-**	-
	6 573	32 697

(e) The consolidated entity is committed to annual expenditure of approximately $0.2m (NZ$0.4m) (2007 $0.4m

NZ$0.5m) to comply with regulatory conditions attached to its New Zealand prospecting licences and prospecting, exploration and mining permits

26 Contingencies

a. The consolidated entity has issued bonds in favour of various New Zealand authorities (Ministry of Economic Development – Crown Minerals, Otago Regional Council, Waitaki District Council, West Coast Regional Council, Buller District Council, Timberlands West Coast Limited and Department of Conservation) as a condition for the grant of mining and exploration privileges, water rights and/or resource consents, and rights of access for the Macraes Gold Mine and the Globe Progress mine at the Reefton Gold Project which amount to approximately $13.8m (NZ$23.9m) (2007 $13.9m NZ$18.2m).

b. The consolidated entity has provided a cash operating bond to the New Zealand Department of Conservation of $0.2 m (NZ$0.4 m) (2007 $0.3m NZ$0.4m) which is refundable at the end of the Globe Progress mine. This amount is included in the total referred to in (a) above.

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

d. The Group has provided a guarantee in respect of a capital lease agreement for certain mobile mining equipment entered into by a controlled entity. At December 31, 2008 the outstanding rental obligations under the capital lease are $39.1m (2007 $59.9 m). Refer to Note 25 (b). Associated with this guarantee are certain financial compliance undertakings by the Group, including gearing covenants.

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

27 Subsequent Events

On January 1 2009, 30,321,702 listed options lapsed as they were not exercised before this date.

(a) Number of holders of equity securities

Ordinary share capital

- 161,634,849 fully paid ordinary shares are held by 6,753 individual shareholders.

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

(b) Distribution of shareholdings

Fully paid ordinary shares

Holding	Number of Holders	Number of Shares
1 – 1,000	3 064	1 400 682
1,001 – 5,000	2 434	5 873 448
5,001 – 10,000	602	4 672 195
10,001 – 100,000	585	17 253 470
100,001 and over	68	132 435 054
Total number of holders	**6 753**	**161 634 849**
Number of shareholders holding less than a marketable parcel (of 527 shares)	1 879	

(c) Substantial Shareholders

The Company's Substantial Shareholders and the number of equity securities in which they have an interest as disclosed by notices received under section 671B of the Corporations Act 2001 as at 25 February 2009 are:

Name	Fully Paid Ordinary Shares
Baker Steel Capital Managers LLP	20 764 988

(d) Top Twenty Shareholders

The names of the 20 largest holders of each class of security as at 25 February 2009 are listed below:

Fully Paid Ordinary Shares

Rank	Name	Number	%
1	CDS & Co	46 329 033	28.66
2	ANZ Nominees Limited (Cash Income A/C)	22 511 736	13.93
3	National Nominees Limited	15 199 312	9.40
4	HSBC Custody Nominees	10 976 500	6.79
5	Merrill Lynch (Australia) Nominees Pty Limited	4 923 741	3.05
6	JP Morgan Nominees Australia	4 794 139	2.97
7	Citicorp Nominees Pty Limited	4 226 663	2.62
8	FORBAR Custodians Limited (Forsyth Barr Ltd-Nominee A/c)	2 430 549	1.50
9	TEMPIO Group of Companies Ltd	1 636 800	1.01
10	Den Duyts Corporation Pty Ltd	1 542 855	0.96
11	HESTIAN Pty Ltd	1 318 123	0.82
12	FRANWAY Pty Ltd (Kennedy Family S/Fund A/c)	1 266 194	0.78
13	Mr George Chien Hsun Lu	1 228 066	0.76
14	Yandal Investments Pty Limited	1 200 000	0.74
15	LIPPO Securities Nominees (BVI) Ltd	1 164 516	0.72
16	COMSEC Nominees Pty Ltd	957 754	0.59
17	Goldman Sachs & Co FBO Geologic Resource Fund LP	711 886	0.44
18	UBS Wealth Management Australia Nominees Pty Ltd	589 620	0.37
19	Dr Peter Malcolm Heyworth	533 300	0.33
20	Lu's International Limited	500 000	0.31
		124 040 787	76.74

(e) Options

A total of 30,321,702 options expired on 1 January 2009 at an exercisable price of A$4.625 each.

Glossary

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

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

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

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

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

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

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

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OceanaGold Corporation

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

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

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

www.oceanagold.com

Directors

James E Askew (Chairman)
Terrence N Fern
Jose P Leviste Jr.
J Denham Shale
Stephen A Orr

Company Secretary

Matthew Salthouse

Registered Office

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

Share Registries

Canada

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

T: +1 604 661 9400
F: +1 604 661 9549

Australia

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

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

New Zealand

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, Auckland, 1309, New Zealand

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

Auditors

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

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

Stock Exchanges

Canada

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

Ticker symbol: OGC

Australia

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

Ticker symbol: OGC

New Zealand

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

Ticker symbol: OGC

Website

www.oceanagold.com

Investor Relations

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

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