

# OCEANAGOLD

## NOTICE OF MEETING MANAGEMENT INFORMATION CIRCULAR

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Annual General and Special Meeting  
May 17, 2013





# NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN** that the Annual General and Special Meeting of the shareholders of OceanaGold Corporation (the "Company") will be held at the **Balmoral Room, Stamford Plaza, 111 Little Collins St, Melbourne VIC 3000** on **Friday May 17, 2013 at 10.30am (Australian Eastern Standard Time)** (the "Meeting") for the following purposes:

1. to receive and consider the audited consolidated financial statements of the Company for the year ended December 31, 2012, together with the auditor's report therein;
2. to re-elect the following directors: (a) Mr James E. Askew; (b) Mr J. Denham Shale; and (c) Mr Michael F. Wilkes, to hold office for a period of two years from the date of their election or until the second annual general meeting of shareholders following such date, whichever is earlier (with each election to be voted on separately);
3. to appoint PricewaterhouseCoopers as the auditor of the Company to hold office until the close of the next annual meeting of shareholders as described in section 6 of the accompanying Management Information Circular;
4. to approve an amendment to the Articles of the Company as described in section 7 of the accompanying Management Information Circular;
5. to approve previous issue of 30,000,000 shares on December 19, 2012 to the persons and on the terms as set out in section 7 of the accompanying Management Information Circular;
6. to approve the grant of 252,778 Performance Rights to Mr Michael F. Wilkes as described in section 7 of the accompanying Management Information Circular;
7. to approve an increase to non-executive directors' aggregate fees from A\$830,000 to A\$1,000,000 per annum as described in section 7 of the accompanying Management Information Circular; and
8. to transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

Accompanying this Notice of Annual General and Special Meeting is a: (1) Management Information Circular, which provides additional information relating to the matters to be dealt with at the Meeting; (2) Form of Proxy and Notes to Proxy or a Voting Instruction Form ("VIF"); (3) return envelope for use by the shareholders to send in their Proxy or VIF; and (4) Financial and Governance Statements.

A shareholder may attend the Meeting in person or may be represented thereat by proxy, if a registered shareholder, or may provide voting instructions, if a non-registered shareholder. Shareholders who are unable to attend the Meeting are requested to date and sign the enclosed form of proxy or VIF in accordance with their instructions and return it to the Company's transfer agent, Computershare Investor Services Inc. ("Computershare"), 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 Canada not less than 48 hours prior to the time of the Meeting (excluding Saturdays, Sundays and holidays).

Registered shareholders in Australia and New Zealand should return their proxy to Computershare's Australia office in accordance with the instructions provided therein. If you do not complete and return the form in accordance with such instructions, you may lose your right to vote at the Meeting, either in person or by proxy.

If you are a non-registered shareholder or a holder of CDIs in Australia, and receive a VIF from Computershare, please complete and return the form in accordance with the instructions of Computershare. If you do not complete and return the form in accordance with such instructions, you may lose your right to instruct the registered shareholder on how to vote at the Meeting on your behalf.

Voting exclusion statements under applicable Australian Securities Exchange (**ASX**) requirements in relation to items 5, 6 and 7 above are set out in the enclosed Management Information Circular.

The record date for the determination of the shareholders entitled to receive this Notice and to vote at the Meeting has been established as April 12, 2013. Please advise the Company of any change in your address.

**DATED** at Melbourne, Australia, as of the 12<sup>th</sup> day of April, 2013.

**BY ORDER OF THE BOARD OF DIRECTORS OF OCEANAGOLD CORPORATION**



Liang Tang  
**Company Secretary**

**MANAGEMENT INFORMATION CIRCULAR**

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Unless otherwise indicated, references in this Management Information Circular to “C\$” or “Canadian dollars” are to the lawful currency of Canada, references to “US\$” or “United States dollars” are to the lawful currency of the United States, references to “A\$”, “AU\$” or “Australian dollars” are to the lawful currency of Australia and references to “NZ\$” or “New Zealand dollars” are to the lawful currency of New Zealand.

The following table sets forth market indicative exchange rates for the previous two calendar years.

|      |          | AUD:USD | CAD:USD | NZD:USD | PHP:USD |
|------|----------|---------|---------|---------|---------|
| 2012 | End rate | 1.0394  | 1.0034  | 0.8288  | 0.0244  |
|      | Avg rate | 1.0357  | 1.0003  | 0.8100  | 0.0237  |
|      | High     | 1.0809  | 1.0315  | 0.8463  | 0.0245  |
|      | Low      | 0.9701  | 0.9592  | 0.7500  | 0.0226  |
| 2011 | End rate | 1.0108  | 0.9788  | 0.7701  | 0.0228  |
|      | Avg rate | 1.0339  | 1.0116  | 0.7924  | 0.0231  |
|      | High     | 1.1025  | 1.0608  | 0.8775  | 0.0238  |
|      | Low      | 0.9477  | 0.9438  | 0.7184  | 0.0224  |

Source: [www.ozforex.com.au](http://www.ozforex.com.au)

References in this Management Information Circular to “OGL” refers to Oceana Gold Limited, which became the wholly-owned subsidiary of the Company as a result of the implementation of the scheme of arrangement and reorganization under Australian law during 2007 involving the Company and OGL (“Reorganization”).

## SECTION 1: VOTING INFORMATION

### Solicitation of proxies

This Management Information Circular is furnished in connection with the solicitation of proxies being made by the management of OceanaGold Corporation (“OGC” or the “Company”) for use at the Annual General and Special Meeting of the Company’s shareholders (the “Shareholders”) to be held on May 17, 2013 (the “Meeting”), at the time and place and for the purposes set forth in the accompanying Notice of Meeting. While it is expected that the solicitation will be made primarily by mail, proxies may be solicited personally or by telephone by directors, officers and employees of the Company.

All costs of this solicitation will be borne by the Company.

### Proxy and voting instructions

Shareholders who cannot attend the Meeting in person may vote, if a registered Shareholder, or provide voting instructions, if a non-registered Shareholder, by proxy or by voting instruction form (“VIF”), as applicable, which forms (other than VIFs for CDI holders in Australia as described below) must be received by the appropriate office of Computershare Investor Services Inc. (“Computershare”), the Company’s registrar and transfer agent, not less than 48 hours prior to the Meeting (excluding Saturdays, Sundays and holidays).

A proxy or VIF returned to Computershare will not be valid unless signed by the Shareholder or by the Shareholder’s attorney duly authorized in writing or, if the Shareholder is a corporation or association, the form of proxy or VIF must be executed by an officer or by an attorney duly authorized in writing. If the form of proxy or VIF is executed by an attorney for an individual Shareholder or by an officer or attorney of a Shareholder that is a corporation or association, documentation evidencing the power to sign the proxy or VIF may be required with signing capacity stated. If not dated, the proxy or VIF will be deemed to have been dated the date that it is mailed to Shareholders.

The securities represented by proxy will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for, and if the Shareholder specifies a choice with respect to any matter to be acted upon, the securities will be voted accordingly. If a choice with respect to such matters is not specified, the form of proxy confers discretionary authority upon the named proxyholder with respect to matters identified in the accompanying Notice of Meeting. It is intended that the person designated by management in the form of proxy will vote the securities represented by the proxy **IN FAVOUR OF** each matter identified in the proxy and **FOR** the nominees of management for directors and auditor.

The proxy confers discretionary authority upon the named proxyholder with respect to amendments to or variations in matters identified in the accompanying Notice of Meeting and other matters which may properly come before the Meeting. As at the date of this Management Information Circular, management is not aware of any amendments, variations, or other matters. If such should

occur, the persons designated by management will vote thereon in accordance with their best judgment, exercising discretionary authority.

### **Appointment of proxyholder by registered shareholders**

A Shareholder has the right to designate a person (who need not be a Shareholder of the Company), other than LIANG TANG, Company Secretary, or DARREN KLINCK, Head of Business Development, the management designees, to attend and act for the Shareholder at the Meeting ("Management Designees"). If you are returning your proxy to Computershare, such right may be exercised by inserting in the blank space provided in the enclosed form of proxy the name of the person to be designated or by completing another proper form of proxy and delivering same to the Toronto office of Computershare: Proxy Dept. 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 Canada, not less than 48 hours prior to the Meeting (excluding Saturdays, Sundays and holidays). If you are using the internet, you may designate another proxyholder by following the instructions on the website. It is not possible to appoint an alternate proxyholder by phone.

If you appoint a proxyholder, other than the Management Designees, that proxyholder must attend the Meeting for your vote to be counted. See the specific resolutions set out in Section 7: Particulars of Other Matters to be Acted Upon, for details of certain restrictions that apply to the appointment of proxies with discretionary authority.

If you are a registered shareholder resident in Australia or New Zealand, please complete and deliver your form of proxy to Computershare not less than 48 hours prior to the Meeting (excluding Saturdays, Sundays and holidays) by mail: Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Vic 3001 Australia; by fax: 61 3 9473 2555; or in person: Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford Vic 3067 Australia; or online: [www.investorvote.com.au](http://www.investorvote.com.au).

### **Special instructions for voting by non-registered shareholders**

Only registered Shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Non-Registered Shareholders must request a form of legal proxy from Computershare granting them the right to attend the Meeting and vote in person. Many of our Shareholders are beneficial shareholders or non-registered shareholders ("Non-Registered Shareholders") because their common shares of the Company ("Common Shares") are not registered in their names. A person is a Non-Registered Shareholder if their Common Shares are registered either: (a) in the name of an intermediary such as a bank, trust company, securities dealer or broker and trustee or administrators of self-administered plans; or (b) in the name of a clearing agency, such as the Canadian Depository for Securities Limited in Canada or CHESS Depository Nominees Pty Ltd. ("CDN") in Australia.

### **Canada**

In Canada, there are two kinds of Non-Registered Shareholders - those who object to their name being made known to the Company (called OBOs for "Objecting Beneficial Owners") and those who do not object to the Company knowing who they are (called NOBOs for "Non-Objecting Beneficial Owners").

The Company takes advantage of certain provisions of National Instrument 54-101 – Communications with Beneficial Owners of Securities of a Reporting Issuer ("NI 54-101"), which permit the Company to directly deliver proxy-related materials to NOBOs who have not waived the right to receive them (and is not sending proxy-related materials using notice-and-access this year). As a result, NOBOs can expect to receive a scannable VIF, together with the meeting materials from our transfer agent, Computershare. These VIFs are to be completed and returned to Computershare in accordance with the instructions. Computershare is required to follow the voting instructions properly received from NOBOs. Computershare will tabulate the results of the VIFs received from NOBOs and will provide appropriate instructions at the Meeting with respect to the Common Shares represented by the VIFs they receive.

In accordance with the requirements of NI 54-101, the Company has distributed copies of the meeting materials to the intermediaries for onward distribution to OBOs. Intermediaries are required to forward the meeting materials to OBOs unless, in the case of certain proxy-related materials, the OBO has waived the right to receive them. Very often, intermediaries will use service companies to forward the meeting materials to OBOs. With those meeting materials, intermediaries or their service companies should provide OBOs with a "request for voting instruction form" which, when properly completed and signed by such OBO and returned to the intermediary or its service company, will constitute voting instructions which the intermediary must follow. The purpose of this procedure is to permit OBOs to direct the voting of the Common Shares that they beneficially own.

These proxy-related materials are being sent to both registered Shareholders and Non-Registered Shareholders. If you are a Non-Registered Shareholder, and the Company has sent these proxy-related materials directly to you, your name and address and

information about your holdings of Common Shares have been obtained in accordance with applicable securities requirements from the intermediary on your behalf.

By choosing to send these materials to you directly, the Company (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

### **Australia**

Non-Registered Shareholders in Australia hold CHESS Depository Interests ("CDIs") of the Company, or units of beneficial ownership of the underlying Common Shares, which are registered in the name of CDN. As holders of CDIs are not the legal owners of the underlying Common Shares, CDN is entitled to vote at the Meeting at the instruction of the holder of the CDIs.

As a result, holders of CDIs can expect to receive a VIF, together with the meeting materials from Computershare in Australia. These VIFs are to be completed and returned to Computershare in accordance with the instructions contained therein. CDN is required to follow the voting instructions properly received from holders of CDIs.

To obtain a copy of CDN's Financial Services Guide, go to [http://www.asx.com.au/documents/products/chess\\_depository\\_interest.pdf](http://www.asx.com.au/documents/products/chess_depository_interest.pdf) or phone 1300 300 279 if you would like one sent to you in the mail.

### **Revocation of proxies**

In addition to revocation in any manner permitted by law, a proxy or voting instructions provided by NOBOs may be revoked by an instrument in writing signed by the Shareholder or by the Shareholder's attorney duly authorized in writing which is dated after the date of the proxy or voting instructions being revoked and deposited with the Company's transfer agent, Computershare, at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof, or, as to any matter in respect of which a vote shall not already have been cast pursuant to such proxy, with the Chairman of the Meeting on the day of the Meeting, or at any adjournment thereof, and upon either of such deposits the proxy or voting instructions are revoked. OBOs who wish to change their voting instructions must contact their intermediary to arrange to do this in sufficient time before the Meeting.

### **Other matters**

Management knows of no other matters to come before the Meeting other than those referred to in the Notice of Meeting. However, if any other matters which are not known to management shall properly come before the Meeting, the form of proxy given pursuant to the solicitation by management will be voted on such matters in accordance with the best judgment of the persons voting the proxy.

### **Voting securities and principal holders thereof**

The authorized share capital of the Company consists of an unlimited number of common shares without par value, and an unlimited number of preferred shares, issuable in series by the directors of the Company. As at the date of this Management Information Circular, 293,517,918 Common Shares were issued and outstanding, each such share carrying the right to one (1) vote at the Meeting, and no preferred shares were issued and outstanding. **April 12, 2013** has been fixed by the directors of the Company as the record date for the purpose of determining those Shareholders entitled to receive notice of, and to vote at, the Meeting.

To the best of the knowledge of the directors and executive officers of the Company and in respect only of the voting securities of the Company outstanding as at the date of this Management Information Circular, there is no person who beneficially owns, or controls or directs, directly or indirectly, 10% or more of the Common Shares outstanding.

## **SECTION 2: ELECTION OF DIRECTORS**

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The board of directors of the Company (the "Board of Directors" or the "Board") for the ensuing year will be comprised of seven (7) directors. In accordance with the current Articles of the Company, the directors of the Company shall be elected and shall retire in rotation, with one-half of the directors (or the nearest lower whole number) subject to election at each annual general meeting of Shareholders held to elect directors. The Company is proposing an amendment to its Articles to provide for annual election of all directors. See Section 7: Particulars of Other Matters to be Acted Upon for further details. Messrs. J.E. Askew, J.D. Shale and M.F. Wilkes are management's nominees for re-election to the Board at the Meeting, and if elected will hold office until the next annual general meeting of Shareholders following such date if the proposed amendment to the Articles is passed at the Meeting. If the

amendments to the Articles are not approved by Shareholders and the abovementioned management nominees are re-elected, they 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.

The Company has not, as of yet, adopted a majority voting policy such that procedures would be in place requiring the resignation of a director should the director receive more “withheld” votes than votes “for” at any uncontested meeting of Shareholders at which directors are elected. However, as part of its annual process of determining director nominees, the Board closely examines the support that directors receive from the Shareholders. In addition, the Board has noted that, based on the historical results of its annual election process, its nominees have consistently received an overwhelming majority of support from Shareholders. The Company continues to review and consider, among other things, its director election voting policy, evolving market practices on majority voting policies and best practices in corporate governance, and will make a determination with respect to the adoption of a majority voting policy at the appropriate time.

The persons named in the following table are (1) proposed nominees for election as a director at the Meeting, and (2) persons whose term of office as a director will continue after the Meeting.

| <b>Name of and Province or State and Country of Residence of Proposed Nominee and Current Directors and Present Position with the Company</b> | <b>Period from which has been a Director and Expiry of Term of Office</b>                                                                                           | <b>Principal Occupation</b>          | <b>Number of Common Shares Held<sup>(1)</sup></b> |
|-----------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|---------------------------------------------------|
| James E. Askew <sup>(3)(4)</sup><br>Chairman and Director<br>Denver, USA                                                                      | Chairman and Director of the Company since March 29, 2007 and Director of OGL since November, 2006. Term of office to expire at close of Meeting unless re-elected. | Chairman and Director                | <b>1,097,008</b>                                  |
| J. Denham Shale <sup>(2)(4)</sup><br>Lead Director<br>Auckland, New Zealand                                                                   | Director of the Company since March 29, 2007 and Director of OGL since February, 2004. Term of office to expire at close of Meeting unless re-elected.              | Lawyer and Director                  | <b>2,000</b>                                      |
| Jose P. Leviste, Jr. <sup>(4)</sup><br>Director<br>Philippines                                                                                | Director of the Company since December 10, 2007. Term of office to expire at close of next annual general meeting of shareholders unless re-elected at such time.   | Director                             | <b>376,770</b>                                    |
| Jacob Klein <sup>(2)(3)</sup><br>Director<br>Sydney, Australia                                                                                | Director of the Company since December 16, 2009. Term of office to expire at close of next annual general meeting of shareholders unless re-elected at such time.   | Director                             | <b>79,300</b>                                     |
| William H. Myckatyn <sup>(3)(4)</sup><br>Director<br>Canada                                                                                   | Director of the Company since April 22, 2010. Term of office to expire at close of next annual general meeting of shareholders unless re-elected at such time.      | Director                             | <b>10,000</b>                                     |
| Michael F. Wilkes<br>Managing Director and CEO<br>Melbourne, Australia                                                                        | Director of the Company since April 27, 2011. Term of office to expire at close of Meeting unless re-elected.                                                       | Chief Executive Officer and Director | <b>76,000</b>                                     |
| Geoff W. Raby <sup>(2)</sup><br>Director<br>Beijing, China                                                                                    | Director of the Company since August 5, 2011. Term of office to expire at close of next annual general meeting of shareholders unless re-elected at such time.      | Director                             | <b>0</b>                                          |

**Notes:**

- (1) Voting securities of the Company and its subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by each director or proposed director as at the date of this Management Information Circular.
- (2) Member of the Audit and Financial Risk Management Committee.
- (3) Member of the Remuneration and Nomination Committee.
- (4) Member of the Sustainability Committee.

The following are brief biographies of the proposed nominees for election as a director and each other person whose term of office as a director will continue after the Meeting:

**James E. Askew** is the Chairman of the board of directors of OceanaGold (appointed March 2007). Mr Askew is a mining engineer with over 35 years of broad international experience as a Director and/or Chief Executive Officer for a wide range of Australian and international publicly listed mining, mining finance and other mining related companies.

Mr Askew has served on the board of a number of public companies, currently including Ivanhoe Australia Limited, Evolution Mining Ltd, Golden Star Resources Ltd and Asian Mineral Resources Ltd. He is also the Chairman and non-executive director of PMI Gold Corporation.

He holds a Bachelor of Mining Engineering (Honours) and a Masters Degree, Engineering Science.

**J. Denham Shale** is a director of OceanaGold (appointed March 2007). Mr 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 over 25 years. Mr. Shale was previously involved with gold mining in Australia and New Zealand as a Director of Otter Gold Limited from 1992, ending his involvement as Chairman when Otter was taken over by Normandy in 2002.

Mr Shale is currently Chairman of The Farmers Trading Company Limited and Dunedin City Holdings Limited, and a director of New Zealand listed Turners Auctions Limited and several private companies. He has a Bachelor of Laws degree and is the President and an Accredited Fellow of the Institute of Directors in New Zealand.

**Jose (Joey) P. Leviste Jr.** is a director of OceanaGold (appointed December 2007), and is the current Chairman of OceanaGold's wholly-owned subsidiary company in the Philippines, Oceana Gold (Philippines), Inc. He has been a Director of the Philippines company since OGC's merger with Climax Mining in 2006.

Mr. Leviste is also the Philippine Resident Representative of the Australia-Philippine Business Council and a Director of the Chamber of Mines of the Philippines. He was recently appointed by the President of the Philippines as a private sector member of the Governing Council of the Philippine Council for Agriculture, Aquatic and Natural Resource, which is chaired by the Secretary of Science and Technology.

Mr. Leviste graduated in Economics from the Ateneo University with an MBA degree from Columbia University and a MA Economics degree from Fordham University in the United States. He was granted a Doctorate degree in Humanities, Honoris Causa from the Nueva Vizcaya State University for his work in social, civic and community work as Chairman of OceanaGold (Philippines), Inc.

**Jacob Klein** is a director of OceanaGold (appointed December 2009). Mr Klein is also the current Executive Chairman of Evolution Mining Limited, a role he took up in November 2011 following the merger with Conquest Mining Limited where he had been Executive Chairman. Prior to joining Conquest Mining, Mr Klein had been President and CEO of Sino Gold Mining Limited where he managed the development of that company into the largest foreign participant in the Chinese gold industry. Sino Gold Mining Limited was listed on the ASX in 2002 with a market capitalisation of \$100 million, and was purchased by Eldorado Gold Corporation in late 2009 for over \$2 billion.

Mr Klein is also a non-executive director of Lynas Corporation Limited, and a past President of the NSW Branch of the Australia China Business Council.

Mr Klein holds a Bachelor of Commerce (Honours) from the University of Cape Town.

**William (Bill) H. Myckatyn** is a director of OceanaGold (appointed April 2010). Mr Myckatyn is a mining engineer with over 40 years of technical and management experience in mine financing, development and operations. He was the CEO, Chairman, and subsequently Vice Chairman of Quadra FNX Mining Ltd., an intermediate copper and gold producer focused in the Americas, until its takeover in 2012. Prior to founding Quadra Mining in 2002, Bill held the position of Chief Executive Officer at other mining and metals companies over the period of a decade including Dayton Mining, Princeton Mining and Gibraltar Mines. For over twenty years prior to that, he worked for various operations controlled by Placer Dome Inc. and its associated and predecessor companies, including four separate mines in Australia and the Philippines.

Mr. Myckatyn also sits on the Board of Directors for Canadian based exploration companies: Pacific Rim Mining, First Point Minerals, San Marco Resources, and Delta Gold Inc.

Mr Myckatyn holds a Bachelor of Applied Science in Mining Engineering from the University of British Columbia.

**Michael (Mick) F. Wilkes** is the Chief Executive Officer (appointed in January 2011) and a director (appointed April 2011) of OceanaGold. Mick Wilkes is a mining engineer with approximately 30 years of broad international experience, predominantly in precious and base metals across Asia and Australia.

Most recently, as Executive General Manager of Operations at OZ Minerals he had responsibility for the evaluation studies, construction and operation of the Prominent Hill copper gold project in South Australia, which is one of the more significant recent resource developments in Australia. Preceding this, he was General Manager of the Sepon gold copper project for Oxiana in Laos. Earlier experience was in Papua New Guinea in senior roles and, at the outset of his career, at Mount Isa Mines in operations and design.

Mr Wilkes has a Bachelor of Engineering (Honours) from the University of Queensland, a Master of Business Administration from Deakin University, and is a member of the Australian Institute of Mining and Metallurgy, and the Australian Institute of Company Directors.

**Geoff W. Raby** is a director of OceanaGold (appointed August 2011). Dr Raby was Australia's Ambassador to the People's Republic of China from 2007 to 2011. Prior to that, he was a Deputy Secretary in the Department of Foreign Affairs and Trade ("DFAT"). Dr Raby has extensive experience in international affairs and trade, having been Australia's Ambassador to the World Trade Organisation (1998-2001), Australia's APEC Ambassador (2003-05), Head of DFAT's Office of Trade Negotiations and Head of the Trade Policy Issues Division at the OECD, Paris. Between 1986 and 1991 he was Head of the Economic Section at the Australian Embassy, Beijing. He has been the Chair of DFAT's Audit Committee and served as an ex officio member of the Boards of Austrade and EFIC (Export Finance and Insurance Corporation).

Dr Raby is also a non executive director of Fortescue Metals Group Ltd, Yancoal Australia and is the Chairman of ASX listed company SmartTrans Holdings Limited.

Dr Raby holds a PhD in Economics, as well as a Masters and a Bachelors degree in Economics.

#### **Corporate cease trade orders and bankruptcies**

Except as described below, no proposed director of the Company:

- (a) is, as of the date of this Management Information Circular, or has been, within 10 years before the date of this Management Information Circular, a director, chief executive officer or chief financial officer of a company (including the Company) that,
  - (i) was the subject of a cease trade or similar order or an order that denied such company access to any exemption under securities legislation that was in effect for a period of more than thirty consecutive days (an "Order") while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
  - (ii) was subject to such an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer in the company that is the subject of the Order and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
  - (iii) was subject to such an Order that was issued while the proposed director was acting in the capacity of director, chief executive officer or chief financial officer; or
- (b) is, at the date of this Management Information Circular, or has been within 10 years before the date of this Management Information Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within 10 years before the date of this Management Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

On January 14, 2010, Eastern Hi Fi Group Limited ("Eastern Hi Fi") was placed in receivership under New Zealand law by one of its creditors at the request of its directors. In a receivership the assets are realised for the benefit of the secured creditor who appointed the receiver. At the time Eastern Hi Fi was placed in receivership, Mr. Denham Shale was a non-executive director of that company. Eastern Hi Fi has since satisfied the debt owed to the creditor who appointed the receiver and the company is no longer in receivership.

On August 31, 2010, South Canterbury Finance Limited ("SCFL") and a number of its subsidiary and associate companies were placed into receivership. Mr. Denham Shale was a non-executive director of SCFL and some of its subsidiaries and associates.

#### **Penalties and sanctions**

No proposed director of the Company has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding to vote for a proposed director.

### **SECTION 3: EXECUTIVE COMPENSATION – COMPENSATION DISCUSSION & ANALYSIS**

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The total direct compensation for the Company's executive officers comprises both a fixed component and an at-risk component. The at-risk component is composed of short-term and long-term incentives and does not provide for an executive pension plan. The compensation program aims to ensure total remuneration is competitive by market standards and links rewards with the short-term and long-term strategic goals and performance of the Company.

The Board establishes the remuneration of the Chief Executive Officer (the "CEO") on the basis of a recommendation from the Remuneration and Nomination Committee. The Remuneration and Nomination Committee, based on the recommendations of the CEO, establishes the remuneration of executives reporting to the CEO, including their participation in both short-term and long-term incentive schemes.

Currently, the Company's compensation package for its "Named Executive Officers" or "NEOs" (as defined below) consists of base salary, bonuses and the granting of performance rights under the Company's Performance Share Rights Plan. Executive compensation is linked to the performance of the Company and the individual, with the goal of ensuring that the total compensation is at a level that ensures the Company is capable of attracting, motivating and retaining individuals with exceptional executive skills. Base salary and bonuses are established by comparison to competitive salary levels of other publicly held mineral resource companies of comparable size and complexity operating in Australasia (based on data provided by independent human resources management consulting firm McDonald & Company (Australasia) Pty Ltd which surveyed over 100 organisations in the mining and resources industry). Base salaries are affected by factors particular to the individual, such as experience and level of responsibility. Annual cash bonuses are used to reward executive officers for achievement of objectives during a fiscal year. The performance of the particular executive, as well as the Company's performance, is considered in determining whether a bonus will be paid and the amount of such bonus, with specific measurement criteria being established for each individual executive having regard to his or her primary responsibilities and objectives (with key objectives then generally linking to overall improvements in the Company's financial performance).

Specifically, the CEO makes recommendations to the Remuneration and Nomination Committee annually or on commencement of employment for the grant or otherwise of equity incentives to individual executives, having regard to overall Company performance and staff retention strategies. The quantum of any grants is determined by reference to an executive's position and is therefore comparable to allocations to other individuals holding positions of similar status. The Remuneration and Nomination Committee then considers such recommendations and, in exercising its discretion, awards grants to named individuals. The Company's Secretary is then charged with formalising the allocation of such grants. In accordance with the rules of the ASX, specific grants of equity incentives to the CEO will be considered by the Remuneration and Nomination Committee and recommended to shareholders for approval prior to the grant of such securities by the Company. Previous grants of option based awards are not necessarily taken into account when considering new grants.

The Remuneration and Nomination Committee has discretion to amend the equity incentive plans under which rights based awards are granted, based on recommendations from the Secretary and having regard to applicable laws and regulations and the specific

terms of each of these plans. The Restricted Share Plan lapsed in 2011 and was not renewed and the Amended 2007 Stock Option Plan will expire on June 4, 2013. A new Performance Share Rights Plan was put forward and approved by the shareholders at the 2012 Meeting. See the "Performance Share Rights Plan" below for more information concerning the plan.

### Summary compensation table

The following table provides a summary of compensation payable, directly or indirectly, to the following persons (collectively, the "Named Executive Officers" or "NEOs") during the most recently completed financial year ending December 31, 2012 as well as the preceding two years: (a) the CEO; (b) the Chief Financial Officer (the "CFO"); (c) the three most highly compensated executive officers for the respective financial years, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the relevant financial year whose total compensation was, individually, more than C\$150,000 for the respective financial years; and (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, for the respective financial years.

| Name and principal position                             | Year | Salary (US\$) | Share-based awards (US\$) | Option-based awards <sup>(1)</sup> (US\$) | Non-equity incentive plan compensation (US\$) |                                               | Pension value (US\$) | All other compensation <sup>(2)</sup> (US\$) | Total compensation (US\$) |
|---------------------------------------------------------|------|---------------|---------------------------|-------------------------------------------|-----------------------------------------------|-----------------------------------------------|----------------------|----------------------------------------------|---------------------------|
|                                                         |      |               |                           |                                           | Annual incentive plans (Annual Bonus Awards)  | Long-term incentive plans (Milestone Bonuses) |                      |                                              |                           |
| Michael Wilkes<br><i>Chief Executive Officer</i>        | 2012 | 694,952       | -                         | 445,972                                   | 168,613                                       | -                                             | 25,679               | -                                            | 1,335,216                 |
|                                                         | 2011 | 606,747       | -                         | 789,075                                   | -                                             | -                                             | 25,051               | -                                            | 1,420,873                 |
|                                                         | 2010 | -             | -                         | -                                         | -                                             | -                                             | -                    | -                                            | -                         |
| Mark Chamberlain<br><i>Chief Financial Officer</i>      | 2012 | 389,209       | -                         | 132,355                                   | 19,923                                        | -                                             | 30,469               | -                                            | 571,956                   |
|                                                         | 2011 | 146,920       | -                         | 42,351                                    | -                                             | -                                             | 12,115               | -                                            | 201,386                   |
|                                                         | 2010 | -             | -                         | -                                         | -                                             | -                                             | -                    | -                                            | -                         |
| Mark Cadzow<br><i>Chief Operating Officer</i>           | 2012 | 424,253       | 33,303                    | 118,469                                   | 70,361                                        | -                                             | 15,838               | 9,195                                        | 671,419                   |
|                                                         | 2011 | 343,192       | 16,071                    | 197,506                                   | 86,928                                        | -                                             | 13,386               | 9,211                                        | 666,294                   |
|                                                         | 2010 | 288,757       | 14,411                    | 115,920                                   | -                                             | -                                             | 12,173               | 8,108                                        | 439,369                   |
| Darren Klinck<br><i>Head of Business Development</i>    | 2012 | 298,628       | -                         | 98,366                                    | 70,114                                        | -                                             | 25,901               | -                                            | 493,009                   |
|                                                         | 2011 | 273,404       | -                         | 234,224                                   | 102,484                                       | -                                             | 24,218               | -                                            | 634,330                   |
|                                                         | 2010 | 208,028       | -                         | 167,054                                   | -                                             | -                                             | 18,723               | -                                            | 393,805                   |
| Martyn Creaney<br><i>Project Director - Philippines</i> | 2012 | 416,799       | -                         | 150,507                                   | -                                             | -                                             | -                    | -                                            | 567,306                   |
|                                                         | 2011 | 310,215       | -                         | 325,432                                   | -                                             | -                                             | -                    | -                                            | 635,647                   |
|                                                         | 2010 | 71,592        | -                         | 84,231                                    | -                                             | -                                             | -                    | -                                            | 155,823                   |

### Notes:

- (1) Options granted pursuant to the 2007 Amended Stock Option Plan are valued as American-Style options using the Cox, Ross and Rubenstein binomial tree lattice model. The options granted under the Restricted Share Plan are valued as European-style options utilizing the Black Scholes closed-form model as the options can only be exercised on the exercise date which is one day after the end of the restriction period.
- (2) Rights granted under the Performance Share Rights Plan were priced using Monte Carlo simulation (using the Black-Scholes framework) to model the Company's future price and Total Shareholder Return performance against the comparator group at vesting date.
- (3) Other compensation comprises car allowances, vehicle leases and severance payments.

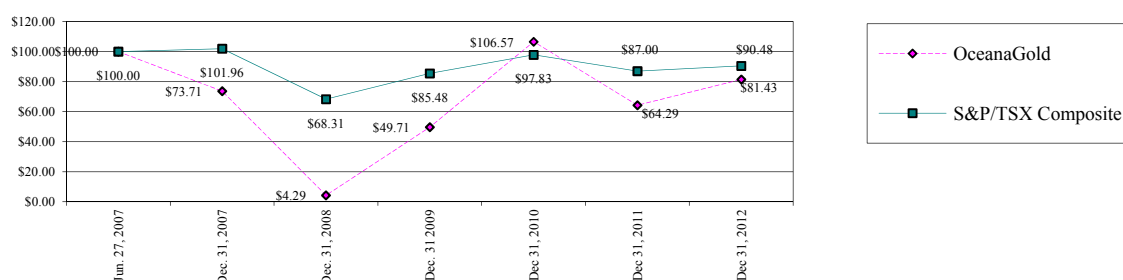
The above calculation uses average exchange rates for the relevant periods.

### Performance of common shares

The Common Shares trade on the Toronto Stock Exchange (the "TSX") under the symbol "OGC", on the NZX Main Board in New Zealand (the "NZSX") under the stock code "OGC" (and subject to a 'Non-Standard Designation'), and on the Australia Securities Exchange (the "ASX") under the symbol "OGC". Assuming an initial investment of C\$100, the following graph illustrates the cumulative total shareholder return on the Common Shares relative to the cumulative total return on the S&P/TSX Composite Index for the period of June 27, 2007 (the date the Common Shares began trading on the TSX) to December 31, 2012, assuming reinvestment of dividends.

## Total Return Index Value

**CUMULATIVE VALUE OF \$100 INVESTMENT  
ASSUMING REINVESTMENT OF DIVIDENDS**



|                        | Jun 27, 2007 | Dec 31, 2007 | Dec 31, 2008 | Dec 31, 2009 | Dec 31, 2010 | Dec. 31, 2011 | Dec. 31, 2012 |
|------------------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| S&P/TSX Composite      | C\$100.00    | C\$101.96    | C\$68.31     | C\$85.48     | C\$97.83     | C\$87.00      | C\$90.48      |
| OceanaGold Corporation | C\$100.00    | C\$75.43     | C\$4.29      | C\$49.71     | C\$106.57    | C\$64.29      | C\$81.43      |

It is difficult to compare the performance of OGC shares relative to executive remuneration trends over the period identified in the above chart, in part due to the volatility of OGC shares and global gold and equity markets over the past few years.

### Outstanding share-based awards and option-based awards

Outstanding share-based awards and option-based awards for NEOs as at the end of the Company's most recently completed financial year are set out in the following table:

| Name             | Option-based Awards                                 |                              |                                         |                                                                 | Share-based Awards                                       |                                                                          |                                                                                        |
|------------------|-----------------------------------------------------|------------------------------|-----------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
|                  | Number of securities underlying unexercised options | Option exercise price (US\$) | Option expiration date (day/month/year) | Value of unexercised in-the-money options (US\$) <sup>(1)</sup> | Number of shares or units of shares that have not vested | Market or payout value of share-based awards that have not vested (US\$) | Market or payout value of vested share-based awards not paid out or distributed (US\$) |
| Michael Wilkes   | 1,090,690                                           | 3.44                         | 31/3/15 to 2/12/17                      | 974,273                                                         | -                                                        | -                                                                        | -                                                                                      |
| Mark Chamberlain | 349,649                                             | 2.21                         | 31/3/15 to 25/8/18                      | 557,107                                                         | -                                                        | -                                                                        | -                                                                                      |
| Mark Cadzow      | 466,476                                             | 0.56 to 2.81                 | 31/3/15 to 14/2/19                      | 634,069                                                         | -                                                        | -                                                                        | -                                                                                      |
| Darren Klinck    | 407,298                                             | 0.56 to 2.81                 | 31/3/15 to 14/2/18                      | 567,708                                                         | -                                                        | -                                                                        | -                                                                                      |
| Martyn Creaney   | 300,000                                             | 4.10                         | 31/3/15 to 29/9/17                      | -                                                               | -                                                        | -                                                                        | -                                                                                      |

#### Notes:

- (1) This amount is based on the difference between the market value of the securities listed on the TSX as at December 31, 2012 (being US\$2.86 translated) and the exercise price of the option.

### Incentive plan awards – value vested or earned during the year

The following table discloses incentive plan awards for the most recently completed financial year:

| Name             | Option-based awards<br>Value vested during the year<br>(US\$) | Share-based awards<br>Value vested during the year<br>(US\$) | Non-equity incentive plan compensation<br>Value earned during the year<br>(US\$) |
|------------------|---------------------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------------------------------|
| Michael Wilkes   | 456,297                                                       | -                                                            | -                                                                                |
| Mark Chamberlain | 63,674                                                        | -                                                            | -                                                                                |
| Mark Cadzow      | 181,461                                                       | 33,303                                                       | -                                                                                |
| Darren Klinck    | 174,854                                                       | -                                                            | -                                                                                |
| Martyn Creaney   | 208,192                                                       | -                                                            | -                                                                                |

## Pension plan benefits

The Company does not have any defined contribution plans.

## Employment agreements – termination and change of control benefits

Each of the current Named Executive Officers has a formal employment agreement with the Company or a wholly-owned subsidiary of the Company, the material terms of which and their compensation for 2012 are set forth below.

In accordance with the rules of the ASX, no NEO has a specified change of control provision in his employment agreement. Notwithstanding this, NEOs are entitled to certain severance entitlements as detailed below (with such entitlements potentially triggered as an indirect consequence of a change of control of the Company). In addition to this, the Remuneration and Nomination Committee may accelerate the vesting of option based awards to NEOs upon a change of control.

**Michael Wilkes:** Mr. Wilkes commenced as the CEO of the Company on January 17, 2011. Mr Wilkes' annual base salary is A\$640,600 with an additional amount of up to 60% of fixed annual remuneration payable as an annual bonus based on achieving annual performance targets as may be determined by the Remuneration and Nomination Committee. Mr. Wilkes receives employer contributions to his superannuation fund of A\$25,000 per year. He is entitled to be given 6 months' written notice of termination. He may be required to serve the notice period on an active or passive basis, or payment may be made to him in lieu of all or part of the notice period based upon his annual total remuneration on termination. Mr. Wilkes must give 6 months' notice of resignation.

If his employment is terminated by reason of "redundancy", the Company must pay a severance equal to one year of gross fixed annual remuneration at the time of termination plus the amount of any bonus payable in respect of the year in which the employment is terminated, calculated on a pro rata basis up to the date of termination if the Company (acting reasonably) determines that performance objectives agreed to that year were going to be achieved. "Redundancy" includes, among other matters (i) a substantial diminution in the duties and responsibilities of the position or a material reduction in the status of the position, whether as a result of an addition to or reduction of duties and responsibilities; (ii) a substantial diminution in the scale of the business to which the duties and responsibilities of the position apply; or (iii) a material reduction in base salary or bonus opportunity or in the kind or level of the benefits.

If Mr. Wilkes had been terminated, other than for cause, as of December 31, 2012, Mr. Wilkes would have been entitled to receive A\$351,589. If Mr. Wilkes had been terminated as a result of redundancy as of December 31, 2012, Mr. Wilkes would have been entitled to receive A\$684,389.

**Mark Chamberlain:** Mr. Chamberlain commenced as the CFO of the Company on July 15, 2011, at which time he entered into an employment agreement which contains the following termination benefits. Mr Chamberlain's annual base salary is A\$375,180 with an additional amount of up to 40% of fixed annual remuneration payable as an annual bonus based on achieving annual performance targets as may be determined by the Remuneration and Nomination Committee. Mr. Chamberlain receives employer contributions to his superannuation fund of A\$25,000 per year. He is entitled to be given 6 months' written notice of termination. He may be required to serve the notice period on an active or passive basis, or payment may be made to him in lieu of all or part of the notice period based upon his annual total remuneration on termination. Mr. Chamberlain must give 3 months' notice of resignation.

In the case of a termination by reason of redundancy, provisions identical to those in the employment of Mr. Wilkes will apply.

If Mr. Chamberlain had been terminated, other than for cause, as of December 31, 2012, Mr. Chamberlain would have been entitled to receive A\$204,419. If Mr. Chamberlain had been terminated as a result of redundancy as of December 31, 2012, Mr. Chamberlain would have been entitled to receive A\$404,509.

**Mark Cadzow:** Mr. Cadzow was appointed the Chief Operation Officer of the Company on October 4, 2010, and was subsequently appointed the Chief Development Officer on August 1, 2012. Mr Cadzow's annual base salary and remuneration is NZ\$508,300 with an additional amount of up to 40% of base salary payable by way of annual bonus based on achieving specific performance targets as may be determined by the Remuneration and Nomination Committee. Mr. Cadzow is entitled to be given six weeks' notice of termination. In the event of his termination, other than by reason of redundancy or for cause (in which case no severance is payable), he is entitled to receive six months' gross fixed annual remuneration on such termination. He may be required to serve the notice period on an active or passive basis, or payment may be made to him in lieu of all or part of the notice period based upon his annual

total remuneration on termination. Mr. Cadzow must give six weeks' notice of resignation. In the case of a termination by reason of redundancy, provisions identical to those in the employment contract of Mr. Chamberlain will apply.

If Mr. Cadzow had been terminated, other than for cause, as of December 31, 2012, Mr. Cadzow would have been entitled to receive NZ\$416,354. If Mr. Cadzow had been terminated as a result of redundancy as of December 31, 2012, Mr. Cadzow would have been entitled to receive NZ\$680,200.

**Darren Klinck:** On June 25, 2007, Mr. Klinck was appointed Vice President – Corporate and Investor Relations. Mr. Klinck was subsequently appointed the Head of Business Development in 2011. His annual base salary is A\$287,874 with an additional amount of up to 40% of fixed annual remuneration payable as an annual bonus based on achieving annual performance targets as may be determined by the Remuneration and Nomination Committee. Mr. Klinck receives employer contributions to his superannuation fund of A\$25,000 per year. Mr. Klinck is subject to substantially the same termination provisions as detailed above in respect of Mr. Cadzow.

If Mr. Klinck had been terminated, other than for cause, as of December 31, 2012, Mr. Klinck would have been entitled to receive A\$163,611. If Mr. Klinck had been terminated as a result of redundancy as of December 31, 2012, Mr. Klinck would have been entitled to receive A\$320,048

**Martyn Creaney:** On October 4, 2010, Mr. Creaney was appointed Project Director – Philippines. Mr. Creaney is engaged as a consultant to the Company and his monthly retainer fee is A\$22,500 (exclusive of GST) per month, with additional days beyond 45 days per quarter at A\$1,700 (exclusive of GST) per day. He is entitled to an additional amount of up to 30% of the annual fee as an annual bonus based on achieving annual performance targets as may be determined by the Remuneration and Nomination Committee. Mr. Creaney is required to give 3 months' notice and is entitled to be given 3 months' notice in the event of termination of contract for convenience.

#### **Indebtedness of directors and executive officers**

No current or former executive officer, director or employee of the Company or any of its subsidiaries, or any proposed nominee for election as a director of the Company, or any associate or affiliate of any such executive officer, director, employee or proposed nominee, is or has been indebted to the Company or any of its subsidiaries, or to any other entity that was provided a guarantee, support agreement, letter of credit or other similar arrangement by the Company or any of its subsidiaries in connection with the indebtedness, at any time since the beginning of the most recently completed financial year of the Company.

## **SECTION 4: EQUITY COMPENSATION PLANS**

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The Company currently operates one active employee equity compensation plan, being the Performance Share Rights Plan. The Amended 2007 Stock Option Plan will expire on June 4, 2013. The Employee Share Acquisition Plan was terminated on December 31, 2012. The Restricted Share Rights Plan expired in June 2011.

#### **Performance Share Rights Plan for Designated Participants**

The Board of Directors of the Company adopted a Performance Share Rights Plan for designated participants (the "Performance Rights Plan") with effect from June 15, 2012.

The purposes of the Performance Rights Plan are to promote further alignment of interests between designated participants and the shareholders of the Company, provide a compensation system for designated participants that is reflective of the performance of the Company compared against its peer group over the medium term and allow designated participants to participate in the success of the Company over the medium term.

The Performance Rights Plan authorizes the Board of Directors to grant performance share rights ("Performance Rights") to designated participants on the following terms:

##### **1. Designated Participants**

Pursuant to the Performance Rights Plan, the Board of Directors of the Company may grant Performance Rights to directors and employees of the Company or an affiliate of the Company in consideration of them providing their services to the Company or the affiliate. Non-employee directors of the Company may have limited participation in the Performance Rights Plan.

## *2. Number of Performance Rights available for issuance*

The number of Common Shares that may be issued on the redemption of Performance Rights that have been granted and remain outstanding under the Performance Rights Plan may not at any time, when taken together with all of the Company's security based compensation arrangements then either in effect or proposed, be such as to result in:

- (a) the total number of Common Shares issuable or reserved for issuance to all designated participants (including all insider designated participants) at any time exceeding 6% of the issued and outstanding Common Shares;
- (b) the issuance to designated participants (including all insider designated participants), within a one-year period of a number of Common Shares exceeding 6% of the number of issued and outstanding Common Shares;
- (c) the number of Common Shares reserved for issuance to any one designated participant exceeding 5% of the issued and outstanding Common Shares;
- (d) the issuance to any one designated participant, within a one year period, of a number of Common Shares exceeding 5% of the issued and outstanding Common Shares; the number of Common Shares issuable to designated participants that are not also employees of the Company, as a group at any time exceeding 1% of the issued and outstanding Common Shares; or
- (e) having an aggregate market value to any one non-employee director of the Company, within a one-year period, exceeding \$100,000.

The number of issued and outstanding Common Shares determined above shall be on a non-diluted basis.

## *3. Value of Performance Rights*

Performance Rights granted to designated participants from time to time will be denominated in Common Shares. The market value of Performance Rights and Common Shares shall be not less than the volume weighted average trading price (calculated in accordance with the rules and policies of the TSX) of the Common Shares on the TSX, or another stock exchange where the majority of the trading volume and value of the Common Shares occurs, for the ten (10) trading days immediately preceding the day the Performance Right is granted.

## *4. Grant*

The Company intends to grant performance rights that are commensurate with an individual's level of responsibility within the Company, and the value of the grant will range from 10% of total remuneration to 100% of total remuneration (CEO only). More specifically, the CEO is eligible for a grant of Performance Rights to the value of 100% of his/her remuneration, the executives are eligible for 75% of their remuneration, senior managers are eligible for 50% of their remuneration; managers are eligible for 25% of their remuneration and supervisors are eligible for 10% of their remuneration.

Grants to any one non-executive director of the Company will be limited to \$100,000 in market value per year. Pursuant to the ASX Listing Rules, shareholders approval will also be required each time the Company grants Performance Rights to either executive or non-executive directors.

## *5. Vesting*

Performance Rights granted to designated participants from time to time will vest based upon the Company's target milestone for the applicable performance period, in accordance with the vesting schedule established by the Board of Directors at the time of grant.

Target milestones shall be determined by the Board, acting reasonably, and shall be based on a comparison over a medium term performance period (e.g. 3 years) of the total shareholder return of the Company's Common Shares relative to the total shareholder return over the same period of the shares of a peer group of companies (approximately 15 – 20 gold producers of comparable size of market capital and production rates) to be established by the Board, acting reasonably, at the time of grant of the Performance Rights.

Accordingly, the actual number of Performance Rights that will vest at the end of the applicable performance period will depend on the performance of the Company over that period when compared to its peer group. If the Company significantly underperforms

relative to the peer group, no vesting of Performance Rights may take place. Currently, vesting begins when the Company outperforms 50% of the peers in the peer group, and 100% vesting occurs when the Company outperforms 90% of the peers in the peer group.

#### *6. Termination, Retirement and Other Cessation of Employment*

Generally, if a designated participant ceases employment as a “good leaver”, which includes death, retirement or a disability preventing him from carrying out his employment, or termination without cause or by mutual agreement during a performance period (each, a “good leaver”), the Performance Rights granted to the designated participant from time to time shall continue to vest in accordance with the vesting schedule established by the Board of Directors at the time of grant and as set out in a written acknowledgement between the Company and the designated participant.

#### *7. Expiry*

Vested Performance Rights granted to designated participants shall be redeemed on the last day of the performance period (or such earlier date in the case of vested Performance Rights that are redeemable immediately upon the achievement of target milestones). The Performance Rights are redeemable through the issue of Common Shares only equal to the number of vested Performance Rights. If a designated participant is terminated “for cause”, or ceases employment and is not considered to be a “good leaver”, the designated participant is not entitled to any benefits on account of Performance Rights relating to the performance period in which such designated participant’s employment terminates. The Board of Directors, in its discretion, has the ability to accelerate the vesting of Performance Rights upon the occurrence of a Change in Control (as defined under the Performance Rights Plan).

#### *8. Performance Period*

The Board of Directors, in its sole discretion, may determine the performance period applicable to each grant of Performance Rights. If no specific determination is determined by the Board, the performance period will commence on the January 1 coincident with or immediately preceding the grant and end on December 31 of the third year following the calendar year in which such Performance Rights were granted. If a performance period ends during, or within five business days after, a trading black-out period imposed by the Company to restrict trades in the Company’s securities, then, notwithstanding any other provision of the Performance Rights Plan, the performance period shall end 10 business days after the trading black-out period is lifted by the Company.

#### *9. Transferability*

The Performance Rights will not be transferable or assignable other than by will or pursuant to the laws of succession, except that the designated participant may assign Performance Rights granted under the Performance Rights Plan to the designated participant’s spouse, a trustee, custodian or administrator acting on behalf of or for the benefit of the designated participant or the designated participant’s spouse, a personal holding corporation, partnership, trust or other entity controlled by the designated participant or the designated participant’s spouse, or a registered retirement income fund or a registered retirement savings plan of the designated participant or the designated participant’s spouse.

#### *10. Amendment Provisions*

The Board may, subject to receipt of requisite shareholder approval and regulatory approval (where applicable), make the following amendments:

- (i) amend the Performance Rights Plan to increase the number of shares reserved for issuance under the Performance Rights Plan,
- (ii) amend any Performance Rights granted under the Performance Rights Plan to extend the termination date beyond the original expiration date (for both insider and non-insider grants), except in certain circumstances where the Company has imposed a trading blackout, as described in paragraph 8,
- (iii) increase the number of Common Shares issuable under the Performance Rights Plan to non-employee directors,
- (iv) amend the amendment provisions of the Performance Rights Plan, and
- (v) amend the insider participation limits of the Performance Rights Plan.

No amendment, suspension or discontinuance of the Performance Rights Plan or of any granted Performance Rights may contravene the requirements of the TSX or any securities commission or regulatory body to which the Performance Rights Plan or the Company is subject, or any other stock exchange on which the Company or its Common Shares may be listed from time to time.

Subject to the restrictions in the preceding paragraph and the requirements of the TSX, the Board may, in its discretion, and without obtaining shareholder approval, amend, suspend or discontinue the Performance Rights Plan, and amend or discontinue any Performance Rights granted under the Performance Rights Plan, at any time. Without limiting the foregoing, the Board may, without obtaining shareholder approval, amend the Performance Rights Plan, and any Performance Rights granted under the Performance Rights Plan, to

- (i) amend the vesting provisions,
- (ii) amend the target milestones,
- (iii) amend the performance periods, except in certain limited circumstances where the Company has imposed a trading black-out as described in paragraph 8,
- (iv) amend the eligibility requirements of designated participants which would have the potential of broadening or increasing insider participation, and
- (v) make any amendment of a grammatical, typographical or administrative nature or to comply with the requirements of any applicable laws or regulatory authorities.

The TSX will require that shareholder approval be obtained for any amendment other than amendments in respect of paragraphs (i) to (v) above.

#### *11. Financial Assistance*

No financial assistance will be available to designated participants under the Performance Rights Plan.

As of the date of this Management Information Circular, 3,881,116 Performance Rights have been granted.

A copy of the Performance Rights Plan can be obtained by contacting the Company Secretary in writing at Level 5, 250 Collins Street, Melbourne, Australia 3000.

#### **Amended 2007 Stock Option Plan**

The Company established an amended 2007 stock option plan (the "Option Plan") with an effective date of December 6, 2007 in order to provide incentive compensation to directors, officers, employees and consultants of the Company and its subsidiaries. The Option Plan was renewed on June 4, 2010 for a period of three years and will expire on June 4, 2013. Notwithstanding the impending expiry of the Option Plan, a number of options remain outstanding under the Option Plan. These are summarised further below.

#### **Employee share acquisition plan**

The Company had an Employee Share Acquisition Plan (the "ESAP") pursuant to which employees and directors of the Company and its subsidiaries may arrange to have payroll deductions (up to a maximum of 10% of gross salary) contributed to the ESAP and matched by the Company, for the purpose of having Common Shares purchased in the market for the benefit of such employees and directors. The ESAP was terminated on December 31, 2012.

#### **Restricted share plan**

The Restricted Share Plan was adopted by the Board of Directors on April 8, 2008 and approved by shareholders on May 12, 2008. The Restricted Share Plan was not renewed at the 2011 Meeting and lapsed in June 2011. Notwithstanding this, a small quantity of share rights remains outstanding under the Restricted Share Plan and will vest in May 2013. Please see below for further details.

As of April 12, 2013 an aggregate of 293,517,918 Common Shares of the Company were issued and outstanding, 6% of which is 17,611,075 Common Shares of the Company available for issue under the incentive plan. As of April 12, 2013 a total of 5,984,138 options remain outstanding under the Option Plan, 50,000 share rights remain outstanding under the Restricted Share Plan, and 3,856,465 rights remain outstanding under the Performance Rights Plan (together representing approximately 3.37% of the issued and outstanding Common Shares on a non-diluted basis as of the date hereof). Accordingly, a total of 7,720,472 rights remain available for grant under the Performance Rights Plan, being the only operating equity incentive plan as at the date of this document (representing approximately 2.63% of the issued and outstanding Common Shares on a non-diluted basis as of the date hereof).

## Information on Equity Compensation Plans

The following table is as of December 31, 2012.

| Plan Category                                             | Number of securities to be issued upon exercise of outstanding options, warrants and rights<br>(a) | Weighted-average exercise price of outstanding options, warrants and rights<br>(b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<br>(c) |
|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Equity compensation plans approved by securityholders     | 8,270,407                                                                                          | 1.92                                                                               | 9,340,668                                                                                                                                          |
| Equity compensation plans not approved by securityholders | n/a                                                                                                | n/a                                                                                | n/a                                                                                                                                                |
| Total                                                     | 8,270,407                                                                                          | 1.92                                                                               | 9,340,668                                                                                                                                          |

## SECTION 5: CORPORATE GOVERNANCE AND DIRECTORS' COMPENSATION

As at December 31, 2012, the Company's Board of Directors was composed of seven (7) directors.

During the 3 years prior to the date of this document, Mr James Askew assumed interim role of executive Chairman between September 8, 2010 and January 17, 2011. The Board was of the opinion that during this interim period when he acted in an executive capacity, Mr Askew continued to be the most appropriate person to lead the Board as Chairman. Further, the Company is of the opinion that Mr Askew was able to exercise independent judgment to all relevant issues falling within the scope of the role of Chairman and that the Company as a whole benefitted from his long standing experience of its operations and business relationships.

Furthermore, during 2012 and in the lead up to commissioning activities at the Didipio Project, Mr Jose Leviste Jr. provided valuable advisory services to the Philippines subsidiary of the Company and received fees in relation to these services. The total amount of fees paid to Mr Leviste has been disclosed below. That amount represents less than 5% of the Company's total spend, but may represent more than 5% of the total fees that Mr Leviste receives in the provision of professional services.

With the exceptions of Messrs Askew, Leviste and Wilkes (who was acting as an executive director), during 2012, all other directors were and are independent of management and free of any interest and any business or other relationship, other than arising from their shareholdings, that could interfere with their ability to act with a view to the best interests of the Company. Three of the directors (being Messrs. Askew, Shale and Wilkes) have been nominated for re-election at the Meeting, and four directors (being Messrs. Leviste, Klein, Myckatyn and Raby) will remain on the Board until they stand for re-election at the Company's next annual general meeting of Shareholders assuming the amendment to the Company's Articles is approved as described in Section 7.

The Board has established three committees of directors, being the Audit and Financial Risk Management Committee, the Remuneration and Nomination Committee and the Sustainability Committee.

The following sets out the Company's Corporate Governance Disclosure in the form required by National Instrument 58-101 – Disclosure of Corporate Governance Practices:

### Board of directors

As at the date of this Management Information Circular, the Board is comprised of seven (7) directors. The independent status of each individual director is reviewed annually by the Board. The Board considers a director to be independent if he has no direct or indirect material relationship with the Company, which in the view of the Board of Directors could reasonably be perceived to materially interfere with the exercise of the director's independent judgment. Other than as noted above in relation to Messrs Askew, Leviste and Wilkes, the Board has determined that all of the current directors are independent.

The Board examines its size and diversity annually to determine whether the number of directors is appropriate. The Board is satisfied that its current number of directors is appropriate, providing a diversity of views and experience while maintaining efficiency. The Board believes that the composition of the Board fairly represents the interests of Shareholders. Notwithstanding this and in view of the Company's Diversity Policy, the Board is open to the appointment of an appropriately qualified female director.

The independent directors hold regularly scheduled meetings at which members of management are not in attendance.

The Board believes that all directors should attend all meetings of the Board and all meetings of each committee of which a director is a member. During the Company's 2012 fiscal year, participation by the directors in meetings of the Board and committees is summarised as follows:

|                 | Board of Directors |                 | Audit and Risk Committee |                 | Remuneration and Nomination Committee |                 | Sustainability Committee |                 |
|-----------------|--------------------|-----------------|--------------------------|-----------------|---------------------------------------|-----------------|--------------------------|-----------------|
| Director        | Number Held        | Number Attended | Number Held              | Number Attended | Number Held                           | Number Attended | Number Held              | Number Attended |
| J E Askew       | 7                  | 6               | -                        | Non-member      | 2                                     | 2               | 3                        | 3               |
| J D Shale       | 7                  | 7               | 4                        | 4               | -                                     | Non-member      | 3                        | 3               |
| J P Leviste Jr. | 7                  | 7               | -                        | Non-member      | -                                     | Non-member      | 3                        | 3               |
| J Klein         | 7                  | 6               | 4                        | 3               | 2                                     | 1               | -                        | Non-member      |
| W H Myckatyn    | 7                  | 6               | -                        | Non-member      | 2                                     | 2               | 3                        | 3               |
| M F Wilkes      | 7                  | 7               | -                        | Non-member      | -                                     | Non-member      | -                        | Non-member      |
| G W Raby        | 7                  | 6               | 4                        | 3               | -                                     | Non-member      | -                        | Non-member      |

See "Election of Directors" above for more information about each director, including directorship of other reporting issuers in Canada or in a foreign jurisdiction and share ownership.

#### Board mandate

The Board has adopted a written charter, a copy of which is attached as Schedule "A" hereto.

Board members and management will participate in an annual strategic planning review process. Any revisions to the plan will be approved by the Board. Implementation of the strategic plan will be the responsibility of management. The Board will systematically review opportunities by weighing them against the business risks and actively managing these risks. The Board will provide leadership but will not become involved in day-to-day matters. Management will report to the Board on a regular basis on the Company's progress in achieving these strategic objectives.

#### Position descriptions

The Board has developed written terms of reference for the chair of each committee, which are included in the charter or mandate of each committee. The Board has not developed written position descriptions for the CEO and Chairman. Until the written position descriptions are developed, the CEO and the Board agree that the CEO is responsible for day-to-day operational management and Board approval is required for any other matters.

#### Orientation and continuing education

The Board has an informal process for the orientation of new Board members regarding the role of the Board, its committees and its directors and the nature of operation of the business. New directors meet with senior management and incumbent directors.

Directors are made aware of their responsibility to keep themselves up to date with best director and corporate governance practices and are encouraged and funded to attend seminars that will increase their own and the Board's effectiveness.

#### Ethical business conduct skills and knowledge

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. The Company is also considering the implementation of a corporate anti-bribery and anti-corruption policy.

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.

**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, New Zealand and Canada.

In accordance with ASX Listing Rule 12.9, a copy of the Company's Securities Trading Policy was lodged with the ASX on December 23, 2010.

### Nomination of Directors

With advice and input from the Remuneration and Nomination Committee, the Board, in identifying new candidates for Board nomination, will:

- (a) consider what competencies and skills the Board, as a whole, should possess;
- (b) assess what competencies and skills each existing director possesses; and
- (c) consider the appropriate size of the Board, with a view to facilitating effective decision-making.

The nomination of directors is undertaken by the Remuneration and Nomination Committee, a committee composed entirely of independent directors. The Committee reviews the composition of the Board annually, assesses the effectiveness of the Board annually, identifies new candidates for nomination as directors to the Board and makes recommendations to the Board for nominees for election as directors. In that regard, the Remuneration and Nomination Committee considers the competencies and skills each new nominee will bring to the Company and whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board member.

The Remuneration and Nomination Committee has a published mandate which is posted on the Company's website. The Company has no obligation or contract with any third party, providing them with the right to nominate a director.

### Compensation of Directors

The following table sets out amount of compensation provided to the directors in their non-executive role for the Company's most recently completed financial year:

| Name                                            | Year | Fees (US\$) | Share-based awards (US\$) | Option-based awards (US\$) | Non-equity incentive plan compensation (US\$) |                                               | Pension value (US\$) | All other compensation (US\$) | Total compensation (US\$) |
|-------------------------------------------------|------|-------------|---------------------------|----------------------------|-----------------------------------------------|-----------------------------------------------|----------------------|-------------------------------|---------------------------|
|                                                 |      |             |                           |                            | Annual incentive plans (Annual Bonus Awards)  | Long-term incentive plans (milestone Bonuses) |                      |                               |                           |
| J E Askew<br><i>Chairman</i>                    | 2012 | 198,345     | -                         | 13,841                     | -                                             | -                                             | -                    | -                             | 212,186                   |
| J D Shale<br><i>Director</i>                    | 2012 | 123,501     | -                         | 13,841                     | -                                             | -                                             | -                    | -                             | 137,342                   |
| J P Leviste Jr. <sup>1</sup><br><i>Director</i> | 2012 | 100,206     | -                         | 13,841                     | -                                             | -                                             | -                    | 18,148                        | 132,195                   |
| J Klein<br><i>Director</i>                      | 2012 | 109,179     | -                         | 13,841                     | -                                             | -                                             | -                    | -                             | 123,020                   |
| W H Myckatyn<br><i>Director</i>                 | 2012 | 100,881     | -                         | 28,158                     | -                                             | -                                             | 2,393                | -                             | 131,432                   |
| G W Raby<br><i>Director</i>                     | 2012 | 99,631      | -                         | 58,014                     | -                                             | -                                             | -                    | -                             | 157,645                   |
| M F Wilkes <sup>2</sup><br><i>Director</i>      | 2012 | -           | -                         | -                          | -                                             | -                                             | -                    | -                             | -                         |

**Notes:**

- (1) During 2012, Mr. Leviste Jr. was paid US\$176,472 in fees for the provision of consulting services in the Philippines.
- (2) During 2012, Mr. Wilkes did not receive any additional compensation in his capacity as a Board member. Please refer to section 3 – Executive Compensation for details of his executive compensation.

**Assessments**

The Board is committed to carrying out periodic performance evaluations of the Board, individual non-executive directors and Board committees. For the Company's 2012 financial year, the Remuneration and Nomination Committee conducted reviews of performance, remuneration and skills and competencies of individual directors, Board committees and the Board as a whole in accordance with the Remuneration and Nomination Committee Charter.

**Board committees**

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.

Each committee contained a majority of independent directors during 2012. It is customary for the Chairmen to invite Company executives (including the CEO) to attend Committee meetings.

**Audit and Financial Risk Management Committee** - the Audit and Financial Risk Management Committee has been structured to comply with National Instrument 52-110 – Audit Committees ("NI 52-110") of the Canadian Securities Administrators and Listing Rule 3.6 of the NZSX/NZDX Listing Rules.

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 and Financial Risk Management Committee during 2012 were:

J D Shale (Chairman);  
J Klein; and  
G W Raby.

Each member of the Audit and Financial Risk Management Committee is currently independent and financially literate within the meaning of NI 52-110.

**Remuneration and Nomination Committee** - the Remuneration and Nomination Committee is responsible for making recommendations to the Board in relation to the remuneration arrangements for the Managing Director, for reviewing and approving the Managing Director's remuneration recommendations for senior executives and for reviewing and approving the general remuneration framework for other employees. The Committee is also responsible for ensuring that an appropriate mix of skills, experience and expertise is maintained on the Board, and for evaluating the performance of the Board, individual directors and the Board committees. The members of the Remuneration and Nomination Committee during 2012 were:

J Klein (Chairman);  
J E Askew; and  
W H Myckatyn.

**Sustainability Committee** - 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 2012, members of the Sustainability Committee were as follows:

J E Askew (Chairman);

J D Shale;  
J P Leviste Jr.; and  
W H Myckatyn.

## **SECTION 6: INTEREST OF INFORMED PERSONS AND APPOINTMENT OF AUDITORS**

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### **Interest of informed persons in material transactions**

Other than the interests of certain directors, officers and shareholders of the Company as described elsewhere in this Management Information Circular, no informed person or any proposed director of the Company, or any associate or affiliate thereof, has had a direct or indirect material interest in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction that has materially affected or would materially affect the Company or any of its subsidiaries.

### **Appointment of auditor**

In accordance with the recommendation of the Company's Audit and Financial Risk Management Committee, the Board of Directors recommends that at the Meeting the Shareholders vote for the reappointment of PricewaterhouseCoopers, Chartered Accountants, as the Company's auditors to hold office until the next annual general meeting of Shareholders. Accordingly, proxies received in favour of management nominees will be voted to approve the reappointment of PricewaterhouseCoopers, Chartered Accountants, as the Company's auditor until the next annual general meeting of Shareholders. PricewaterhouseCoopers was first appointed as auditor of the Company on March 25, 2008.

## **SECTION 7: PARTICULARS OF OTHER MATTERS TO BE ACTED UPON**

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**With the exception of the first resolution, the following resolutions will require approval by a majority of votes cast on the matter at the Meeting. The first resolution with regards to amendment to the Articles of the Company will require approval by a special majority (two-thirds) of votes cast at the Meeting. Unless otherwise instructed the management nominees named in the form of Proxy accompanying this Management Information Circular will vote "FOR" the Resolutions.**

### *1. Approval of amendments to the Articles of the Company*

The TSX has recently adopted new policies relating to the election of directors. Issuers are now required to hold annual elections for all directors, as opposed to multi-year or staggered terms. Articles 14.1 and 14.12 of the Company's Articles currently provide for a two year term on the election of directors. In order to comply with the new policies of the TSX it is proposed that the Articles be amended.

Furthermore, ASX Listing Rule 15.11.1 requires the Company's Articles to be consistent with the listing rules unless the Articles include the provisions in Appendix 15A of the ASX Listing Rules. Accordingly, to ensure that the Articles are in full compliance with the contents of Appendix 15A, the Company proposes to include an additional provision in Article 26.2.

The Shareholders of the Company are being asked to consider and, if thought appropriate, to pass the following special resolution:

"BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

#### **1. The Articles of the Company be amended as follows:**

##### **(a) Article 14.1 be deleted in its entirety and replaced with the following:**

"14.1 Election at Annual General Meeting. At every annual general meeting and in every unanimous resolution contemplated by Article 10.2:

(a) the shareholders entitled to vote at the annual general meeting for the election of directors must elect, or in the unanimous resolution appoint, a board of directors consisting of the number of directors for the time being set under these Articles; and

(b) all the directors cease to hold office immediately before the election or appointment of directors under paragraph (a), but are eligible for re-election or re-appointment.";

- (b) Article 14.4 be deleted in its entirety and replaced with the following:

“14.4 Places of Retiring Directors Not Filled. If, at any meeting of shareholders at which there should be an election of directors, the places of any of the retiring directors are not filled by that election, those retiring directors who are not re-elected and who are asked by the newly elected directors to continue in office will, if willing to do so, continue in office to complete the number of directors for the time being set pursuant to these Articles for a term expiring at the next following annual general meeting. If any such election or continuance of directors does not result in the election or continuance of the number of directors for the time being set pursuant to these Articles, the number of directors of the Company is deemed to be set at the number of directors actually elected or continued in office.”;

- (c) Article 14.8 be deleted in its entirety and replaced with the following:

“14.8 Additional Directors. Notwithstanding Articles 13.1 and 13.2, between annual general meetings or unanimous resolutions contemplated by Article 10.2, the directors may appoint one or more additional directors, but the number of additional directors appointed under this Article 14.8 must not at any time exceed:

- (a) one-third of the number of first directors, if, at the time of the appointments, one or more of the first directors have not yet completed their first term of office; or
- (b) in any other case, one-third of the number of the current directors who were elected or appointed as directors other than under this Article 14.8.

Any director so appointed ceases to hold office immediately before the next election or appointment of directors under Article 14.1(a), but is eligible for re-election or re-appointment.”;

- (d) Article 14.10 be deleted in its entirety and replaced with the following:

“14.10 Removal of Director by Shareholders. The Company may remove any director before the expiration of his or her term of office by special resolution. In that event, the shareholders may elect, or appoint by ordinary resolution, a director to fill the resulting vacancy. If the shareholders do not elect or appoint a director to fill the resulting vacancy contemporaneously with the removal, then the directors may appoint or the shareholders may elect, or appoint by ordinary resolution, a director to fill that vacancy.”;

- (e) Article 14.11 be deleted in its entirety and replaced with the following:

“14.11 Removal of Director by Directors. The directors may remove any director before the expiration of his or her term of office if the director is convicted of an indictable offence, or if the director ceases to be qualified to act as a director of a company and does not promptly resign, and the directors may appoint a director to fill the resulting vacancy.”;

- (f) Article 14.12 be deleted in its entirety; and

- (g) Insert, immediately following Article 26.2(e), the following:

“(f) If the ASX Listing Rules require these Articles not to contain a provision and it contains such a provision, these Articles are deemed not to contain that provision.”

2. Any one Director or Officer of the Company is, and the agents of the Company are, hereby authorized and directed for and on behalf of the Company to execute and deliver, under corporate seal of the Company or otherwise, all such documents and instruments and to do all such other acts and things as in his or her opinion may be necessary or desirable to give full effect to the above resolutions.”

The special resolution must be passed, with or without amendment, by not less than two-thirds of votes cast by Shareholders voting in person or by proxy in respect of the special resolution at the meeting. Unless instructed otherwise, the officers of the Company named in the accompanying form of proxy intend to vote the common share represented by proxies FOR the special resolution to approve the Amendment to the Articles.

The proposed amendments to the Articles have been approved by NZX Limited, ASX Limited and TSX Inc.

## *2. Approval of previous issue of shares under the December 2012 offerings*

ASX Listing Rule 7.1 provides that the Company is limited to issuing up to 15% of its issued capital in any 12 month period without shareholder approval. However, under ASX Listing Rule 7.4, the Company may seek subsequent shareholder approval of the specified issues of securities, and if that approval is obtained, such issues do not count toward the 15% limit.

The Company is seeking Shareholder approval for the issue of 30,000,000 Common Shares of the Company (including Common Shares represented by ASX-listed CHES Depositary Interests) pursuant to its bought deal equity financing completed on December 19, 2012 in order to renew the Company's 15% placement capacity available under ASX Listing Rule 7.1.

The following information is provided to Shareholders pursuant to, and in accordance with, ASX Listing Rule 7.5:

- (a) The number of Common Shares allotted and issued was 5,817,200, and the total number of ASX-listed CHES Depositary Interests allotted and issued was 24,182,800. The total number of securities allotted and issued was 30,000,000 ("Securities").
- (b) The CDIs were issued at an issue price of A\$3.00 each, and the Common Shares were issued at an issue price of C\$3.11 each (the equivalent of A\$3.00 at the time of announcement).
- (c) The Securities that were issued are fully paid and rank *pari passu* with existing securities on issue.
- (d) The allottees of the Securities were institutional and high net worth clients of a banking syndicate lead by Macquarie Capital Markets Canada Ltd and Citigroup Global Markets Canada Inc., identified through a book build process. The allottees are not related parties of the Company.
- (e) The net proceeds from the equity were used to reduce outstanding debt and to provide balance sheet and operating flexibility.
- (f) The Company will disregard any votes cast on this resolution by any person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Accordingly, the Shareholders of the Company are being asked to consider and, if thought appropriate, to pass an ordinary resolution in substantially the following form:

"BE IT RESOLVED THAT for the purpose of ASX Listing Rule 7.4 and for all other purposes, the Company approves the issue of 30,000,000 Securities issued on December 19, 2012 to the persons set out in the Management Information Circular."

## *3. Issue of Performance Rights to Michael F. Wilkes*

It is proposed that 252,778 performance rights (the "Performance Rights") be issued to Mr Michael F. Wilkes under the Performance Rights Plan within 12 months of the Meeting. This is the maximum amount of Performance Rights that will vest if the performance of the Company reaches the vesting threshold in three years' time, as described below.

In accordance with the recommendation of the Remuneration and Nomination Committee, the Chief Executive Officer and Managing Director of the Company is eligible to be granted Performance Rights in the value of up to 100% of his/her gross annual remuneration.

The performance conditions applying to the Performance Rights to be granted to Mr Wilkes will be based on the Company's total shareholder return ("TSR") against a group of 20 gold producers of comparable size and production rates during the period January 1, 2013 to December 31, 2015. The peer group currently consists of the following:

|                           |                            |                           |
|---------------------------|----------------------------|---------------------------|
| B2Gold Corp               | SEMAFO Inc                 | Endeavour Mining Corp     |
| Golden Star Resources Ltd | Resolute Mining Ltd        | Medusa Mining Ltd         |
| Regis Resources Ltd       | Beadell Resources Ltd      | Perseus Mining Ltd        |
| Archipelago Resources PLC | Troy Resources Ltd         | Alacer Gold Corp          |
| Argonaut Gold Inc         | Kingsgate Consolidated Ltd | Silver Lake Resources Ltd |
| OceanaGold Corp           | Evolution Mining Ltd       |                           |

The Board has the discretion to adjust the composition and number of the peer group to take into account of events including, but not limited to, takeovers, mergers and de-mergers that might occur during the performance period.

The vesting process will commence when the Company TSR performance outperforms 50% of the peers in the peer group. The percentage of Performance Rights that vests will correspond to the percentage of peers the Company TSR has outperformed, such that the percentage of Performance Rights vesting equals to 10% plus the percentage of peers outperformed, until 100% vesting is achieved. For example, if OGC outperforms 50% of the peers, then 60% of Rights will vest; if OGC outperforms 60% of the peers, then 70% of Rights will vest. This means 100% of Performance Rights vesting occurs when the Company TSR outperforms 90% of the peers in the peer group.

The grant of Performance Rights to Mr Wilkes was approved by the Remuneration and Nomination Committee of the Board (subject to Shareholder approval of the specific grant to Mr Wilkes) on April 2, 2013.

Accordingly, Shareholders are being asked to consider and vote upon the following resolution:

“BE IT RESOLVED THAT the grant of 252,778 Performance Rights to Mr Michael Wilkes as disclosed in the Management Information Circular be and is hereby approved for the purposes of ASX Listing Rule 10.14 and for all other purposes.”

The following information is provided to Shareholders pursuant to, and in accordance with ASX Listing Rule 10.15:

- (a) A summary of the terms of the Performance Rights Plan and Performance Rights are set out in Section 4 above.
- (b) 252,778 Performance Rights will be granted to Mr Wilkes.
- (c) The Performance Rights will be issued at no cost to Mr Wilkes.
- (d) 340,690 Performance Rights were issued to Mr Wilkes at no cost on July 12, 2012 in accordance with Shareholders' approval obtained at the Company's 2012 Meeting.
- (e) All directors are entitled to participate in the Performance Rights Plan. No loans have been or will be made to the directors in respect of the Performance Rights.
- (f) The Company will issue the Performance Rights no later than 12 months after the date of the Meeting.

The Company will disregard any votes cast on the foregoing resolution by a director of the Company and an associate of a director. However, the Company need not disregard a vote if it is cast by: a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### 4. *Approval of increase to non-executive directors' aggregate fees*

ASX Listing Rule 10.17 and NZSX/NZDX Listing Rule 3.5.1 provide that the Company cannot increase the aggregate amount of non-executive directors' fees payable by it without shareholder approval. Shareholders last approved the maximum aggregate amount of remuneration payable to non-executive directors' in 2011. Since then, the Company has appointed an additional non-executive director, being Dr Geoffrey Raby. Whilst the Board has no immediate plans to increase non-executive directors' fees, it believes that the increase will provide flexibility for the Company to attract and retain high calibre directors with appropriate experience, and to enhance diversity at the Board level. Given the significantly increased regulatory requirements and community expectations over the past few years, the Board is of the view that such flexibility is important.

The Company is therefore seeking Shareholders' approval to increase the maximum aggregate amount of remuneration payable to non-executive directors of the Company from A\$830,000 to A\$1,000,000 per annum. Accordingly, the Shareholders of the Company are being asked to consider and, if thought appropriate, to pass an ordinary resolution in substantially the following form:

"BE IT RESOLVED THAT the maximum aggregate amount of remuneration which may be paid out of the funds of the Company to the Directors (excluding any director in receipt of salary from the Company) for their services under Article 13.5 of the Articles of Association be increased by A\$170,000 per annum to a maximum of A\$1,000,000 per annum with effect from May 17, 2013 to be divided among those Directors in such manners as they may determine."

The Company will disregard any votes cast on this resolution by a director and any of their associates. However, the Company need not disregard a vote if it is cast by a director (including the person chairing the meeting) appointed as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form (provided the proxy form contains express instructions as to how to vote and it is not left to the discretion of the person casting the vote).

#### **Interest of certain persons or companies in matters to be acted upon**

Other than the interests of certain directors, officers and shareholders of the Company as described elsewhere in this Management Information Circular, no person who has been a director or executive officer of the Company at any time since the beginning of the Company's last financial year, no proposed nominee for election as a director of the Company at the Meeting, and no associate or affiliate of any of the foregoing persons or companies, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors or the appointment of auditors.

#### **Management contracts**

Management functions of the Company are not, to any substantial degree, performed by a person or persons other than the directors or senior officers of the Company.

#### **Additional information**

Additional information relating to the Company is available at [www.sedar.com](http://www.sedar.com) under the name "OceanaGold Corporation". Financial information is provided in the Company's comparative financial statements and management discussion & analysis ("MD&A") for its most recently completed financial year. Copies of the Company's financial statements and MD&A can be obtained by contacting the Corporate Secretary of the Company in writing at Level 5, 250 Collins Street, Melbourne, Australia 3000. Copies of such documents will be provided to Shareholders free of charge.

## **SCHEDULE “A”**

### **Board Charter of OceanaGold Corporation (“the Company”)**

#### **1. Role of the Board**

This Board charter (Board Charter) sets out the principles for the operation of the board of directors (Board) of the Company and describes the functions of the Board and those functions delegated to management of the Company.

The Board has primary responsibility to shareholders for the welfare of the Company. The Board is responsible for guiding and monitoring the business and the affairs of the Company. The Company recognises the importance of the Board in providing a sound base for good corporate governance in the operations of the Company. The Board, and each individual director, must at all times act honestly, in good faith, with a view to the best interests of the Company and in all respects in accordance with the law applicable to the Company. Directors must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Board will at all times act in accordance with all Company policies in force from time to time.

This Charter and the various complementary charters adopted by the Board and Board committees have been prepared and adopted on the basis that there is a recognition that good governance and good governance procedures can add to the performance of the Company.

#### **2. Responsibilities of the Board**

One of the key ways the Board adds value to the Company is by selecting the right chief executive officer (CEO) for the Company and satisfying itself as to the integrity of the CEO and other executive officers. Beyond this, the Board will ensure that management has in place appropriate processes for risk assessment, management and internal control and monitoring performance against agreed benchmarks. The Board will work with senior management as collaborators in advancing the interests of the Company and creating a culture of integrity throughout the organisation.

This Charter delegates certain authority to specified managers and recognises that once delegated management needs to be free to manage. The Board will not blindly accept management's views and will test and question management's assertions, monitor progress, evaluate management's performance and will, where warranted, take corrective action.

##### **2.1 The Board**

The Board is responsible for the management of the affairs of the Company, including:

- (a) its financial and strategic objectives;
- (b) evaluating, approving and monitoring the Company's strategic and financial plans, including assessment of the opportunities and risks of the Company's business, on an annual basis;
- (c) evaluating, approving and monitoring the Company's annual budgets and business plans;
- (d) evaluating, approving and monitoring major capital expenditure, capital management and all major corporate transactions, including the issue of the Company's securities; and
- (e) approving all financial reports and material reporting and external communications by the Company in accordance with the Company's Shareholder Communications Policy, which it will review and revise as necessary.

##### **2.2 Executive management**

The Board's responsibilities in relation to executive management include:

- (a) Appointing, monitoring, managing the performance of, and if necessary terminating (the employment of) the CEO. Consistent with the obligation to monitor the CEO, the Board has identified the role and responsibilities of the CEO as described in section 4.4 and 4.5. The Board will periodically consider this job description and the CEO's authorities and accountabilities, as well as performance indicators to provide monitoring benchmarks.
- (b) Managing succession planning for the position of CEO, chief financial officer (CFO) and chief operating officer. It is envisaged that this would involve working with the CEO to identify the requirements for critical positions and individuals that can fill those positions on both an emergency basis and over the longer term.
- (c) Overseeing and ratifying the appointment and termination (of employment) of the CFO.
- (d) Ratifying the terms of appointment of senior management, including in relation to the terms of equity remuneration.

##### **2.3 Risk management**

The Board's risk management responsibilities include:

- (a) Approving and monitoring the Company's performance in relation to principles of best practice corporate governance.
- (b) Approving and monitoring the Company's risk management framework, systems and processes.
- (c) Approving and monitoring compliance with the Company's key corporate policies and protocols.
- (d) Monitoring the Company's operations in relation to, and compliance with relevant regulatory requirements.

##### **2.4 Guidelines for risk management and strategic planning**

- (a) The Board will be actively and regularly involved in risk management and strategic planning. The Board intends that these functions will be closely integrated. Strategic planning will be based on the identification of opportunities and the full range of business risks that will determine which of those opportunities are most worth pursuing. The Board recognises that strategic planning is an ongoing process that must be responsive to changes in the external environment and internal developments.
- (b) The Board's involvement in strategic planning and the monitoring of risks does not mean the Board intends to manage the business, but it recognises the Board is responsible for overseeing management and holding it to account.
- (c) The Board will oversee the process that management has in place to identify business opportunities and risks.
- (d) The Board will consider the extent and types of risk that is acceptable for the Company to bear.
- (e) The Board will monitor management's systems and processes for managing a broad range of business risks.
- (f) The Board will, on an ongoing basis, review with management how the strategic environment is changing, what key business risks and opportunities are appearing, how they are being managed and what, if any, modifications in strategic direction should be adopted.
- (g) The Board intends to benchmark its activities regarding corporate governance against the following criteria for ongoing assessment:

|                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Identification</b>     | Clarify the Company's core values for the organisation and identify these clearly.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Analysis</b>           | Examine the core values and develop a model for identifying events within the organisation that could adversely impact on the core values.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Assessment</b>         | Allocate priorities to the risk rated items and integrate these items within the existing (and/or contemplated) operational plans and structures including by reference to the following areas of opportunity/risk: (a) Strategic: for example, market conditions, new competitors, political/regulatory environment. (b) Operational: eg business processes, technology, human resources, business interruption, environmental issues, health and safety issues, crisis management. (c) Leadership: eg ability to innovate and motivate throughout the organisation, choice of CEO. (d) Partnership: eg ability to choose appropriate alliances, partnerships and make them work well. (e) Reputation: eg quality of products and services, consumer advocacy, public perceptions, illegal or unethical conduct, fraud. |
| <b>Treatment</b>          | <p>Develop a scheme for integrating the outcomes within the organisational structure and delegations of authority to ensure responsibilities are matched with the necessary authority and appreciation of the core values.</p> <p>This involves the development of training programs to foster the core values throughout the Company. This means for instance that every person dealing with the investment community appreciates the importance of ensuring that material or price sensitive information is not disclosed to investors if it is not publicly available.</p>                                                                                                                                                                                                                                            |
| <b>Ongoing Monitoring</b> | This is an essential element of the Company's program and includes an active program of continuous improvement, including keeping up to date on best practice, fostering a compliance culture, training and recognition.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

## 2.5 Reporting

- (a) The Board must supervise disclosure in the annual report and any departures from the ASX best practice recommendations and any information publicly available about the Company's policies.
- (b) Any decision to deviate from the ASX best practice recommendations must be recommended by the relevant committee and approved by the Board.
- (c) The Company will, where appropriate, include an appropriate statement regarding departures from ASX best practice recommendations in the annual report such as:

*The Board has considered ASX best practice recommendation and its application to the Company having regard to the circumstances of the Company and industry practice. The decision of the Board [and the Committee] to depart from best practice recommendation is warranted on the basis it is not appropriate to the Company. The decision was based on the following:*

- (a)
- (b)
- (c)

*[Having regard to the matters set out above, the Board does not believe the benefits are commensurate with the monetary and other costs they impose. As a result, their contribution to shareholder well being is believed to be minimal and they have not been adopted.]*

- (d) The Board will supervise the public disclosure of all matters that the ASX best practice recommendations recommend be publicly disclosed, consistent with the Continuous Disclosure Policy and will provide a commentary of any Board decision not to make such disclosure or to clarify what disclosure has been made.

(e) The Board will supervise disclosure by the Company as required under National Instrument 58-101 – Disclosure of Corporate Governance Practices adopted by the Canadian Securities Administrators.

### **3. Structure of the Board**

The Board will aim to comprise a majority of directors who are non-executive directors. The Board will be of such size and competence necessary to understand properly and deal with the current and emerging issues of the business of the Company. The current composition of the Board reflects the need for particular skills and abilities around the Board table and the desire to maintain the Board at an efficient and economic size. The directors will appoint as chairman of the Board, one of the non-executive directors who is independent. Each director is bound by all the Company charters, policies, codes of conduct etc, including without limitation the Company's:

- (a) Securities Trading Policy;
- (b) Code of Conduct; and
- (c) Continuous Disclosure Policy.

The Board has delegated carriage of the operation and management of the Company's business to the CEO, and to appropriate members of the senior management group.

This Charter is designed to facilitate a mature and constructive relationship with the Company's management – one that is grounded in a mutual understanding of their respective roles and the ability of the Board to act independently in fulfilling its responsibilities.

The Board will approve and monitor delegations of authority from the CEO to senior management.

### **4. Statement of the division of authority between the chairman and CEO**

#### **4.1 Objective**

Consistent with its commitment to best practice corporate governance, the Company recognises the importance of the office of chairman and the office of CEO.

The Company recognises that it is important that the chairman and the CEO have defined roles in the organisation and function in accordance with clear functional lines.

#### **4.2 Role of chairman**

The Board has resolved to appoint a chairman and may determine the period of office. The chairman in place from time to time will be selected on the basis of relevant experience, skill and leadership abilities that the Board recognises from time to time. The Board at the first Board meeting following each annual general meeting will consider the position of chairman. It is envisaged that the normal term for a chairman will be a period of five years subject to satisfactory performance and re-election by shareholders to the Board.

#### **4.3 Specific duties of the chairman**

The chairman will:

- (a) chair Board meetings;
- (b) establish the agenda for Board meetings, in consultation with the CEO and company secretary;
- (c) chair meetings of members, including the annual general meeting;
- (d) be the primary spokesperson for the Company at the annual general meeting. The chairman and the CEO will agree between themselves as to their respective roles in relation to all meetings (formal and informal) with shareholders and all public relations activities;
- (e) in consultation with the CEO, approve or delegate authority for the approval of all material to be submitted to the ASX or filed with any other securities regulatory authority or exchange and other investor and shareholder releases;
- (f) be the primary channel of communication and point of contact between the Board (and the directors) and the CEO;
- (g) be kept fully informed by the CEO of all material matters which may be relevant to directors, in their capacity as directors;
- (h) in conjunction with the CEO and other appropriate members of senior management, review all matters material to the interests of the Company;
- (i) provide guidance and mentoring to the CEO;
- (j) participate in the CEO evaluation process through the Remuneration and Nomination Committee; and
- (k) ensure the periodic process of Board evaluation is conducted.

#### **4.4 Role and responsibilities of the CEO**

The CEO has primary responsibility to the Board for the affairs of the Company.

The Board appoints the CEO to manage the business on behalf of it (and shareholders) and must delegate sufficient powers to allow him or her to manage effectively.

The CEO must carry out the objectives of the Board in accordance with its instructions, and report to the Board all matters the CEO considers (acting reasonably) to be material to the affairs of the Company.

#### **4.5 Specific duties of the CEO**

The CEO will:

- (a) develop with the Board, implement and monitor the strategic and financial plans for the Company;
- (b) develop, implement and monitor the annual budgets and business plans;
- (c) plan, implement and monitor all major capital expenditure, capital management and all major corporate transactions, including the issue of any securities of the Company;
- (d) develop all financial reports, and all other material reporting and external communications by the Company, including material announcements and disclosures, in accordance with the Company's Shareholder Communications Policy.
- (e) manage the appointment of the CFO, the general counsel and company secretary and any other specific senior management positions;
- (f) develop, implement and monitor the Company's risk management framework;
- (g) consult with the chairman and the company secretary in relation to establishing the agenda for Board meetings;
- (h) agree with the chairman their respective roles in relation to all meetings (formal and informal) with shareholders and all public relations activities;
- (i) in consultation with the chairman or delegate authority for the approval of all material press releases, and other investor and shareholder releases. The chairman may choose to refer any particular issue to other directors;
- (j) be the primary channel of communication and point of contact between the executive staff and the Board (and the directors);
- (k) keep the chairman fully informed of all material matters which may be relevant to the Board, in their capacity as directors;
- (l) in conjunction with the chairman and other appropriate members of senior management, review all matters material to the interests of the Company;
- (m) provide strong leadership to, and effective management of, the Company in order to:
  - (i) encourage cooperation and teamwork;
  - (ii) build and maintain staff morale at a high level;
  - (iii) build and maintain a strong sense of staff identity with, and a sense of allegiance to, the Company;
- (n) ensure a safe workplace for all personnel;
- (o) ensure that the Company has regard to the interests of employees of the company and the community and environment in which the company operates; and
- (p) otherwise carry out the day-to-day management of the Company.

#### **4.6 Limitations on delegated authority of the CEO**

The delegation of authority to the CEO is subject to the limits determined by the Board from time to time.

The CEO is formally delegated by the Board to authorise all expenditure (including capital expenditure) as approved by the Board in the budget for the relevant year.

The following limitations on the authority of the CEO apply, subject to modification or addition by the Board from time to time. Unless otherwise specified, the CEO must obtain Board approval for the following.

- (a) All payments to the CEO, outside of normal agreed monthly remuneration, must be authorised by the chairman.
- (b) To enter into any contract or incur any obligation or liability on behalf of the Company or any of its subsidiaries with a value, or actual or potential liability to the Company, in accordance with the limits determined by the Board from time to time, except where such a contract, obligation or liability is specifically allowed for in the Company's budget (as approved by the Board) for that financial year.
- (c) To take any action or enter into any course of conduct on behalf of the Company or any of its subsidiaries which is outside the ordinary course of business without the prior approval of the chairman. The chairman may decide that the matter must be approved by the Board, in which case Board approval is required.
- (d) To provide, or offer to provide, any remuneration packages to employees or contractors which include or comprise wholly of a securities-based component.
- (e) To agree to issue any securities in the Company to any person, unless such agreement is expressed to be subject to Board approval.

#### **5. Chief financial officer**

The CFO and senior finance officers influencing financial performance of the Company will:

- (a) conduct their duties at the highest level of honesty and integrity, recognising that integrity is the benchmark against which the CFO must conduct all decision making;
- (b) observe the rule and the spirit of the law and comply with any relevant ethical and technical standards;
- (c) maintain the confidentiality of all information acquired in the course of conducting the role and not make improper use of, or disclose to third parties, any confidential information unless that disclosure has been authorised by the Board, or is required by law, any securities regulatory authority or by the rules of any stock exchange on which its securities are listed;
- (d) observe the principles of independence, accuracy and integrity in dealings with the Board, audit committees, Board committees, internal and external auditors and other senior managers within the Company;
- (e) disclose to the Board any actual or perceived conflicts of interest, whether of a direct or indirect nature, of which the CFO becomes aware and which the CFO reasonably believes may compromise the reputation or performance of the Company;
- (f) maintain transparency in the preparation and delivery of financial information to both internal and external users;
- (g) exercise diligence, skill and good faith in the preparation of financial information and ensure that such information is accurate, timely and represents a true and fair view of the financial performance and condition of the Company and complies with all relevant legislative requirements;
- (h) ensure that maintenance of a sound system of internal controls to safeguard the Company's assets and to manage risk exposure through appropriate forms of risk control;
- (i) set a standard of honesty, fairness, integrity, diligence and competency in respect of the position of CFO; and
- (j) observe, develop and implement the principles of this Charter in a conscientious, consistent and rigorous manner.

## 6. Independence of directors

There is a range of possible standards for determining independence depending on the circumstances – few of these tests have the force of law. Whilst not exhaustive, the standards set out below are the most important 'guidelines' and reflect the fact that Australian practice is tending towards soft rules for determining independence as opposed to hard and fast 'set and forget' rules.

The Board is free to adopt whatever standard of independence it considers appropriate. However, the Company is required to report (in its annual report) the extent of non-conformity with each of the standards of independence listed in Box 2.1 of the ASX Corporate Governance Council Best Practice Recommendations, if it is the case, and explain why it has adopted a different test. At minimum, in order for a director to be considered to be independent by the Board he or she must have no direct or indirect material relationship with the Board within the meaning of National Policy 58-201 – Corporate Governance Guidelines adopted by the Canadian Securities Administrators.

New standards of independence are emerging in Australia and overseas that will impact on the perception of who can be characterised as an independent non-executive director. The issue of 'independence' is fluid and emerging relatively quickly. The following questions have been adopted by the Company to assist in defining independence. However, the Company is not proposing to adopt hard and fast 'set and forget' rules.

### 6.1 Independence standard

At the time of a director's appointment the Board will consider independence having regard to the answers to the following questions and resolve whether to consider the relevant director independent.

- (a) Is the director a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company?

A significant shareholder is generally able to exercise a significant number of votes at the election of the Board. In practical terms the definition in the Guidelines is based on a Corporations Act definition of **substantial shareholding** (that test is only 5%, well short of any kind of control). A better test might be the ability to exercise de facto control over the election of the Board. The existing test might be inappropriate in many circumstances and, literally applied, this could cause unintended results that are counter to the underlying principles of good governance (eg a shareholder associated with an otherwise passive institutional shareholder should not necessarily be regarded as nonindependent). One remedy would be to substitute the substantial shareholder test with a test for de facto control. However, determining de facto control is not a straightforward issue.

- (b) Has the director, within the last three years been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment?

- (c) Within the last three years has the director been:

- (i) a principal of a material professional adviser;
- (ii) a material consultant to the Company or another group member; or
- (iii) an employee materially associated with the service provided by such adviser or consultant to the Company?

- (d) Is the director a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer?

(e) Does the director have a material contractual relationship with the Company or another group member other than as a director of the Company?

(f) Has the director served on the Board for a period that could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company?

(g) Is the director free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company?

### Materiality

Materiality remains a major issue for the Board to assess when determining independence. The Board will from time to time determine relevant materiality thresholds for the purposes of independence. The general standard for materiality<sup>1</sup> is, in the case of service providers or similar, that the fees to the firm 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 this area and the relevant director does not receive any remuneration directly related to the Company's use of the firm ie 'finder fees' etc.

### 6.2 Disclosure of independence

Each independent director of the Company must regularly provide the Board all information regarding his or her interests that is relevant to his or her independence having regard to the standard discussed in section 6.1.

### 6.3 Annual report disclosure

The Board must ensure that each annual report discloses:

- (a) in the corporate governance section, the names of directors who are considered by the Board to be independent;
- (b) the Board's reasons for considering a director to be independent;
- (c) the Board's reasons for considering a director to be independent despite the existence of the relationships set out in section 6.1;
- (d) any materiality thresholds that apply to the relationships set out in section 6.1;
- (e) in the corporate governance section, the period of office of each director. The Company will, where appropriate include appropriate statements regarding independence in the annual report, such as:

*[#] is a consultant to the firm [#]. [#] provides occasional advice to the firm in respect of a range of the company's activities in [#]. Fees paid to [#] last year by the Company were less than \$[#]. The Company has been advised that this is less than 5% of the total fees of [#]. [#] does not directly or indirectly provide any [#] advice to the Company or any material owners or managers of the Company.*

*Having regard to the matters set out above, the Board believes [#] is independent in character and judgement and the existing relationship between [#] and the Company is not material enough in quantum or nature to affect, #or appear to affect, [#]'s judgment or his/her ability to act as an independent non-executive director of the Company.*

### 7. Conflicts of interest

As a general principle each director must bring an enquiring, open and independent mind to Board meetings, listen to the debate on each issue raised, consider the arguments for and against each motion and reach a decision that he or she believes to be in the best interests of the Company as a whole free of any actual or possible conflict of interest and consistent with the Directors' Code of Conduct and the law.

If directors wish to avail themselves of the business judgment rule they will need to be continuously vigilant to identify circumstances of conflicting interests, that is, circumstances where the director may have a material personal interest in the matter before the Board or a committee.

If the Board determines that a director might be in a position where there is a reasonable possibility of conflict between his or her personal or business interests, the interests of any associated person, or his or her duties to any other company, on the one hand, and the interests of the Company or his or her duties to the Company, on the other hand, the Board will require that the director:

- (a) fully and frankly informs the Board about the circumstances giving rise to the conflict; and
- (b) abstains from voting on any motion relating to the matter and absents himself or herself from all Board deliberations relating to the matter including receipt of Board papers bearing on the matter.

If the Board resolves to permit a director to have any involvement in a matter involving possible circumstances of conflicting interests the Board must minute full details of the basis of the determination and the nature of the conflict including a formal resolution concerning the matter.

If a director believes that he or she may have a conflict of interest or duty in relation to a particular matter, the director should immediately consult with the chairman.

The company secretary will maintain a register of all possible conflict of interest situations that are disclosed to the Board.

### 8. Meetings

<sup>1</sup> Materiality is not defined in any of the Guidelines, consistent with general principles of materiality and having regard to the matter we believe 5% is a useful point for assessing the level of disclosure etc

An agenda will be prepared for each Board and committee meeting. The Board meeting will follow a format developed by the CEO and approved by the chairman. Each meeting should allow for informal discussions between Board members. Directors should ordinarily receive an agenda and any related material to be considered at a Board meeting not later than five days prior to the relevant meeting.

The chairman of the meeting should ensure the availability and, if necessary, the attendance at the relevant meeting, of any member of executive management responsible for a matter included as an agenda item at the relevant meeting.

The CEO and CFO will have standing invitations to attend each Board meeting.

The non-executive directors should arrange to meet at least once in each financial year to conduct a non-executive discussion of Board and management issues. These meetings are to be used to provide feedback about Board processes, including the adequacy and timeliness of information being provided to the Board. At times these meetings may focus on substantive issues that some Board members wish to discuss with management present. These meetings may also discuss areas where the performance of independent directors could be strengthened.

Any issues arising from these meetings that bear on the relationship between the Board and management will be communicated quickly and directly to the CEO by the chairman or other delegated person.

### **8.1 Consent Resolutions**

Urgent matters that cannot wait until the next Board meeting can be dealt with by consent resolution. Consent resolutions should, where possible, be approved by the chairman before being circulated and should normally be preceded by a telephone meeting, if practical.

Consent resolutions must be signed by all directors approving the action and will be entered in the Board minute book. If all directors approving the action do not sign the resolution, the item is deferred to the next Board meeting.

## **9. Board committees**

The directors may delegate their powers regarding financial matters to the Audit Committee. This charter relies on those delegation powers as authority for the rest of the Board to rely reasonably on information or advice provided to the Board by its various committees, to assist the Board in the discharge of its responsibilities (either in whole, or in conjunction with the Board). The Board has established the following committees:

- (a) Audit and Risk Committee;
- (b) Remuneration and Nomination Committee.

These committees are designed to consider specific matters and make recommendations to the Board. However, it is not intended that these committees restrict the ability of the Board to make an independent assessment of the recommendations, having regard to the Board's knowledge of the Company and the complexity of the structures and operations of the Company. The Board will consider the materials and recommendations presented to them and bring their own mind to bear on the issue using the skill and judgment they possess.

The Board will consider and approve the charters of the various committees.

The Board will receive copies of committee papers/minutes/agendas in respect of each committee and all non-executive directors may attend meetings of committees of which they are not members.

## **10. The Board and executive management**

Any director may communicate directly with employees of the Company but such communications are to be made having regard to the efficient operation of the Company and the need to preserve and maintain an effective chain of command and the confidentiality of the Board's deliberations.

Where individual directors wish to communicate with executive management or with other employees or representatives of the Company in relation to company business, all communications must be facilitated by the chairman.

## **11. Independent advice**

A director of the Company is entitled to seek independent professional advice (including but not limited to legal, accounting and financial advice) at the Company's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures and subject to the conditions set out below:

- (a) a director must seek the prior approval of the chairman;
- (b) in seeking the prior approval of the chairman, the director must provide the chairman with details of:
  - (i) the nature of the independent professional advice;
  - (ii) the likely cost of seeking the independent professional advice; and
  - (iii) details of the independent adviser he or she proposes to instruct.
- (c) the chairman may prescribe a reasonable limit on the amount that the Company will contribute towards the cost of obtaining such advice;
- (d) all documentation containing or seeking independent professional advice must clearly state that the advice is sought both in relation to the Company and to the director in his or her personal capacity. However, the right to advice does not extend to advice concerning matters of a personal or private nature, including for example, matters relating to the director's contract of employment with the Company (in the case of an executive director) or any dispute between the director and the Company;

(e) the chairman may determine that any advice received by an individual director will be circulated to the remainder of the Board.

## **12. Remuneration**

The level of non-executive director remuneration will be set by the Remuneration and Nomination Committee so as to attract the best candidates for the Board while maintaining a level commensurate with Boards of similar size and type.

In line with the Company's desire to maintain director independence, each director is permitted to deal in personal securities of the Company in accordance with the Securities Trading Policy.

## **13. Board performance**

The Board believes that regular assessment of the Board's effectiveness and the contribution of individual directors is essential to improve governance.

At least once in each financial year, there must be a performance evaluation and review:

- (a) of the Board to compare the performance of the Board with respect to the requirements of this Charter and current best practice principles of corporate governance;
- (b) of individual directors' contribution to the Board;
- (c) of the Board's committees; and
- (d) of the goals and objectives of the Board including establishing those for the upcoming year.

The focus of the evaluation will be on how performance can be made more meaningful in setting and achieving goals that add value. The results will be internal to the Board, but disclosure will be made in the annual report and the Company's website that such evaluations are undertaken.

The Board will determine the manner and form of the performance evaluation.

## **14. Access to Board charter**

This Charter will be available, upon request, to each director of the Company, the senior management group and internal and external auditors. This Charter will be available to other interested parties upon request, and upon the approval of the chairman.

## **15. Review of Board charter**

The Board will, at least once in each financial year, review this Charter, and the charter of each of the committees, and make any amendments it determines are necessary or desirable.

The Board

OceanaGold Corporation

April, 8th 2008

## OCEANAGOLD CORPORATION

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### Stock Exchanges

#### Canada

Toronto Stock Exchange  
3<sup>rd</sup> Floor, 130 King Street W.  
Toronto, Ontario M5X 1J2  
Canada

Ticker symbol: OGC

#### Australia

Australian Stock Exchange Limited  
Level 4, North Tower, Rialto  
525 Collins Street, Melbourne  
Victoria, 3000  
Australia

Ticker symbol: OGC

#### New Zealand

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[www.oceanagold.com](http://www.oceanagold.com)





## **FINANCIAL AND GOVERNANCE STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**



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**SECTION A**

**FINANCIAL REPORT**

**DECEMBER 31, 2012**

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

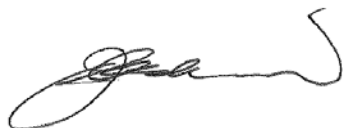
## Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of OceanaGold Corporation were prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") which are incorporated in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgements and estimates and the choice of accounting principles and methods that are appropriate to the circumstances of OceanaGold Corporation and the entities it controls ("the Group"). The significant accounting policies of the Group are summarised in note 2 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfils its financial reporting responsibilities. An Audit and Financial Risk Management Committee assists the Board of Directors in fulfilling this responsibility. The members of the Audit and Financial Risk Management Committee are not officers of the Group. The Audit and Financial Risk Management Committee meets with management to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit and Financial Risk Management Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Group's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.



James E. Askew  
Director  
Melbourne, Australia  
February 14, 2013



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



## **To the Shareholders of OceanaGold Corporation**

We have audited the accompanying consolidated financial statements of OceanaGold and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011 and the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

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

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

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

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of OceanaGold Corporation and its subsidiaries as at December 31, 2012 and December 31, 2011 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

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

PricewaterhouseCoopers  
Chartered Accountants

February 14, 2013  
Melbourne

**PricewaterhouseCoopers, ABN 52 780 433 757**

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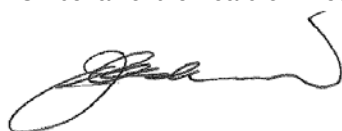
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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

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

On behalf of the Board of Directors:



James E. Askew  
Director  
February 14, 2013



J. Denham Shale  
Director  
February 14, 2013

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

| <i>(in United States dollars)</i>          | <i>Share Capital<br/>\$'000</i> | <i>Contributed Surplus<br/>\$'000</i> | <i>Other Reserves<br/>\$'000</i> | <i>Accumulated Losses<br/>\$'000</i> | <i>Total Equity<br/>\$'000</i> |
|--------------------------------------------|---------------------------------|---------------------------------------|----------------------------------|--------------------------------------|--------------------------------|
| <b>Balance at January 1, 2012</b>          | <b>543 988</b>                  | <b>36 951</b>                         | <b>14 027</b>                    | <b>(116 726)</b>                     | <b>478 240</b>                 |
| Comprehensive income/(loss) for the period | -                               | -                                     | 17 280                           | 20 672                               | 37 952                         |
| Employee share options:                    |                                 |                                       |                                  |                                      |                                |
| Share based payments                       | -                               | 2 935                                 | -                                | -                                    | 2 935                          |
| Forfeiture of options                      | -                               | (277)                                 | -                                | -                                    | (277)                          |
| Exercise of options                        | 1 860                           | (1 191)                               | -                                | -                                    | 669                            |
| Issue of shares (net of costs)             | 90 341                          | -                                     | -                                | -                                    | 90 341                         |
| <b>Balance at December 31, 2012</b>        | <b>636 189</b>                  | <b>38 418</b>                         | <b>31 307</b>                    | <b>(96 054)</b>                      | <b>609 860</b>                 |
| <b>Balance at January 1, 2011</b>          | <b>543 474</b>                  | <b>33 677</b>                         | <b>16 883</b>                    | <b>(160 893)</b>                     | <b>433 141</b>                 |
| Comprehensive income/(loss) for the period | -                               | -                                     | (2 856)                          | 44 167                               | 41 311                         |
| Employee share options:                    |                                 |                                       |                                  |                                      |                                |
| Share based payments                       | -                               | 4 426                                 | -                                | -                                    | 4 426                          |
| Forfeiture of options                      | -                               | (709)                                 | -                                | -                                    | (709)                          |
| Exercise of options                        | 642                             | (443)                                 | -                                | -                                    | 199                            |
| Issue of shares (net of costs)             | (128)                           | -                                     | -                                | -                                    | (128)                          |
| <b>Balance at December 31, 2011</b>        | <b>543 988</b>                  | <b>36 951</b>                         | <b>14 027</b>                    | <b>(116 726)</b>                     | <b>478 240</b>                 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31

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

Non-Cash Investing and Financing Activities – refer Note 26

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

**1 BASIS OF PREPARATION**

OceanaGold Corporation ("OceanaGold") ("The Company") is a company domiciled in Canada. It is listed on the Toronto Stock Exchange, the Australian Stock Exchange and the New Zealand Stock Exchange. The registered address of the Company is c/o Fasken Martineau DuMoulin LLP, 2900-550 Burrard Street, Vancouver, British Columbia V6C 0A3, Canada.

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

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

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

**2 SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

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

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

***Interests in jointly controlled operations***

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

***Interests in jointly controlled assets***

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

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

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

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

**Existing accounting policies*****Foreign currency translation***

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

**(i) Functional and presentation currency**

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

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

**(ii) Transactions and balances**

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

***Estimates***

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

Actual results may differ from those estimates. Changes in estimates are recognized in the period in which the changes occur to the extent that they are not errors. Critical estimates and judgements are set out in note 3.

***Cash and cash equivalents***

Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short-term deposits that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

***Trade and other receivables***

Trade and other receivables are initially recorded at the amount of contracted sales proceeds, and then subsequently carried at amortized cost less a provision for impairment.

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

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

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

***Gold in Circuit***

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

***Stores***

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

***Property, plant and equipment***

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

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

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

Depreciation rates used are as follows:

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

The asset's residual values, useful lives and amortization methods are reviewed and adjusted if appropriate, at each financial year end.

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

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

***Exploration, evaluation and development expenditure******Exploration and Evaluation Expenditure***

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

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

Accumulated costs in relation to an abandoned area are expensed in profit or loss in the period in which the decision to abandon the area is made.

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

***Mining Properties in Production***

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

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

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

*Impairment of non-financial assets*

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

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

*Provisions*

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

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

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

*Asset Retirement and Environmental Rehabilitation*

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

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

*Trade and other payables*

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

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

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

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

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

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

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

***Convertible notes***

For convertible notes, the component of the convertible note that exhibits characteristics of a liability is recognized at fair value as a liability in the statement of financial position, net of transaction costs.

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

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

Interest on the liability component of the convertible note is recognized as an expense in the statement of income.

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

***Employee benefits******Wages, Salaries and Annual Leave***

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

***Defined Contribution Pension Funds***

Contributions to defined contribution funds are recognized as an expense in the statement of income as they become payable.

***Share based compensation***

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

During the year there were three plans in place to provide these benefits:

- (i) The Executive Share Options Plan ("ESOP"), which provides benefits to the directors and senior executives.

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

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

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

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

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

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

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

**Leases**

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

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

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

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

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

***Derivative financial instruments and hedge accounting***

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

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

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

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

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

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

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in Accumulated Other Comprehensive Income at that time would remain in Other Comprehensive Income and is recognized when the committed or forecast production is ultimately recognized in the income statement. However, if the committed or forecast production is no longer expected to occur, the cumulative gain or loss reported in Other Comprehensive Income is immediately transferred to the statement of income.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

The net gains and losses that relate to contracts not designated for hedge accounting purposes are recognized in the income statement.

**Revenue**

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

*Bullion Sales*

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

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

*Interest Income*

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

**Borrowing costs**

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

**Income tax**

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

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

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

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

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

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

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

**Earnings per share**

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

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)*****Deferred stripping***

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

***Sales taxes***

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

Receivables and payables are stated inclusive of the amount of sales tax receivable or payable. The net amount of sales tax recoverable from or payable to, the relevant taxation authority is included with other receivables or payables in the statement of financial position.

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

***Consolidation***

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

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

***Segment reporting***

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

***Contributed equity***

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

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

***Dividends***

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

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

The following accounting policies are effective for future periods:

**IFRS 9 – Financial instruments - classification and measurement**

This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two Measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. This standard is effective for years beginning on/after January 1, 2015. The Group has not assessed the impact of this new standard.

**IFRS 9 – Financial instruments – classification and measurement**

This standard has been updated to include guidance on financial liabilities and de-recognition of financial instruments. This standard is effective for years beginning on/after January 1, 2015. The Group has not assessed the impact of this new standard.

**IAS 1 – Presentation of items of other comprehensive income (“OCI”)**

Change to the disclosure in OCI, including a requirement to separate items presented into two groups based on whether or not they may be recycled to profit or loss in the future. This standard is effective for years beginning on/after July 1, 2012.

**IAS 19 – Employee benefits**

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

**IFRS 13 – Fair value measurement and disclosure requirements**

Provides a single source of guidance on how to measure fair value and enhances disclosure requirements for fair value measurements. This standard is effective for years beginning on/after January 1, 2013. Not expected to have a material effect on the Group.

New standards addressing scope of reporting entity

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

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

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

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

**IFRS 7 - “Financial instruments” – disclosures**

This standard has been amended to enhance disclosure requirements relating to offsetting of financial assets and financial liabilities. This standard is effective for annual periods beginning on/after January 1, 2013. Not expected to affect the accounting of offsetting arrangements or have a material effect on the Group.

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

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

**3 CRITICAL ESTIMATES AND JUDGEMENTS**

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

*(i) Mining assets*

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

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

*Exploration and evaluation expenditure*

Exploration and evaluation expenditure is capitalized if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. These assets are allocated based on the geographical location of the asset. To the extent that capitalized exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

*(ii) Net realizable value of inventories*

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

*(iii) Asset retirement obligations*

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

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

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

*(iv) Determination of ore reserves and resources*

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

**3 CRITICAL ESTIMATES AND JUDGEMENTS (continued)**

(v) *Taxation*

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

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

**4 COST OF SALES BY NATURE OF EXPENSES**

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

## 5 INCOME TAX

Major components of income tax expense:

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

### Numerical reconciliation between aggregate tax expense recognized in the statement of operations and the tax expense calculated per the statutory income tax rate

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

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

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

### Deferred income tax

Deferred income tax at December 31 relates to the following:

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

Due to uncertainty in utilization of tax losses in the foreseeable future, a deferred tax asset has not been recognized in respect of tax losses in the Group and its Australian and Philippines subsidiaries, amounting to \$59.4 m (2011: \$39.9m). The ability to use tax losses is subject to generating taxable income in future periods and complying with the tax legislation requirements prevailing at the time of utilization. During the year, tax losses of nil (2011: \$2.5m) were utilized which were not previously recognized as a deferred tax asset.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

## 6 EARNINGS PER SHARE

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

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

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

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

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

## 7 TRADE AND OTHER RECEIVABLES

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

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

## 8 DERIVATIVES AND OTHER FINANCIAL ASSETS

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

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

## 9 INVENTORIES

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

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

## 10 PROPERTY, PLANT AND EQUIPMENT

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

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

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

### *Borrowing costs*

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2012**

**11 MINING ASSETS**

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

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

**Borrowing costs**

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

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

## 12 ASSET RETIREMENT OBLIGATIONS

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

### Rehabilitation

A provision for rehabilitation is recorded in relation to the gold mining operations for the rehabilitation of the disturbed mining area to a state acceptable to various regulatory authorities. While rehabilitation is ongoing, final rehabilitation of the disturbed mining area is not expected until the cessation of mining for Macraes, Reefton and Didipio.

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

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

Asset retirement obligations are initially recorded as a liability at present value of estimated future costs, assuming a risk free discount rate of 3.86% to 5% (2011: 5.64%). The liability for retirement and remediation on an undiscounted basis is estimated to be approximately \$39.9m (2011: \$26.3m).

## 13 DERIVATIVES AND OTHER FINANCIAL LIABILITIES

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

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

## 14 INTEREST-BEARING LOANS AND BORROWINGS

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

**1. Capital Leases**

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

**2. 5.75% Convertible notes (Unsecured)**

These convertible notes matured and were repaid in December 2012.

**3. 7.00% Convertible notes (Unsecured)**

The notes bear interest at 7.00% per annum, payable semi-annually in arrears and have a face value of A\$70 million. Interest accrued in respect of the notes for the first two years is not payable but is instead capitalized into the redemption value of the notes. The notes are due for redemption in 2013 at a value equal to the sum of their principal amount plus the capitalized interest amount, unless converted to common shares prior to this date at the option of the note holder. The number of shares to be delivered upon conversion shall be determined by dividing the principal amount of the note by the conversion price. The conversion price is A\$3.8401 (subject to adjustment for certain specified events). Of the A\$67.4 million (US\$52.9 million) net proceeds of the issue A\$59.2 million (US\$46.5 million) was allocated to interest bearing liabilities and A\$8.2 million (US\$6.4 million) was allocated to equity.

On March 22, 2007 an additional A\$30 million (US\$24.2 million) in convertible notes was issued under the same terms and conditions as the 7% convertible notes. The conversion price is A\$4.0327 (subject to adjustment for certain specified events) and the notes are due for redemption in 2013. Of the A\$28.8 million (US\$23.2 million) net proceeds of the issue A\$24.9 million (US\$20.1 million) was allocated to interest bearing liabilities and A\$3.9 million (US\$3.1 million) was allocated to equity.

**4. US\$ banking facilities**

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

**5. Other capital facilities**

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

### Assets Pledged

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

## 15 SHARE CAPITAL

### Movement in common shares on issue

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

Common shares holders have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Common shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

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

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

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

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

During 2012, the Company also had an employee share purchase plan whereby certain employees were able to direct up to 10% of their gross salary to acquire shares, with the Company matching the employee contribution on a dollar for dollar basis. Plan shares were acquired at market price and held in trust. While the Trustee holds the shares, the employees are entitled to full dividend and voting rights on the shares beneficially held on their behalf. This share purchase plan was terminated in accordance with the rules of the plan on 31 December 2012. (Refer to note 19).

## 16 CONTRIBUTED SURPLUS MOVEMENT

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

## 17 OTHER RESERVES

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

1. *Foreign currency translation reserve*

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

2. *Available-for-sale equity reserve*

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

## 18 SEGMENT INFORMATION

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2012**

**18 SEGMENT INFORMATION (continued)**

|                                                                                    | New Zealand<br>\$'000 | Philippines<br>\$'000 | Corporate<br>\$'000 | Elimination<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------------------------------------------|-----------------------|-----------------------|---------------------|-----------------------|-----------------|
| <b>Year Ended December 31, 2011</b>                                                |                       |                       |                     |                       |                 |
| <b>Revenue</b>                                                                     |                       |                       |                     |                       |                 |
| Sales to external customers                                                        | 395 609               | -                     | -                   | -                     | 395 609         |
| Inter segment management and gold handling fees                                    | -                     | -                     | 7 626               | (7 626)               | -               |
| Total segment revenue                                                              | <u>395 609</u>        | <u>-</u>              | <u>7 626</u>        | <u>(7 626)</u>        | <u>395 609</u>  |
| <b>Result</b>                                                                      |                       |                       |                     |                       |                 |
| Segment result excluding unrealized hedge losses and depreciation and amortization | 176 385               | (201)                 | (12 261)            | -                     | 163 923         |
| Depreciation and amortization                                                      | (85 699)              | (94)                  | (29)                | -                     | (85 822)        |
| Inter segment management and gold handling fees                                    | (7 626)               | -                     | 7 626               | -                     | -               |
| Gain/(loss) on fair value of derivative instruments                                | -                     | -                     | -                   | -                     | -               |
| Total segment result before interest and tax                                       | <u>83 060</u>         | <u>(295)</u>          | <u>(4 664)</u>      | <u>-</u>              | <u>78 101</u>   |
| Net interest expense                                                               |                       |                       |                     |                       | (12 909)        |
| Income tax benefit/(expense)                                                       |                       |                       |                     |                       | <u>(21 025)</u> |
| Net profit/(loss) for the year                                                     |                       |                       |                     |                       | <u>44 167</u>   |
| <b>Assets</b>                                                                      |                       |                       |                     |                       |                 |
| Additions to property, plant, equipment and mining assets                          | 117 885               | 70 994                | 265                 | -                     | 189 144         |
| Total segment assets                                                               | <u>544 763</u>        | <u>205 988</u>        | <u>66 884</u>       | <u>-</u>              | <u>817 635</u>  |

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

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

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

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

**(i) Stock option movements**

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

WAEP = weighted average exercise price

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

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

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

Historical volatility has been used for the purposes. Expected volatility is based on the historical share price volatility using three years of traded share price data. As a result it reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the outcome.

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

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

The share options on issue at the end of the financial period had an exercise price of between A\$0.00 and A\$3.94 and a weighted average remaining life of 4.66 years.

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

## 19 STOCK-BASED COMPENSATION (continued)

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

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

### (b) Performance Share Rights Plan

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

#### (i) Performance share rights plan movements

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

WAEP = weighted average exercise price

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

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

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

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

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

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

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

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

**19 STOCK-BASED COMPENSATION (continued)**

**(c) Employee share acquisition plan**

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

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

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

Details of the employee share plan for the Group are as follows:

|             | Opening<br>Shares Held<br>by Trustee | Shares Acquired by the<br>Trustee During the Year |                         | Shares Transferred<br>from the Trustee During<br>the Year |                         | Forfeited<br>Shares sold<br>by Trustee | Closing Shares<br>Held by the Trustee |                         |
|-------------|--------------------------------------|---------------------------------------------------|-------------------------|-----------------------------------------------------------|-------------------------|----------------------------------------|---------------------------------------|-------------------------|
|             | Number                               | Number <sup>1</sup>                               | Fair Value <sup>2</sup> | Number <sup>3</sup>                                       | Fair Value <sup>4</sup> | Number <sup>3</sup>                    | Number                                | Fair Value <sup>5</sup> |
| <b>2011</b> | 199,992                              | 21,827                                            | A\$53,098               | 22,495                                                    | A\$54,818               | -                                      | 199,324                               | A\$416,587              |
| <b>2012</b> | 199,324                              | 73 587                                            | A\$210,247              | 257,583                                                   | A\$833,303              | -                                      | 15,328                                | A\$42,305               |

Notes:

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

## 20 EMPLOYEE BENEFITS

### (a) Leave entitlements liability

|  | <i>December 31</i><br><i>2012</i><br>\$'000 | <i>December 31</i><br><i>2011</i><br>\$'000 |
|--|---------------------------------------------|---------------------------------------------|
|--|---------------------------------------------|---------------------------------------------|

Aggregate employee benefit liability is comprised of:

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

### Employee Benefits Provision - Current

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

### Employee Benefits Provision - Non-Current

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

### (b) Defined Contribution Plans

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

## 21 FINANCIAL INSTRUMENTS

### Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

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

### Financial Risk Management Objectives and Policies

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

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

### Credit Risk

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

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

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

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

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

All financial assets were not deemed overdue or impaired.

### Liquidity risk

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

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

The Group's funding liquidity risk policy is to source debt or equity funding appropriate to the use of funds. Examples include equipment leases to finance the mining fleet and the US\$ term and revolving credit facilities to repay the convertible notes, finance the development of new mines and provide for general working capital needs.

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

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

## 21 FINANCIAL INSTRUMENTS (continued)

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

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

### Market risk

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

### Commodity price risk and foreign exchange risk

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

Foreign exchange risk is managed by holding cash and cash equivalents in different currencies in line with the anticipated requirements of the business and achieving the diversified holding mainly through selling gold in the currencies needed. In addition to this, mandatory forward rate agreements have been entered into to eliminate foreign exchange risk for the A\$ convertible notes repayment which are being financed by the US\$ banking facilities.

### Sensitivity analysis

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

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

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

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

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

*Sensitivity analysis*

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

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

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

*Fair value sensitivity analysis for fixed rate instruments*

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

*Cash flow sensitivity analysis for variable rate instruments*

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

## 21 FINANCIAL INSTRUMENTS (continued)

December 31, 2012

|                              | Interest rate risk |               |              |               |              | Foreign exchange risk |                |                |              |
|------------------------------|--------------------|---------------|--------------|---------------|--------------|-----------------------|----------------|----------------|--------------|
|                              | -100 bps           |               | +100 bps     |               |              | -10%                  |                | +10%           |              |
|                              | Carrying amount    | Profit/(Loss) | Other equity | Profit/(Loss) | Other equity | Profit/(Loss)         | Other equity   | Profit/(Loss)  | Other equity |
|                              | \$'000             | \$'000        | \$'000       | \$'000        | \$'000       | \$'000                | \$'000         | \$'000         | \$'000       |
| <b>Financial assets</b>      |                    |               |              |               |              |                       |                |                |              |
| Cash and cash equivalents    | 96 502             | (965)         | -            | 965           | -            | 5 851                 | -              | (5 851)        | -            |
| Other assets                 | 33 170             | -             | -            | -             | -            | -                     | -              | -              | -            |
| <b>Financial Liabilities</b> |                    |               |              |               |              |                       |                |                |              |
| Capital leases               | 54 001             | 162           | -            | (162)         | -            | -                     | (2 700)        | -              | 2 700        |
| Other liabilities            | 277 285            | 6             | -            | (6)           | -            | -                     | -              | -              | -            |
| <b>Total</b>                 | <b>460 958</b>     | <b>(797)</b>  | <b>-</b>     | <b>797</b>    | <b>-</b>     | <b>5 851</b>          | <b>(2 700)</b> | <b>(5 851)</b> | <b>2 700</b> |

December 31, 2011

|                              | Interest rate risk |                |              |               |              | Foreign exchange risk |                |                |              |
|------------------------------|--------------------|----------------|--------------|---------------|--------------|-----------------------|----------------|----------------|--------------|
|                              | -100 bps           |                | +100 bps     |               |              | -10%                  |                | +10%           |              |
|                              | Carrying amount    | Profit/(Loss)  | Other equity | Profit/(Loss) | Other equity | Profit/(Loss)         | Other equity   | Profit/(Loss)  | Other equity |
|                              | \$'000             | \$'000         | \$'000       | \$'000        | \$'000       | \$'000                | \$'000         | \$'000         | \$'000       |
| <b>Financial assets</b>      |                    |                |              |               |              |                       |                |                |              |
| Cash and cash equivalents    | 169 989            | (1 700)        | -            | 1 700         | -            | 3 377                 | -              | (3 377)        | -            |
| Other assets                 | 10 080             | -              | -            | -             | -            | -                     | -              | -              | -            |
| <b>Financial Liabilities</b> |                    |                |              |               |              |                       |                |                |              |
| Capital leases               | 61 209             | 123            | -            | (123)         | -            | -                     | (3 060)        | -              | 3 060        |
| Other liabilities            | 212 425            | -              | -            | -             | -            | -                     | -              | -              | -            |
| <b>Total</b>                 | <b>453 703</b>     | <b>(1 577)</b> | <b>-</b>     | <b>1 577</b>  | <b>-</b>     | <b>3 377</b>          | <b>(3 060)</b> | <b>(3 377)</b> | <b>3 060</b> |

## 22 CAPITAL DISCLOSURE

The Group's objective when managing capital is to:

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

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

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

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

\* Interest bearing liabilities

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

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

## 23 FAIR VALUE OF FINANCIAL INSTRUMENTS

### Fair value hierarchy

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

The different levels have been defined as follows:

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

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

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

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

## 24 COMMITMENTS

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

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

Operating leases are used to fund the acquisition of minor items of plant and equipment. No leases have escalation clauses other than in the event of payment default. No lease arrangements create restrictions on other financing transactions.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

## 24 COMMITMENTS (continued)

### (b) Lease commitments under capital leases:

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

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

### (c) Gold Production

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

### (d) Capital commitments

At December 31, 2012, the Group has commitments of \$33.1m (2011: \$40.8m), principally relating to the purchase of property, plant and equipment and the development of mining assets.

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

|                                             | December 31<br>2012<br>\$'000 | December 31<br>2011<br>\$'000 |
|---------------------------------------------|-------------------------------|-------------------------------|
| Within one year:                            |                               |                               |
| - purchase of property, plant and equipment | 20 652                        | 3 333                         |
| - development of mining assets              | 12 484                        | 37 465                        |
|                                             | <u>33 136</u>                 | <u>40 798</u>                 |

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

### (e) Didipio Financial or Technical Assistance Agreement

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

## 25 RELATED PARTIES

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

### (a) Compensation of Key Management

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

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

### (b) Loans to key management personnel

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

### (c) Other transactions with key management personnel

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

## 26 NON CASH INVESTING AND FINANCING ACTIVITIES

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

## 27 CONTINGENCIES

- (a) The Group has issued bonds in favour of various New Zealand authorities (Ministry of Economic Development – Crown Minerals, Otago Regional Council, Waitaki District Council, West Coast Regional Council, Buller District Council, Timberlands West Coast Limited and Department of Conservation) as a condition for the grant of mining and exploration privileges, water rights and/or resource consents, and rights of access for the Macraes Gold Mine and the Globe Progress Mine at the Reef-ton Gold Project which amount to approximately \$31.1 million (2011: \$21.3 million).
- (b) The Group has provided a cash operating bond to the New Zealand Department of Conservation of \$0.4 million (2011: \$0.3 million) which is refundable at the end of the Globe Progress mine. This amount is included in the total referred to in (a) above.
- (c) In the course of normal operations the Group may receive from time to time claims for damages including workers compensation claims, motor vehicle accidents or other items of similar nature. The Group maintains specific insurance policies to transfer the risk of such claims. No provision is included in the accounts unless the Directors believe that a liability has been crystallised. In those circumstances where such claims are of material effect, have merit and are not covered by insurance, their financial effect is provided for within the financial statements.
- (d) The Group has provided a guarantee in respect of a capital lease agreement for certain mobile mining equipment entered into by a controlled entity. At December 31, 2012 the outstanding rental obligations under the capital lease are \$54.0 million (2011: \$61.2 million). Associated with this guarantee are certain financial compliance undertakings by the Group, including gearing covenants.
- (e) The Group has provided guarantees in respect of the US\$225 million banking facilities (note 14). At December 31, 2012 the total outstanding balance under these facilities is US\$100.1 million (December 31, 2011: nil). Associated with this guarantee are certain financial compliance undertakings by the Group, including gearing covenants.

**28 EVENTS OCCURRING AFTER THE REPORTING PERIOD**

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

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

**SECTION B**

**MANAGEMENT DISCUSSION & ANALYSIS**

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

This Management Discussion & Analysis contains "forward-looking statements and 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 realisation 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 and drilling programs, timing of filing of updated technical information, anticipated production amounts, 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 and information 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 and information 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, the Philippines Peso 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" contained in the Company's Annual Information Form in respect of its fiscal year-ended December 31, 2011, which is available on SEDAR at [www.sedar.com](http://www.sedar.com) under the Company's name. 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 and information, there may be other factors that cause actual results, performance, achievements or events to differ from those anticipated, estimated or intended. Also, many of the factors are outside or beyond the control of the Company, its officers, employees, agents or associates. Forward-looking statements and information contained herein are made as of the date of this Management Discussion & Analysis and, subject to applicable securities laws, the Company disclaims any obligation to update any forward-looking statements and information, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements and information 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 and information due to the inherent uncertainty therein. All forward-looking statements and information made herein are qualified by this cautionary statement. This Management Discussion & Analysis may use the terms "Measured", "Indicated" and "Inferred" Resources. U.S. investors are advised that while such terms are recognised and required by Canadian regulations, the Securities and Exchange Commission does not recognise them. "Inferred Resources" have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Resources will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Resources may not form the basis of feasibility or other economic studies. U.S. investors are cautioned not to assume that all or any part of Measured or Indicated Resources will ever be converted into reserves. U.S. investors are also cautioned not to assume that all or any part of an Inferred Resource exists, or is economically or legally mineable. This document does not constitute an offer of securities for sale in the United States or to any person that is, or is acting for the account or benefit of, any U.S. person (as defined in Regulation S under the United States Securities Act of 1933, as amended (the "Securities Act")) ("U.S. Person"), or in any other jurisdiction in which such an offer would be unlawful.

*Technical Disclosure*

Dr Michael Roache, (PhD) - Head of Exploration, Mr Jonathan Moore - Group Mine Geology Manager, and Mr Knowell Madambi - Technical Services Manager all of OceanaGold, are responsible for the technical disclosure in this document, and are Qualified Persons under the Canadian Securities Administrators' National Instrument 43-101 – Standards of Disclosure of Mineral Projects ("NI 43-101"). Dr Roache is a member of both the AusIMM and Australasian Institute of Geoscientists while Messrs. Moore and Madambi are both members and Chartered Professionals with the AusIMM. Dr Roache, Messrs Moore and Madambi have sufficient experience, which is relevant to the style of mineralisation and type of deposits under consideration, and to the activities which they are undertaking, to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Soil samples, and drill samples collected at 1 metre intervals or less, from both reverse circulation chips and sawn diamond core, were prepared and assayed by fire assay methods at either the SGS facilities at Macraes, Reefton, Westport and Waihi, New Zealand, or the ALS facilities in Brisbane and Townsville, Australia. Philippine soil samples were prepared and assayed at McPhar laboratories in Manila, Philippines. Standard reference materials were inserted to monitor the quality control of assay data. Dr Roache and Messrs. Moore, and Madambi consent to the inclusion in this document of the matters based on their information in the form and context in which the information appears.

For further scientific and technical information (including disclosure regarding mineral resources and mineral reserves) relating to the Reefton Project, the Macraes Project and the Didipio Project please refer to the NI 43-101 compliant technical reports available at [sedar.com](http://sedar.com) under the Company's name.

# Management Discussion and Analysis of Financial Condition and Results of Operations for the Year Ended December 31, 2012

## HIGHLIGHTS

- Gold production in the fourth quarter was up 55% to 76,844 ounces compared to the prior quarter. 2012 production was 232,909 ounces which exceeded the Company's production guidance of 225,000 to 230,000 ounces of gold.
- Cash costs for the fourth quarter were \$638 per ounce on gold sales of 69,761 ounces. 2012 cash costs were \$940 on 230,119 ounces of gold sold.
- Revenue of \$119.0 million for the fourth quarter of 2012 from gold sales of 69,761 ounces at an average price of \$1,706 per ounce and cash costs of \$638 per ounce.
- EBITDA (earnings before interest, taxes, depreciation and amortisation, excluding gain/(loss) on undesignated hedges)\* was \$67.1 million for the fourth quarter versus \$28.6 million in the previous quarter.
- Didipio produced first copper/gold concentrate in December 2012. Commissioning activities continue to progress well with higher than expected throughputs and better recoveries achieved to date.
- At Blackwater, the final hole of the current drill program commenced to test the northern extent of the Birthday Reef.
- Successfully completed a "Bought Deal" equity raising for gross proceeds of C\$93.3 million with use of proceeds to reduce outstanding debt and provide balance sheet and operating flexibility.
- On January 1<sup>st</sup>, Ms. Liang Tang was appointed Company Secretary and Corporate Counsel.

All statistics are compared to the corresponding 2011 period unless otherwise stated.

OceanaGold has adopted USD as its presentation currency and all numbers in this document are expressed in USD unless otherwise stated.

\* EBITDA (earnings before interest, taxes, depreciation and amortisation, excluding gain/(loss) on undesignated hedges) is a non GAAP measure. Refer to page 26 for explanation of non GAAP measures.

## OVERVIEW

### Results from Operations

OceanaGold (the "Company") recorded revenue of \$119.0 million in the fourth quarter of 2012 from sales of 69,761 ounces of gold at a cash cost of \$638 per ounce. Revenue for 2012 was \$385.4 million from sales of 230,119 ounces of gold at cash costs of \$940 per ounce sold.

Gold production for the fourth quarter of 2012 was 76,844 ounces, up 55% from the previous quarter. This increase was attributable to higher grade ore mined and higher plant recoveries at both Macraes and Reefton. The total production for 2012 of 232,909 ounces was slightly higher than the Company's production guidance range of 225,000 to 230,000 ounces. Gold sales for the quarter were 69,761 ounces and 230,119 for the year.

The 2012 average cash costs of \$940 per ounce of gold sold was below the guidance range of \$1,000 to \$1,050 per ounce. Cash costs were higher in 2012 than in the previous year due primarily to fewer ounces of gold sold and a stronger New Zealand dollar.

The average gold price received in the fourth quarter 2012 was \$1,706 per ounce versus \$1,665 per ounce in the third quarter. The cash operating margin achieved in the fourth quarter was \$1,068 per ounce sold compared to \$584 per ounce sold in the previous quarter. The increase was attributable to the significantly lower cash cost per ounce and the slightly higher average price of gold received. The 2012 cash operating margin of \$735 per ounce improved slightly compared to 2011. This increase was attributable to a higher average gold price received partly offset by higher cash operating costs and lower ounces of gold sold in 2012.

Total material mined in 2012 of 61.5 million tonnes decreased by 9% compared to 2011. At Macraes, less ore was mined than in 2011 as a result of mining deeper in the open pit and the resultant longer truck haul times and lower movements in the first half at Frasers Underground due to reduced access to a number of stoping areas early in the year. Additionally, less waste was mined at Macraes, however this was partly offset by more waste mined at Reefton from the Globe Pit.

Mill throughput in 2012 of 7.4 million tonnes was slightly lower than the prior year due to reduced mill throughput at both Macraes and Reefton process plants. This was attributable to extended plant shutdowns at both plants in February for maintenance and plant upgrades. At Reefton, throughput was impacted in August due to adverse weather that caused plant shutdowns to repair power infrastructure. During the same period, a significant rain event at Macraes prevented access to the ore in the bottom of the pit for a period of 10 days, during which time low grade ore was milled.

Mill feed grade in 2012 was 1.20g/t versus 1.25g/t in 2011. The slight decrease was due to the lower volume of ore mined, which was supplemented with low grade stockpiles through the mill. Recovery for the year was lower in 2012 than in 2011 due to lower grade ore processed as a result of having treated a higher proportion of oxide ore at Reefton and to lower floatation recoveries at Macraes.

Cash flow from operations for the fourth quarter was \$60.2 million and \$115.3 million for 2012. The cash balance at the end of the year was \$96.5 million.

### Production & Cost Guidance

In December 2012, the Company reported 2013 total production guidance of 285,000 to 325,000 ounces of gold at cash costs of \$650 to \$800 per ounce net of copper by-product credits at \$3.40/lb copper.

The New Zealand 2013 production guidance range is 235,000 to 255,000 ounces of gold at cash costs of \$880 to \$950 per ounce. The Company expects 2013 production from the Philippines to be between 50,000 to 70,000 ounces of gold and 15,000 to 18,000 tonnes of copper at cash costs of negative \$370 to negative \$50 per ounce sold, net of copper by-product credits at \$3.40/lb copper. The Didipio Project is currently in the commissioning stage. As such, the exact timing of revenue and costs reporting to the income statement is currently unknown but expected to be around early second quarter 2013. The Company will provide a tighter cash cost range at that time.

### Didipio Project

In 2012, the Didipio Project continued to progress well with all major milestones achieved and in December, construction of the Didipio Project was completed on schedule. Early in the fourth quarter, the Company commenced commissioning activities with the crusher circuit crushing rock in October, milling activities commencing in November and first saleable copper-gold concentrate produced in December.

Subsequent to the year end, the Company began trucking saleable copper-gold concentrate to the port. Throughput rates are steadily increasing and have approached 2.5Mtpa rates with recoveries of greater than 80% for gold and 85% for copper already being consistently achieved. Some areas requiring modifications had been identified including the tailings delivery system that was being examined for long-term reliability as the plant ramps up to 3.5Mtpa rate. These works have now been completed and milling has recommenced.

Mining operations began early in 2012. In July, the Company had removed the oxide mineralisation and in August began mining fresh ore. Prior to the start of commissioning activities, the Company had a large ore

stockpile on the ROM pad which is continuing to grow. All operations managers and superintendents had been recruited by the third quarter.

During 2012, the Company continued to invest in infrastructure, education and sustainable development projects in Didipio and neighbouring communities. During the quarter, \$1.4 million was committed towards the development of the Camamasi-Belet-Capisaan-Wangal project, a road project to connect Didipio to the municipalities of Kasibu, Solano and Bambang in Nueva Vizcaya. A number of OceanaGold funded projects were completed in the fourth quarter. These projects included the construction of classrooms and other facilities at elementary and secondary schools in Didipio and neighbouring communities, the improvement of the main road traversing the centre of the Didipio and the repair of a hanging bridge in the Barangay Tucod in Cabarroguis, Quirino. As part of the Company's commitment to President Aquino's National Greening Program, the Company continued to advance its agroforestry program in 2012 with the reforestation of 22 hectares of land in Barangay Debibi. The Company plans to plant trees on an additional 78 hectares of land in Debibi and 200 hectares in Kasibu over the next four years.

On December 3rd, Category 5 super Typhoon Pablo hit the southern Philippine island of Mindanao causing mass devastation throughout the island. OceanaGold provided assistance to the Philippines Natural Disaster response team in support of the Typhoon Pablo relief efforts. This assistance included medicine, water and blankets as well as logistical assistance.

### Exploration

The Company invested \$4.1 million on exploration during the fourth quarter and \$14.9 million for 2012. The majority of the investment was in New Zealand, in particular at the Blackwater Project.

At Reefton, the Company was focused on deep drilling at the historic Blackwater mine and a combination of helicopter assisted diamond drilling and reverse circulation (RC) drilling along strike to the north and south of Blackwater mine.

During 2012, drilling of the Birthday Reef at Blackwater continued to produce favourable results returning gold intercepts of 0.5 metres @ 23.3g/t from 1315.9 metres (hole WA21A); 0.5m @ 15.65g/t from 1632.3 metres (hole WA22C); and 1.0m @ 85.2g/t from 1623.9 metres (hole WA22D). The final deep drill hole (WA25) commenced in the fourth quarter, to test the northern strike extent of the Reef at a depth significantly below the historical workings. The results of this drill are expected to be reported in the first half of 2013.

Exploration of the Globe Progress Pit at Reefton continued in the fourth quarter. Results for nine holes have been received with one hole, RCD0024,

intersecting significant mineralisation of 10 metres @ 3.68g/t from 201 metres.

At the Frasers Underground, the focus of exploration in 2012 was on testing mineralisation along the strike. The results of drilling in 2012 and in the fourth quarter confirmed mineralisation to the north and north-east of current workings. Mineralisation remains open in both directions. The exploration program from the existing exploration drive is now complete and a new exploration drive is planned to commence in the second half of 2013 to enable exploration and resource definition drilling to continue in the down dip areas of Panel 2 in 2014.

In the Philippines, exploration focused on preparation for scout drilling at Mogambos, and D'Beau, review of the San Pedro near-mine prospect, discovery of anomalous gold at the Dilaping prospect and discovery of porphyry-style copper-gold mineralisation at the Cabinwangan prospect. The exploration extension permit covering the FTAA area is expected in the near-term.

**MANAGEMENT DISCUSSION & ANALYSIS**

**For The Year Ended December 31, 2012**

**- Table 1 -  
Key Financial and Operating Statistics**

| <b>Financial Statistics</b>                                                              | <b>Q4<br/>Dec 31 2012</b>            | <b>Q3<br/>Sep 30 2012</b>            | <b>Q4<br/>Dec 31 2011</b>            | <b>Year<br/>2012</b>            | <b>Year<br/>2011</b>            | <b>Year<br/>2010</b>            |
|------------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Gold Sales (ounces)                                                                      | 69,761                               | 54,750                               | 62,515                               | 230,119                         | 249,261                         | 268,087                         |
|                                                                                          | <u><b>USD</b></u>                    | <u><b>USD</b></u>                    | <u><b>USD</b></u>                    | <u><b>USD</b></u>               | <u><b>USD</b></u>               | <u><b>USD</b></u>               |
| Average Price Received (\$ per ounce)                                                    | 1,706                                | 1,665                                | 1,705                                | 1,675                           | 1,587                           | 1,140                           |
| Cash Operating Cost (\$ per ounce)*                                                      | 638*                                 | 1,081*                               | 947**                                | 940*                            | 875                             | 570                             |
| <b>Cash Operating Margin (\$ per ounce)</b>                                              | <b>1,068</b>                         | <b>584</b>                           | <b>758</b>                           | <b>735</b>                      | <b>712</b>                      | <b>570</b>                      |
| Non-Cash Cost (\$ per ounce)                                                             | 398                                  | 406                                  | 349                                  | 401                             | 350                             | 260                             |
| Total Operating Cost (\$ per ounce)                                                      | 1,036                                | 1,487                                | 1,296                                | 1,341                           | 1,225                           | 830                             |
| Total Cash Operating Cost (\$ per tonne processed)                                       | 25.63                                | 31.95                                | 31.13                                | 30.48                           | 28.75                           | 21.57                           |
| <b>Combined Operating Statistics</b>                                                     | <b>Q4<br/>Dec 31 2012</b>            | <b>Q3<br/>Sep 30 2012</b>            | <b>Q4<br/>Dec 31 2011</b>            | <b>Year<br/>2012</b>            | <b>Year<br/>2011</b>            | <b>Year<br/>2010</b>            |
| Gold Produced (ounces)                                                                   | 76,844                               | 49,514                               | 65,750                               | 232,909                         | 252,499                         | 268,602                         |
| Total Ore Mined (tonnes)                                                                 | 2,219,617                            | 1,674,062                            | 2,310,815                            | 6,872,686                       | 8,103,693                       | 7,905,464                       |
| Ore Mined Grade (grams/tonne)                                                            | 1.60                                 | 1.08                                 | 1.26                                 | 1.34                            | 1.21                            | 1.43                            |
| Total Waste Mined (tonnes) incl pre-strip                                                | 14,059,837                           | 12,904,895                           | 14,369,845                           | 54,580,473                      | 59,176,017                      | 57,643,657                      |
| Mill Feed (dry milled tonnes)                                                            | 1,826,880                            | 1,889,121                            | 1,902,368                            | 7,432,375                       | 7,588,354                       | 7,081,488                       |
| Mill Feed Grade (grams/tonne)                                                            | 1.59                                 | 1.01                                 | 1.31                                 | 1.20                            | 1.25                            | 1.45                            |
| Recovery (%)                                                                             | 82.8%                                | 80.7%                                | 82.2%                                | 81.0%                           | 82.9%                           | 81.6%                           |
| <b>Combined Financial Results</b>                                                        | <b>Q4<br/>Dec 31 2012<br/>\$'000</b> | <b>Q3<br/>Sep 30 2012<br/>\$'000</b> | <b>Q4<br/>Dec 31 2011<br/>\$'000</b> | <b>Year<br/>2012<br/>\$'000</b> | <b>Year<br/>2011<br/>\$'000</b> | <b>Year<br/>2010<br/>\$'000</b> |
| <b>EBITDA (excluding gain/(loss) on undesignated hedges)</b>                             | <b>67,100</b>                        | <b>28,614</b>                        | <b>43,662</b>                        | <b>144,632</b>                  | <b>163,923</b>                  | <b>139,515</b>                  |
| Reported EBITDA (including gain/(loss) on undesignated hedges)                           | 68,639                               | 27,578                               | 43,662                               | 145,135                         | 163,923                         | 155,730                         |
| Reported earnings/(loss) after income tax (including gain/(loss) on undesignated hedges) | 24,197                               | (397)                                | 14,336                               | 20,672                          | 44,167                          | 44,435                          |

\* Cash operating costs per ounce has been adjusted in 2012 to reflect the decision to combine the administrative functions of the Melbourne, Dunedin and Makati offices under single management from 1 January 2012. In particular, previously the activities of the Dunedin office, such as finance, legal, regulatory, information technology, technical and supply services were treated as part of mine operating costs. With the commissioning of the Didipio operations in Q4 2012, this change reflects the development of the business into a multi-regional mining company.

\*\* Cash costs per ounce in Q4 2011 before year end inventory adjustment were \$890. Refer to 2011 MD&A February 16, 2012 for further detail.

## PRODUCTION

Gold production for the fourth quarter of 2012 was 76,844 ounces, an increase of 55% versus 49,514 ounces from the previous quarter. This increase was attributable to higher grade ore mined at both Macraes and Reefton and higher recoveries at both plants. The total production for 2012 was 232,909 ounces which exceeded the Company's production guidance range of 225,000 to 230,000 ounces of gold.

Cash operating costs for the fourth quarter of 2012 was \$638 per ounce sold versus \$1,081 per ounce in the third quarter. This decrease was due mainly to increased ounces of gold sold in the fourth quarter. The average gold price received during the fourth quarter was \$1,706 per ounce and the cash operating margin in the quarter was \$1,068 per ounce sold versus \$584 per ounce in the third quarter. The increase was attributable to lower cash operating costs in the fourth quarter, higher ounces of gold sold and higher average price of gold received.

The production guidance for 2013 at Macraes and Reefton mines is 235,000 to 255,000 ounces of gold at cash costs of US\$880 to \$950 per ounce.

## OPERATIONS

### Macraes Goldfield (New Zealand)

The Macraes operations (open-pit and underground) incurred one lost time injury (LTI) during the fourth quarter resulting in seven LTIs for the full year. The majority of these injuries were the result of not following standard operating procedures. The focus in 2013 continues to be on operator re-training and increased safety supervision.

Production from the Macraes Goldfield for the quarter was 58,872 gold ounces, a 60% increase from the previous quarter. This increase was due to higher grade ore mined at the open pit and Frasers Underground resulting in improved mill feed grades and improved gold recoveries. Total production for the 2012 was 169,609 ounces.

Total material mined at Macraes Goldfield was 11.3 million tonnes for the fourth quarter. The 2012 total movement was 41.9 million tonnes versus 51.0 million tonnes in 2011. This decrease was due mainly to less waste mined and less ore from mining deeper in the open pit and the resultant longer truck haulage times. Additionally, inclement weather in August hampered mining activities for a period of 10 days.

At the Frasers Underground, mining took place in Panel 2 throughout the year and at a lower zone called the Deeps. Total ore mined for the quarter was 207,420 tonnes, an increase of 13% on the previous quarter due to improved productivity in the stoping areas. The total ore mined in 2012 was 727,087

tonnes versus 847,020 tonnes in 2011. In the first quarter of 2012, excessive ground movement in Panel 2 reduced access to a number of stoping areas resulting in slightly less ore mined. In the second quarter, a new access was developed and by the second half of 2012, mining of the Frasers Underground returned to normal operating levels. Underground mining is planned to continue down dip in Panel 2 in 2013.

Mill throughput for the fourth quarter was 1.45 million tonnes compared to 1.47 million tonnes in the previous quarter. The 2012 throughput was 5.79 million tonnes compared to 5.82 million tonnes in 2011.

Mill feed grade for the quarter was 1.52g/t, which was a significant improvement when compared to the previous quarter of 0.96g/t due to higher grade ore mined from both the open pit and underground mines. The 2012 mill feed grade was 1.12g/t which was comparable to the mill feed grade in 2011.

The process plant recovery was 83.2% in the fourth quarter compared to 81.1% in the previous quarter. The higher recovery is a result of the higher feed grade. The 2012 recovery was 81.1% versus 83.3% in 2011. Recovery was lower due primarily to lower flotation recoveries.

Subsequent to the year end, the Macraes Open Pit experienced a movement of the footwall, an area of the mine that has been subject to frequent movement over the past 16 years. In this case, a heavy rainfall event triggered the ground movement resulting in restricted access to high grade ore at the base of the pit for a period of 16 days. The monitoring system in place gave ample warning of the movement allowing all personnel and equipment to be evacuated from the pit and underground without harm. Access to the underground was re-established and normal operations recommenced there after four days. Access to the base of the open pit has been re-established and further rehabilitation of the haul roads in this area is ongoing. Mining activities have continued unaffected in other areas of the open pit. The Company expects that this will have some effect on production for the first quarter as high grade ore stockpiles on the ROM are consumed. Production over the year is expected to be variable by quarter as grade profiles vary, combined with the timing of planned plant maintenance etc. New mining schedules have been developed such that this event is not expected to affect the 2013 production guidance range provided in December 2012.

**Reefton Goldfield (New Zealand)**

In the fourth quarter 2012, there were no LTIs at the Reefton Operations. In 2012, the Reefton Operations incurred two LTIs. During the year, two injuries sustained in 2011 became LTIs in 2012 as the injured workers required additional medical treatment and time off for rehabilitation and recovery. The LTIs in 2012 were a result of failure to follow standard operating procedures and the Company will focus on re-training operators and will utilise task based observations by senior staff across the site.

Gold produced for the quarter was 17,972 ounces, versus 12,640 ounces in the prior quarter, an increase of 42%. This increase was attributable to higher grade ore mined from the Souvenir Pit and higher recoveries in the quarter. Gold production for 2012 was 63,300 ounces compared to 77,648 ounces in 2011.

Total material mined in the fourth quarter was 5.0 million tonnes, up 4% on the previous quarter. The total material mined for the year was 19.5 million tonnes versus 16.3 million tonnes in 2011 due to increased waste mined from the Globe Pit and an increase in fleet size with the addition of four CAT 785's that were transferred from Macraes in the second quarter of 2012. Mining of the Souvenir Pit was completed in December 2012 and all future mining will now be carried out of the Globe Pit.

The total ore mined for the fourth quarter improved to 404,030 tonnes from 323,123 tonnes in the prior quarter. This 25% increase was attributable mainly to increased productivity due to less constrained access from wider benches at the Globe Pit. Total ore mined for 2012 was 1.31 million tonnes, which was down from the 1.51 million tonnes of ore mined in previous

year. The decrease was due mainly to reduced truck availability and fleet performance in the first quarter 2012 and less ore mined due to the Souvenir cutback in the third quarter. This was partly offset by the addition of the four CAT 785 trucks in the second quarter which increased movements for the remainder of the year.

Process plant throughput decreased to 372,791 tonnes in the fourth quarter, compared to 423,764 tonnes in the previous quarter. The decrease is attributable to a mill relining that took place in October, which resulted in a gradual ramp up of throughput rates over a period of 30 days. The reduced throughputs were offset by the higher grade ore fed through the mill and higher recovery rates. Total mill throughput for 2012 was 1.64 million tonnes, which was lower than the 1.77 million tonnes in the previous year. The decrease was largely due to the shortfall in available ore feed.

Grade through the mill was 1.84g/t in the fourth quarter versus 1.16g/t in the previous quarter as a result of the higher grades mined out of the Souvenir Pit. For 2012, the average grade was 1.48g/t versus 1.67g/t in 2011 and the decrease was due mainly to overall lower grade ore mined in 2012 and treating a higher proportion of stockpiled oxide ore in the third quarter due to the inclement weather impacting access to higher grade ore.

Gold recovery for the quarter improved to 81.1% versus 79.5% in the previous quarter. The recoveries for the 2012 were 80.6% versus 81.4% in 2011. This decrease was a result of overall lower feed grades and treating a higher proportion of low grade oxide ore stockpiles in the third quarter, offset slightly by the increase in recoveries in the fourth quarter.

**MANAGEMENT DISCUSSION & ANALYSIS**

**For The Year Ended December 31, 2012**

**- Table 2 -  
Macraes Operating Statistics**

| <b>Macraes Goldfield<br/>Operating Statistics</b> | <b>Q4<br/>Dec 31 2012</b> | <b>Q3<br/>Sep 30 2012</b> | <b>Q4<br/>Dec 31 2011</b> | <b>Year<br/>2012</b> | <b>Year<br/>2011</b> | <b>Year<br/>2010</b> |
|---------------------------------------------------|---------------------------|---------------------------|---------------------------|----------------------|----------------------|----------------------|
| Gold Produced (ounces)                            | 58,872                    | 36,874                    | 44,451                    | 169,609              | 174,851              | 182,759              |
| Total Ore Mined (tonnes)                          | 1,815,587                 | 1,350,939                 | 1,894,369                 | 5,558,056            | 6,589,904            | 6,365,855            |
| Ore Mined Grade (grams/tonne)                     | 1.57                      | 1.06                      | 1.12                      | 1.29                 | 1.07                 | 1.26                 |
| Total Waste Mined (tonnes) incl pre-strip         | 9,496,424                 | 8,457,277                 | 10,489,708                | 36,363,043           | 44,407,352           | 43,944,947           |
| Mill Feed (dry milled tonnes)                     | 1,454,089                 | 1,465,357                 | 1,470,713                 | 5,789,255            | 5,817,001            | 5,458,607            |
| Mill Feed Grade (grams/tonne)                     | 1.52                      | 0.96                      | 1.14                      | 1.12                 | 1.12                 | 1.28                 |
| Recovery (%)                                      | 83.2%                     | 81.1%                     | 82.5%                     | 81.1%                | 83.3%                | 81.3%                |

**- Table 3 -  
Reefton Operating Statistics**

| <b>Reefton Goldfields<br/>Operating Statistics</b> | <b>Q4<br/>Dec 31 2012</b> | <b>Q3<br/>Sep 30 2012</b> | <b>Q4<br/>Dec 31 2011</b> | <b>Year<br/>2012</b> | <b>Year<br/>2011</b> | <b>Year<br/>2010</b> |
|----------------------------------------------------|---------------------------|---------------------------|---------------------------|----------------------|----------------------|----------------------|
| Gold Produced (ounces)                             | 17,972                    | 12,640                    | 21,299                    | 63,300               | 77,648               | 85,843               |
| Total Ore Mined (tonnes)                           | 404,030                   | 323,123                   | 416,446                   | 1,314,630            | 1,513,789            | 1,539,609            |
| Ore Mined Grade (grams/tonne)                      | 1.71                      | 1.18                      | 1.87                      | 1.56                 | 1.80                 | 2.11                 |
| Total Waste Mined (tonnes) incl pre-strip          | 4,563,413                 | 4,447,618                 | 3,880,137                 | 18,217,430           | 14,768,665           | 13,698,710           |
| Mill Feed (dry milled tonnes)                      | 372,791                   | 423,764                   | 431,655                   | 1,643,120            | 1,771,353            | 1,622,881            |
| Mill Feed Grade (grams/tonne)                      | 1.84                      | 1.16                      | 1.89                      | 1.48                 | 1.67                 | 2.01                 |
| Recovery (%)                                       | 81.1%                     | 79.5%                     | 81.3%                     | 80.6%                | 81.4%                | 82.5%                |

**DEVELOPMENT****Didipio Project (The Philippines)**

In the fourth quarter, the Didipio Project incurred no LTIs and four for 2012. The Company continues to provide training and education and reinforce the importance of adhering to all safety and operating manuals.

The Didipio Project continued to progress well in the fourth quarter and into 2013. Throughout 2012, the project team continued to achieve each key milestone and by the end of the year, the Company completed construction of the Didipio Project on schedule. In the third quarter of 2012, the first phase of the tailings storage facility (TSF) was completed ahead of schedule and the major infrastructure was completed by the end of September. At the peak of construction in August, approximately 1,700 workers were on site with over 98% of these workers being from the Philippines and the project was constructed entirely with Philippine contractors.

Subsequent to the year end, the Company began trucking saleable copper-gold concentrate to the port. Throughput rates are steadily increasing and have approached 2.5Mtpa rates with recoveries of greater than 80% for gold and 85% for copper already being consistently achieved. Some areas requiring modifications had been identified including the tailings delivery system that was being examined for long-term reliability as the plant ramps up to 3.5Mtpa rate. These works are now completed and milling has recommenced.

Mining operations began early in 2012. In July, the Company had removed the oxide mineralisation and in August began mining fresh ore. Prior to the start of commissioning activities, the Company had a larger than expected stockpile on the ROM pad. During the third quarter, the mining contractor had taken delivery of larger haul trucks and excavators and will continue to expand its fleet into 2013. In the third quarter, the Company had recruited all operations managers and superintendents and the focus in the fourth quarter was on operator training during ramp up of operations. At full operational capacity, the Company expects to employ 1,000 workers including contractors and targets 975 of these workers to be employed from the Philippines.

As part of the Company's commitment to the Philippines, 1.5% of its operating costs are committed to funding initiatives under the Social Development and Management Plan (SDMP). The SDMP benefits are shared amongst the host community (Didipio) and nine other upstream and downstream communities. In

2012, the Company successfully concluded a Memorandum of Understanding between Didipio and the nine surrounding communities on how to share the SDMP funding. During the year investments were made primarily to infrastructure projects, education support, reforestation and community activities. In the fourth quarter, the Company committed \$1.4 million toward the development of the Camamasi-Belet-Capisaan-Wangal project, a road project that will connect Didipio to the municipalities of Kasibu, Solano and Bambang in Nueva Vizcaya.

In the fourth quarter, a number of OceanaGold funded community projects were completed. These projects included the construction of new classrooms and other facilities at elementary and secondary schools in Didipio and neighbouring communities, improvement to the main road traversing the centre of the Didipio, construction of a rice shed in the Barangay Debibi and the repair of a hanging bridge in the Barangay Tucod.

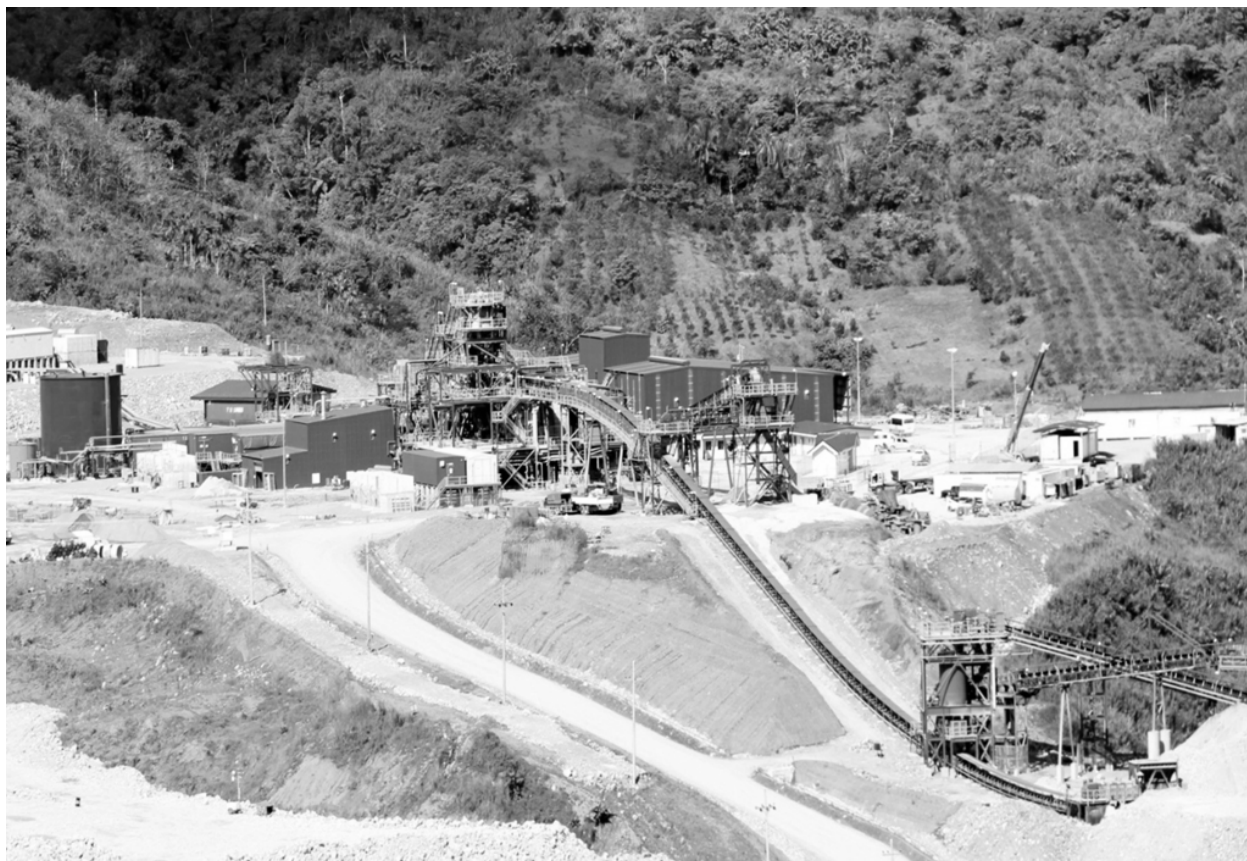
As part of the Company's commitment to President Aquino's National Greening Program, the Company continued to advance its agroforestry program in 2012 with the reforestation of 22 hectares of land in Barangay Debibi. The Company plans to plant trees on an additional 78 hectares of land in Debibi and 200 hectares in Kasibu over the next four years.

On December 3rd, Category 5 super Typhoon Pablo hit the southern Philippine island of Mindanao causing mass devastation throughout the island. OceanaGold provided assistance to the Philippines Natural Disaster response team in support of the Typhoon Pablo relief efforts. This assistance included medicine, water and blankets as well as logistical assistance.

The local community development corporation formed in 2011 ("DiCorp") was awarded several contracts by the Company in 2012 for such work as on ongoing maintenance of the access road, housekeeping, laundry, waste and recycling services, employee transport services, equipment hire and construction services. In the fourth quarter, DiCorp was also awarded the contract for concentrate loading and handling.

In 2012, the Company was proud to receive a commendation from the Director of the Commission of Human Rights Region 02 as part of its 25<sup>th</sup> anniversary. Additionally, the Company was awarded a plaque of appreciation by the Mines and GeoSciences Bureau in the Philippines for its Health, Safety & Environment programs. The recognition marked the first time a mining company in the region had received the award.

**Figure 1:** Overview of Process Plant, January 2013



**Figure 2:** Completed Process Plant, December 2012



**Figure 3:** Concentrates trucked, January 2013



**Figure 4:** AgroForestry Program Activity, December 2012



## EXPLORATION

### New Zealand

Exploration expenditure in New Zealand for the fourth quarter was \$3.4 million and \$13.1 million for 2012.

#### Reefton Goldfield

In 2012, exploration at Reefton focused on greenfields and brownfields drilling with programs at the historical Blackwater mine and at Globe Progress Pit. For 2012 at Reefton, 77 drill holes were completed for 17,060 metres. This includes 57 diamond drill holes and 20 reverse circulation (RC) holes.

The deep drilling program at the historic Blackwater Underground mine commenced in November 2011. In April 2012, the Company announced that the first drill hole WA21A<sup>1</sup> of the current program successfully intersected the reef at 1,316 metres down hole and approximately 605 metres down-plunge (430 vertical metres) from the base of the old workings. The assay results from WA21A of 1.0 metres (estimated true width of 0.5 metres) grading 23.3g/t Au were consistent with the average grade and thickness obtained from historical mining records. In late August, Hole WA22C successfully intersected the reef at 1,632 metres down hole and 950 metres down plunge (680 vertical metres) from the base of the previously mined workings. WA22C intersected 0.61 metres (estimated true width of 0.5 metres) @ 15.65g/t gold (Figure 6). In late September, a daughter hole WA22D successfully intersected the reef at 1,624 metres down hole, approximately 11 metres away from the parent hole. WA22D intersected 1.13 metres (estimated true width of 1.0 metres) of quartz reef @ 85.2g/t gold (Figure 6).

In the fourth quarter, the Company commenced the deep drilling of Hole WA25. This hole is designed to test the northern strike extent to the Birthday Reef at 245 vertical metres depth below the historic workings and approximately 330 metres from WA21A and 640 metres from WA11 (Figure 6). The results of this hole are expected in the first half of 2013.

At Reefton in 2012, a 21-drill hole program continued to consolidate mineralisation within the Globe Open Pit and to test extensions beneath the final pit floor design. Sections of 19 of the 21 diamond drill holes drilled beneath Globe Progress Pit were geologically logged, sampled and submitted for assay. By quarter end, results from nine of the holes had been received with only one hole, RCD0024, intersecting significant mineralisation of 10 metres @ 3.68g/t from 201 metres.

All outstanding assays from this drilling program are expected to be received in the first quarter 2013 at which point a final resource estimate will be compiled.

At Bullswool (EP) 50 216 (Figure 5), a four-hole, 544 metre diamond drill program was completed during the fourth quarter. No significant assay results were received from the first hole (BU001) and assay results from the remaining drill holes (BU002 to BU004) are expected to be received in the first quarter of 2013.

At the Homer prospect (EP) 40 542 (Figure 5), a six-hole (HM001 to HM006) 836 metre, helicopter-assisted diamond drilling program targeted narrow, high-grade Blackwater-style targets. Assay results for the first three drill holes (HM001 to HM003) were received during the quarter and best results include 1.7 metres (down hole) @ 1.51g/t Au from 59 metres in HM003 (Table 4).

At the Battery prospect (EP) 40 542 (Figure 5), a two-hole (BT001 to BT002) 568 metre, helicopter-assisted diamond drilling program was completed in December also targeting potential narrow, high-grade Blackwater-style targets. Assay results are expected in the first quarter 2013.

A 21-hole (BWS001 to BWS020) 2,503 metre, reverse circulation (RC) drill program at Blackwater South area (Figure 5) was completed in the fourth quarter targeting potential narrow, high-grade Blackwater-style targets. Best results (>0.5g/t Au) include 1 metre @ 0.66g/t Au from 40 metres depth in hole BWS005 and a duplicate sample returning 1 metre @ 0.55g/t Au from 71 metres depth in hole BWS008.

Mapping is continuing on the Blackwater Exploration Permit (EP) 40 542 and the Caplestone Exploration Permit (EP) 40 856 with the aim of defining potential narrow, high-grade Blackwater-style targets.

#### Macraes Goldfield

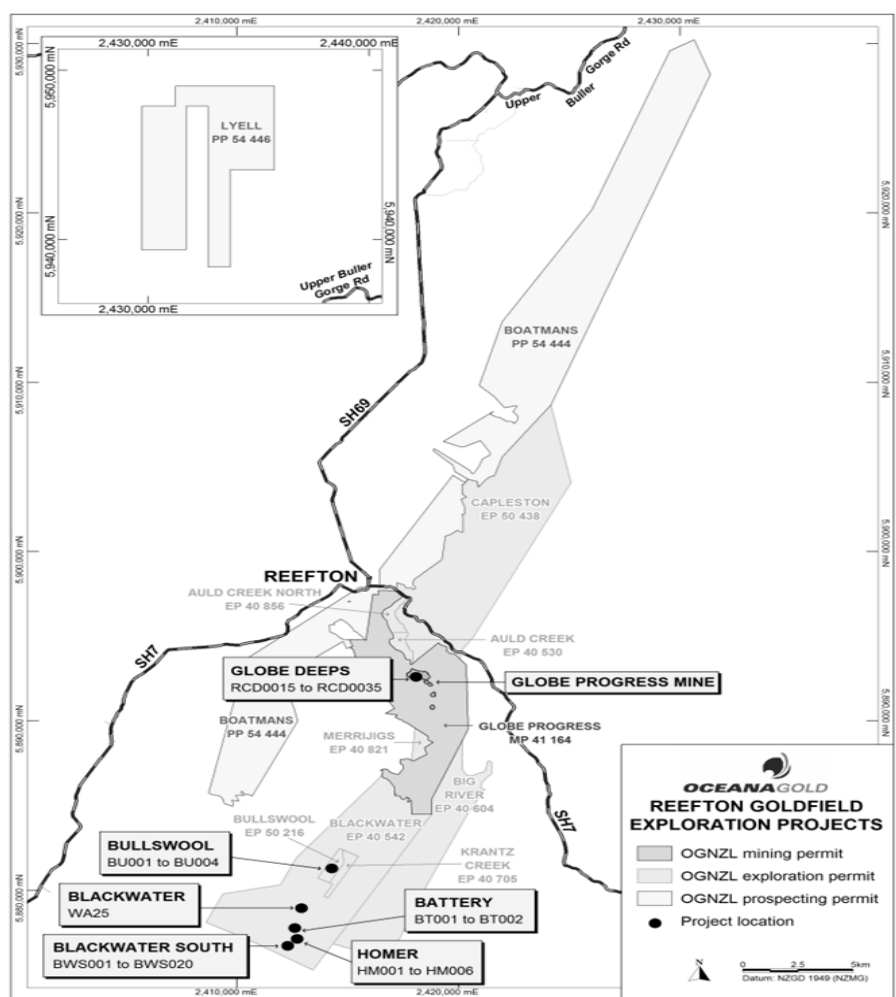
At Macraes in 2012, the exploration program was focused on underground exploration and resource infill drilling within the Frasers Underground Mine. During the year, the Company completed 66 diamond drill holes for 15,468 metres. A summary of selected intercepts is presented in Table 5. Drilling from the current exploration drive was completed in the fourth quarter and another exploration drive is planned to commence in the second half of 2013 to provide the drilling platform for exploration to the north and north-east in 2014.

In the fourth quarter, underground exploration and resource infill drilling continued at the Frasers Underground mine with 3,051 metres from 13 diamond drill holes completed. The drilling confirmed extension of mineralisation to the north and north-

east of the underground workings and the deposit remains open in both directions. Mining of a second rise was completed towards the end of the quarter and will be used to test southern extensions of the Lower Zone commencing in January 2013

All surface drilling was completed in the first half of 2012. For 2012, 73 holes were completed for 16,796 metres. This includes 12 diamond drill holes and 62 reverse circulation (RC) holes.

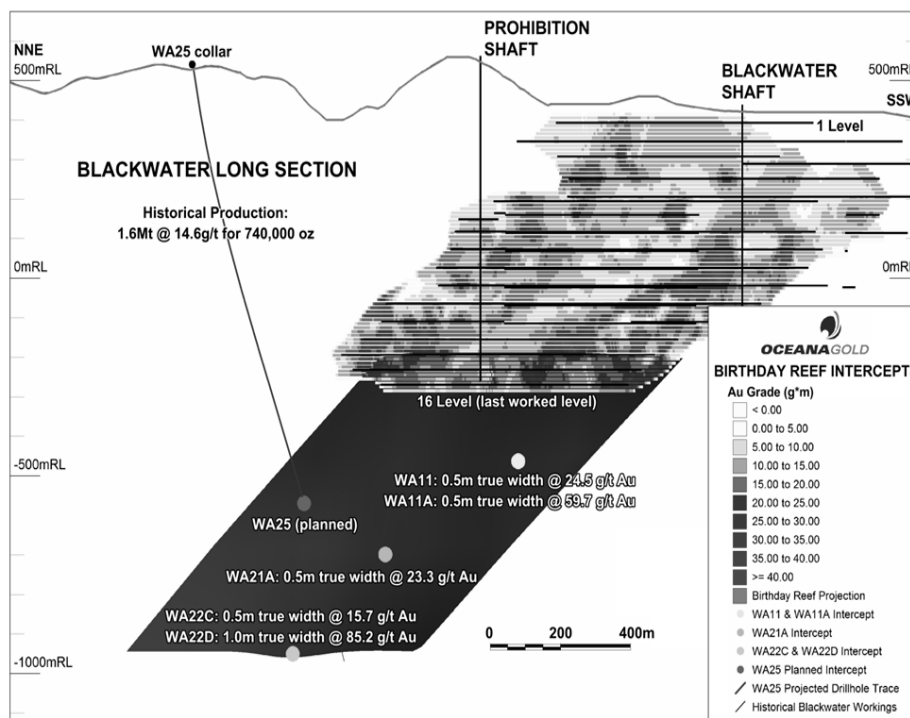
Figure 5: Reefton Exploration Overview



# MANAGEMENT DISCUSSION & ANALYSIS

For The Year Ended December 31, 2012

**Figure 6:** Oblique view of the Blackwater (Birthday Reef) historical mine (drill intercept locations with estimated true widths and gold assay results)



**Table 4:** Homer (Reefton) Drilling Results received during Q4 2012

| Hole ID |                        | From (m) | To (m) | Intercept (m) | True Width (m) | Au (g/t) |
|---------|------------------------|----------|--------|---------------|----------------|----------|
| HM001   |                        | 66.3     | 68.0   | 1.7           | -              | 1.04     |
| HM002   | No Significant Results |          |        |               |                |          |
| HM003   |                        | 59.0     | 60.7   | 1.7           | -              | 1.51     |
|         | <i>Including</i>       | 60.3     | 60.7   | 0.4           | -              | 3.83     |
| HM004   | Results Pending        |          |        |               |                |          |
| HM005   | Results Pending        |          |        |               |                |          |
| HM006   | Results Pending        |          |        |               |                |          |

Results quoted in Table 4 are intercepts returning  $\geq 1$  grams per tonne. Assayed by 50 gram fire assay (method code FAA505) at the SGS Laboratory (Globe Progress Mine), New Zealand.

**MANAGEMENT DISCUSSION & ANALYSIS**

**For The Year Ended December 31, 2012**

**Table 5: Significant FRUG Exploration Results received during 2012**

| <b>Hole ID</b> | <b>Lens</b> | <b>From<br/>(m)</b> | <b>To<br/>(m)</b> | <b>Intercept<br/>(m)</b> | <b>True Width<br/>(m)</b> | <b>Au<br/>(g/t)</b> |
|----------------|-------------|---------------------|-------------------|--------------------------|---------------------------|---------------------|
| UDH6115        | HW          | 198.85              | 208.60            | 9.75                     | 6.0                       | 3.56                |
| UDH6116        | HW          | 175.90              | 186.00            | 10.10                    | 6.0                       | 3.52                |
| UDH6117        | HW          | 376.10              | 408.40            | 32.30                    | 11.0                      | 2.78                |
| UDH6119        | HW          | 262.85              | 269.25            | 6.40                     | 4.0                       | 2.59                |
| UDH6120        | HW          | 142.90              | 152.00            | 9.10                     | 8.0                       | 2.33                |
| UDH6121        | HW          | 186.50              | 193.55            | 7.05                     | 6.0                       | 2.56                |
| UDH6122        | HW          | 158.00              | 166.40            | 17.45                    | 11.0                      | 2.45                |
| UDH6123        | HW          | 201.60              | 207.00            | 5.40                     | 4.0                       | 3.12                |
| UDH6124        | HW          | 175.65              | 180.35            | 4.70                     | 3.5                       | 3.72                |
| UDH6125        | HW          | 220.95              | 227.35            | 6.40                     | 4.5                       | 3.89                |
| UDH6127        | HW          | 245.15              | 150.25            | 5.10                     | 3.0                       | 3.40                |
| UDH6128        | HW          | 143.50              | 148.00            | 4.50                     | 4.0                       | 4.99                |
| UDH6129        | HW          | 219.90              | 231.25            | 11.35                    | 7.0                       | 2.92                |
| UDH6132        | HW          | 191.45              | 202.50            | 11.05                    | 6.5                       | 2.50                |
| UDH6134        | HW          | 212.95              | 225.40            | 12.45                    | 8.5                       | 1.64                |
| UDH6135        | HW          | 171.50              | 179.30            | 7.80                     | 6.5                       | 1.62                |
| UDH6136        | HW          | 236.30              | 245.45            | 8.15                     | 5.5                       | 3.08                |
| UDH6137        | HW          | 273.90              | 280.20            | 6.30                     | 4.0                       | 4.19                |
| UDH6139        | LZ          | 196.65              | 207.25            | 10.60                    | 6.5                       | 1.89                |
| UDH6143        | OTH         | 172.35              | 179.85            | 7.50                     | 6.0                       | 2.93                |
| UDH6144        | LZ          | 170.00              | 178.30            | 8.30                     | 6.0                       | 2.76                |
| UDH6150        | HW          | 122.45              | 129.20            | 6.75                     | 6.5                       | 2.56                |
| UDH6151        | HW          | 127.60              | 133.00            | 5.40                     | 4.5                       | 2.93                |
| UDH6151        | LZ          | 156.50              | 161.70            | 5.20                     | 4.0                       | 6.70                |
| UDH6152        | LZ          | 162.75              | 170.90            | 8.15                     | 7.0                       | 4.76                |
| UDH6155        | LZ          | 149.00              | 152.95            | 3.95                     | 3.5                       | 4.21                |
| UDH6158        | HW          | 131.00              | 139.00            | 8.00                     | 8.0                       | 5.71                |
| UDH6162        | HW          | 137.90              | 144.75            | 6.85                     | 6.5                       | 5.12                |
| UDH6163        | HW          | 155.05              | 165.20            | 10.15                    | 9.0                       | 3.23                |
| UDH6164        | LZ          | 151.25              | 160.55            | 9.30                     | 8.5                       | 2.98                |
| UDH6165        | HW          | 162.10              | 168.30            | 6.20                     | 5.5                       | 2.56                |
| UDH6166        | HW          | 131.90              | 139.50            | 7.60                     | 7.5                       | 3.46                |
| UDH6167        | HW          | 172.50              | 180.00            | 7.50                     | 6.5                       | 2.10                |
| UDH6168        | HW          | 257.10              | 263.70            | 6.60                     | 4.5                       | 2.58                |
| UDH6169        | HW          | 227.45              | 256.65            | 29.20                    | 17.0                      | 2.18                |
| UDH6170        | HW          | 326.45              | 337.50            | 11.05                    | 6.5                       | 3.28                |
| UDH6171        | HW          | 248.70              | 273.40            | 24.70                    | 15.0                      | 4.40                |
| UDH6172        | HW          | 182.00              | 194.95            | 12.95                    | 8.0                       | 1.72                |
| UDH6173        | LZ          | 277.20              | 285.80            | 8.60                     | 6.5                       | 3.54                |
| UDH6174        | OTH         | 184.50              | 190.95            | 6.45                     | 5.0                       | 3.70                |
| UDH6179        | HW          | 243.45              | 254.00            | 10.55                    | 6.5                       | 2.64                |
| UDH6180        | HW          | 166.40              | 178.75            | 12.35                    | 10.5                      | 2.42                |
| UDH6181        | HW          | 259.25              | 264.30            | 5.05                     | 4.0                       | 2.56                |
| UDH6181        | OTH         | 290.70              | 295.10            | 4.40                     | 3.5                       | 4.62                |

\* Only intercepts of 10 gram-metres (true width) or greater reported; HW = Hanging wall, LZ= Lower Zone, OTH = other lenses. Assayed by 30g fire assay (method code FAA303) at the SGS Laboratory (Macraes Mine), New Zealand.

## PHILIPPINES

Exploration expenditure in the Philippines for the fourth quarter of 2012 totalled \$0.7 million and \$1.8 million 2012.

### Didipio

Exploration activity during the quarter and throughout 2012 has focused on delineating potential Cu-Au drill targets within the FTAA and adjacent OGC-controlled exploration permits. Several of the targets are now ready for drilling pending renewal of the FTAA exploration period and granting of adjacent tenement applications.

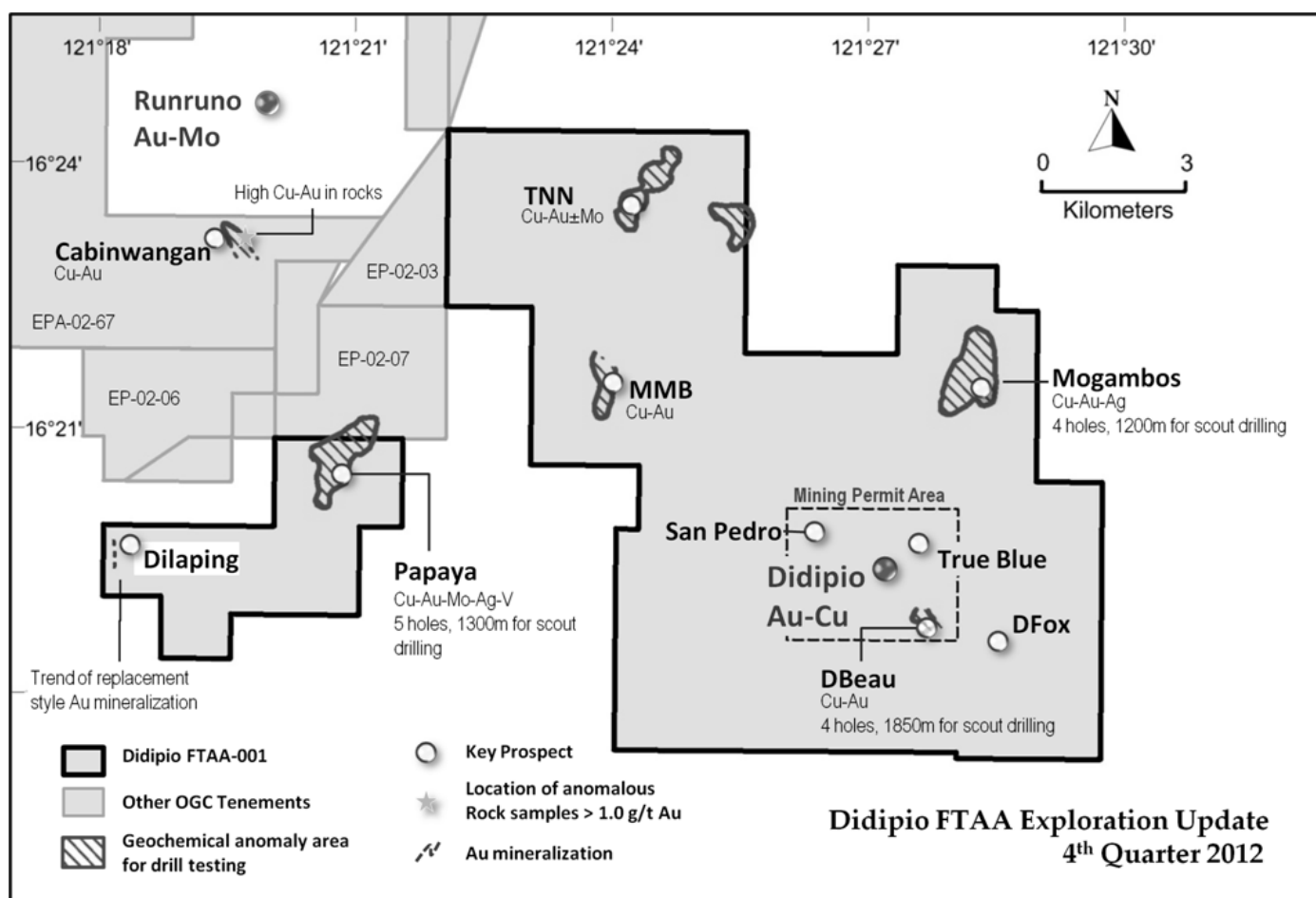
Preparations for scout drilling at the near-mine prospects of D'Beau and Mogambos (Figure 7) continued during the quarter. All of the drill pads for the initial scout drilling programme have been prepared in

anticipation of the renewal of the FTAA exploration permit area. Drilling at D'Beau will target potential continuity at depth of the mineralised monzonite dykes exposed near surface while drilling at Mogambos will test the coincident Au-Cu anomalies in soil.

In early 2013, additional exploration activity will focus on identification of potential drill targets at the San Pedro, Dilaping and Cabinwangan prospects. Drill targets have been identified at the Papaya prospect with five drill holes planned to test geochemical anomalies and mineralised structures. Drill pad preparation is scheduled for early 2013.

Drill targets have been identified at the Papaya prospect with five drill holes planned to test geochemical anomalies and mineralised structures. Drill pad preparation is scheduled for early 2013.

**Figure 7:** Summary map of prospects worked on during Q4 2012 within the Didipio FTAA and adjacent exploration permits and applications.



# MANAGEMENT DISCUSSION & ANALYSIS

For The Year Ended December 31, 2012

## FINANCIAL SUMMARY

The table below provides selected financial data comparing Q4 2012 with Q3 2012 and Q4 2011 together with full years 2012, 2011 and 2010.

| STATEMENT OF OPERATIONS                                                                                                       | Q4<br>Dec 31<br>2012<br>\$'000 | Q3<br>Sep 30<br>2012<br>\$'000 | Q4<br>Dec 31<br>2011<br>\$'000 | Year<br>2012<br>\$'000 | Year<br>2011<br>\$'000 | Year<br>2010<br>\$'000 |
|-------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|------------------------|------------------------|------------------------|
| Gold sales                                                                                                                    | 119,018                        | 91,153                         | 106,603                        | 385,448                | 395,609                | 305,638                |
| Cost of sales, excluding depreciation and amortisation                                                                        | (46,656)                       | (61,173)                       | (58,854)                       | (226,039)              | (216,789)              | (150,697)              |
| General & Administration                                                                                                      | (4,607)                        | (3,649)                        | (3,636)                        | (14,911)               | (14,537)               | (13,805)               |
| Foreign Currency Exchange Gain/(Loss)                                                                                         | (250)                          | 941                            | 328                            | (961)                  | 320                    | (961)                  |
| Other income/(expense)                                                                                                        | (405)                          | 1,342                          | (779)                          | 1,095                  | (680)                  | (660)                  |
| <b>Earnings before interest, tax, depreciation &amp; amortisation (EBITDA) (excluding gain/(loss) on undesignated hedges)</b> | <b>67,100</b>                  | <b>28,614</b>                  | <b>43,662</b>                  | <b>144,632</b>         | <b>163,923</b>         | <b>139,515</b>         |
| Depreciation and amortisation                                                                                                 | (27,606)                       | (21,938)                       | (21,520)                       | (91,376)               | (85,822)               | (69,337)               |
| Net interest expense and finance costs                                                                                        | (7,670)                        | (5,803)                        | (3,523)                        | (21,510)               | (12,909)               | (14,780)               |
| <b>Earnings/(loss) before income tax and gain/(loss) on undesignated hedges</b>                                               | <b>31,824</b>                  | <b>873</b>                     | <b>18,619</b>                  | <b>31,746</b>          | <b>65,192</b>          | <b>55,398</b>          |
| Tax (expense)/ benefit on earnings/ loss                                                                                      | (8,704)                        | (545)                          | (4,283)                        | (11,426)               | (21,025)               | (22,638)               |
| <b>Earnings/(loss) after income tax and before gain/(loss) on undesignated hedges</b>                                         | <b>23,120</b>                  | <b>328</b>                     | <b>14,336</b>                  | <b>20,320</b>          | <b>44,167</b>          | <b>32,760</b>          |
| Gain/(loss) on fair value of undesignated hedges                                                                              | 1,539                          | (1,036)                        | -                              | 503                    | -                      | 16,215                 |
| Tax (expense)/ benefit on gain/loss on undesignated hedges                                                                    | (462)                          | 311                            | -                              | (151)                  | -                      | (4,540)                |
| <b>Net Profit/(Loss)</b>                                                                                                      | <b>24,197</b>                  | <b>(397)</b>                   | <b>14,336</b>                  | <b>20,672</b>          | <b>44,167</b>          | <b>44,435</b>          |
| Basic / Diluted earnings per share                                                                                            | \$0.09                         | \$(0.00)                       | \$0.05                         | \$0.08                 | \$0.17                 | \$0.20                 |
|                                                                                                                               |                                |                                |                                |                        |                        |                        |
| <b>CASH FLOWS</b>                                                                                                             |                                |                                |                                |                        |                        |                        |
| Cash flows from Operating Activities                                                                                          | 60,218                         | 13,306                         | 56,010                         | 115,253                | 154,555                | 52,260                 |
| Cash flows used in Investing Activities                                                                                       | (91,400)                       | (68,742)                       | (47,744)                       | (294,548)              | (146,595)              | (107,809)              |
| Cash flows provided by / (used in) Financing Activities                                                                       | 110,275                        | 6,820                          | (4,595)                        | 108,919                | (16,110)               | 186,798                |

| BALANCE SHEET                     | As at<br>Dec 31 2012<br>\$'000 | As at<br>Dec 31 2011<br>\$'000 | As at<br>Dec 31 2010<br>\$'000 |
|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Cash and cash equivalents         | 96,502                         | 169,989                        | 181,328                        |
| Other Current Assets              | 89,276                         | 56,491                         | 47,320                         |
| Non Current Assets                | 845,878                        | 591,155                        | 477,568                        |
| <b>Total Assets</b>               | <b>1,031,656</b>               | <b>817,635</b>                 | <b>706,216</b>                 |
| Current Liabilities               | 199,413                        | 123,623                        | 63,091                         |
| Non Current Liabilities           | 222,383                        | 215,772                        | 209,984                        |
| <b>Total Liabilities</b>          | <b>421,796</b>                 | <b>339,395</b>                 | <b>273,075</b>                 |
| <b>Total Shareholders' Equity</b> | <b>609,860</b>                 | <b>478,240</b>                 | <b>433,141</b>                 |

## RESULTS OF OPERATIONS

### *Net Earnings*

The Company reported a fourth quarter net profit of \$24.2 million versus a net loss of \$0.4 million in the third quarter 2012. This result was largely attributable to higher ounces of gold sold, higher average gold price received in the fourth quarter, and lower cost of sales reflecting lower royalties and increases in gold in circuit and ore stockpiles. This was partly offset by increases in net interest expense and consulting/general and administration expenses.

Gold sold in the fourth quarter was 69,761 ounces, which represents a 27% increase from the previous quarter. This increase was attributable to improved ore mined and milled grades, and improved recoveries. The average price received was \$1,706 versus \$1,665 per ounce in the third quarter.

Fourth quarter gold production of 76,844 ounces was up 55% on the previous quarter primarily due to higher grades and improved gold recoveries at all locations. The total production for 2012 was 232,909 ounces.

The Company reported EBITDA (excluding gain/(loss) on undesignated hedge) of \$67.1 million in the fourth quarter compared to \$28.6 million in the third quarter of 2012. This was due to an increase in gold ounces sold, higher average gold price received and lower cost of sales.

The net result before income tax and before gain/(loss) on undesignated hedges was a profit of \$31.8 million for the fourth quarter 2012 compared to a profit of \$0.9 million in the third quarter.

In 2012, the net result before income tax and before gain/(loss) on undesignated hedges was \$31.7 million compared with \$65.2 million for 2011. The decrease was largely driven by lower ounces sold in 2012, especially in the first half of the year.

### *Sales Revenue*

Gold Revenue of \$385.4 million in 2012 was slightly lower than for 2011 of \$395.6 million, due to lower ounces produced and sold, partly offset by higher average gold prices received of \$1,675 as compared with \$1,587 for 2011.

Gold revenue in the fourth quarter 2012 of \$119.0 million is a 31% increase over the third quarter due to higher ounces of gold sold and higher average price of gold received.

The average gold price received in the fourth quarter was \$1,706 per ounce compared to \$1,665 in the previous quarter. Gold sales for the fourth quarter 2012 of 69,761 ounces were 27% higher than the previous quarter's sales of 54,750 ounces. This

increase was attributable to higher grade ore mined and milled grades, and better recovery.

### *Operating Costs & Margins*

Cash costs per ounce sold were \$638 for the fourth quarter, a decrease of 41% compared to third quarter 2012 costs of \$1,081. This decrease was attributable to higher ounces of gold sold following better grades and recoveries, and lower cost of sales reflecting lower royalties and increases in gold in circuit and ore stockpiles. For 2012, the cash cost per ounce sold was \$940 compared with \$875 for 2011. The increase resulted from lower overall ounces sold and a stronger New Zealand dollar.

The average cash margin was \$1,068 per ounce for the fourth quarter 2012, substantially above the \$584 for the third quarter. This reflected the higher average gold price received per ounce and the lower cash cost per ounce sold. For 2012, the average cash margin was \$735, slightly ahead of the 2011 margin of \$712 per ounce.

### *Depreciation and Amortisation*

Depreciation and amortisation charges include amortisation of mine development, deferred pre-stripping costs and depreciation on equipment.

Depreciation and amortisation charges are calculated on a unit of production basis and totalled \$27.6 million for the fourth quarter 2012 compared to \$21.9 million in the previous quarter. For 2012, depreciation and amortisation totalled \$91.4 million compared with \$85.8 million for 2011.

### *Net Interest Expense and finance costs*

The net interest expense and finance costs of \$21.5 million for the 2012 increased from the previous year of \$12.9 million, reflecting the drawdown of the working capital facility, the amortisation of transaction costs and establishment fees related to the banking facility obtained during the third quarter and the reduction in cash held.

### *Undesignated Hedges Gains/Losses*

Unrealised gains and losses calculated as a fair value adjustment of the Company's undesignated hedges are brought to account at the end of each reporting period and reflect changes in the spot gold price and changes in market premiums of AUD forwards. These valuation adjustments as at December 31, 2012, reflect a gain for 2012 of \$0.5 million.

Details of the derivative instruments held by the Company at year end are summarised below under "Derivative Assets/ Liabilities".

## DISCUSSION OF CASH FLOWS

### *Operating Activities*

Cash inflows from operating activities were \$115.3 million for 2012 compared to \$154.6 million in 2011. The decrease reflected lower ounces sold and higher cost of sales.

### *Investing Activities*

Investing activities comprised expenditures for pre-strip mining, sustaining capital and exploration expenditure at the New Zealand operations, plus capitalised development costs mainly associated with the construction of the Didipio Project in the Philippines.

Cash used for investing activities totalled \$294.5 million for 2012 compared to \$146.6 million in 2011. The expenditure reflects mostly construction and capitalised operating costs for the Didipio Project of \$182.0 million during 2012. The Company also invested C\$4.2 million in TSX listed explorer company Pacific Rim Mining Corporation.

### *Financing Activities*

Financing net inflows for 2012 were \$108.9 million compared to a net outflow of \$16.1 million in 2011. This reflects mainly an equity raising conducted in December 2012 of \$90.3 million, net of equity raising costs. Draw downs of \$80.1 million were also made in the fourth quarter from the term and revolver banking facilities established during the year. The latter mainly were used to repay the convertible notes that matured in December, and also to provide additional working capital. Repayment of finance lease liabilities was mostly in line with prior year.

## DISCUSSION OF FINANCIAL POSITION AND LIQUIDITY

### **Company's funding and capital requirements**

For the year ended December 31, 2012, the Company recorded a net profit of \$20.7 million. As at that date, cash funds held were \$96.5 million. Net current liabilities were \$13.6 million at year end which includes a current liability of the convertible bonds repayment due in December 2013.

During the third quarter, the Company announced it had signed documents for term and revolving credit facilities with a syndicate of six banks. Of the \$225 million credit facility, \$100.1 million was drawn down as at December 31, 2012. A total of \$60 million of

these funds were applied to repay the convertible bonds that matured in December 2012 and \$40 million was drawn for working capital purposes. Undrawn funds at December 31, 2012 were \$122.2 million which are available to cover the A\$110 million convertible bonds maturing in December 2013. The Company also has available an additional \$25 million Convertible Revolving Credit Facility whereby it has the option to repay any drawn down funds with cash or the issuance of ordinary shares under this facility, subject to the ASX listing rules.

### **Commitments**

OceanaGold's capital commitments as at December 31, 2012 are as follows:

|               | <b>Dec 31, 2012</b> |
|---------------|---------------------|
|               | <b>\$'000</b>       |
| Within 1 year | <u>33,136</u>       |

This includes mainly equipment for New Zealand operations and contracts supporting the operations of the Didipio Project.

### **Financial position**

#### *Current Assets*

As at December 31, 2012 current assets were \$185.8 million compared to \$226.5 million at the end of the prior year. Current assets have decreased by \$40.7 million primarily due to a decrease in cash, being used for construction of the Didipio Project, partly offset by increases in trade receivables, capitalised establishment costs of banking facilities, inventories and prepayments.

#### *Non-Current Assets*

At December 31, 2012 non-current assets were \$845.9 million compared to \$591.2 million at December 31, 2011. The increase mainly reflects expenditure relating to the capitalised construction and operation costs of the Didipio Project, net additions to property, plant and equipment, and financial investment in a mining company during the year.

#### *Current Liabilities*

Current liabilities were \$199.4 million at December 31, 2012 compared to \$123.6 million as at the end of 2011. This increase was attributable mainly to the reclassification to current from non-current of \$111.8 million of convertible notes maturing in December 2013, partly offset by the repayment of the \$56.9 million of convertible note that matured in December 2012.

# MANAGEMENT DISCUSSION & ANALYSIS

For The Year Ended December 31, 2012

## Non-Current Liabilities

Non-current liabilities were \$222.4 million at December 31, 2012, compared with \$215.8 million at December 31, 2011. The increase resulted from an increase in asset retirement obligations, net deferred tax liabilities, and \$100.1 million drawdown of the banking facilities to repay convertible notes and provide working capital, offset by the reclassification to current liabilities of the remaining convertible notes maturing December 2013.

## Derivative Assets / Liabilities

As part of satisfying the Conditions Precedent of the Credit Facility the Company entered into a contract for gold put options covering 82,998 ounces of gold from New Zealand production at a strike price of US\$1,400 covering a period from October 2012 to June 2013. At December 31, 2012, put options for 55,332 ounces remained outstanding. In addition, the Company purchased forward contracts as a hedge against foreign exchange movements to ensure that the potential USD denominated credit facility draw downs would be sufficient in the repayment of the AUD denominated convertible notes maturing in December 2012 and December 2013. At December 31, 2012, a forward purchase contract for A\$110.8 million remained outstanding, maturing December 2013. These hedges are undesignated and do not qualify for hedge accounting.

A summary of OceanaGold's marked to market derivatives is as per below:

|                                | Dec 31 2012<br>\$'000 | Dec 31 2011<br>\$'000 |
|--------------------------------|-----------------------|-----------------------|
| <b>Current Assets</b>          |                       |                       |
| Forward rate agreements        | 552                   | -                     |
| Gold put options               | 89                    | -                     |
|                                | <u>641</u>            | <u>-</u>              |
| <b>Non Current Assets</b>      |                       |                       |
| Forward rate agreements        | -                     | -                     |
| Gold put options               | -                     | -                     |
| <b>Total Assets</b>            | <u>641</u>            | <u>-</u>              |
|                                |                       |                       |
|                                | Dec 31 2012<br>\$'000 | Dec 31 2011<br>\$'000 |
| <b>Current Liabilities</b>     |                       |                       |
| Forward rate agreements        | 151                   | -                     |
|                                | <u>151</u>            | <u>-</u>              |
| <b>Non Current Liabilities</b> |                       |                       |
| Forward rate agreements        | -                     | -                     |
|                                | <u>-</u>              | <u>-</u>              |
| <b>Total Liabilities</b>       | <u>151</u>            | <u>-</u>              |

## Shareholders' Equity

A summary of the movement in shareholders' equity is set out below:

|                                                      | Year Ended<br>Dec 31, 2012<br>\$'000 |
|------------------------------------------------------|--------------------------------------|
| <b>Total equity at beginning of financial period</b> | <b>478,240</b>                       |
| Profit/(loss) after income tax                       | 20,672                               |
| Movement in other comprehensive income               | 17,280                               |
| Movement in contributed surplus                      | 1,467                                |
| Movement in Other Reserves                           |                                      |
| Issue of shares (net of costs)                       | <u>92,201</u>                        |
| <b>Total equity at end of financial period</b>       | <b>609,860</b>                       |

Shareholders' equity has increased by \$131.6 million to \$609.9 million at December 31, 2012 mainly as a result of an equity raising of \$90.3 million net of costs, a net profit after tax for the year of \$20.7 million, and currency translation differences reflected in "Other Comprehensive Income" that arise from the translation of entities with a functional currency other than USD.

## Capital Resources

As at December 31, 2012, the share and securities summary was:

|                                      |             |
|--------------------------------------|-------------|
| Shares outstanding                   | 293,517,918 |
| Options and share rights outstanding | 8,624,268   |

As at February 14, 2013 there was no change in shares and securities:

|                                      |             |
|--------------------------------------|-------------|
| Shares outstanding                   | 293,517,918 |
| Options and share rights outstanding | 8,624,268   |

As at December 31, 2011, the share and securities summary was:

|                                      |             |
|--------------------------------------|-------------|
| Shares outstanding                   | 262,642,606 |
| Options and share rights outstanding | 7,404,540   |

## CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. The accounting policies that involve significant management judgement and estimates are discussed in this section. For a list of the significant accounting policies, reference should be made to Note 2 of the December 31, 2012 audited consolidated financial statements of OceanaGold Corporation.

### *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 recouped 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*

Expenditure relating to mining properties in production and development 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 production output basis, proportional to the depletion of the mineral resource of each area of interest expected to be ultimately economically recoverable.

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 in the period in which they are incurred, except when the charges represent a betterment to the mineral property.

Charges represent a betterment to the mineral property when the stripping activity provides access to reserves that will be produced in future periods that would not have been accessible without the stripping activity. When charges are deferred in relation to a betterment, the charges are amortised over the reserve in the betterment accessed by the stripping activity using the units of production method.

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. Should the carrying value of expenditure not yet amortised exceed its estimated recoverable amount, the excess is written off to the Statement of Comprehensive Income.

### *Asset Retirement Obligations*

OceanaGold recognises the present value of future asset retirement obligations as a liability in the period in which it incurs a legal obligation associated with the retirement of long-lived assets that results from the acquisition, construction, development and/or normal use of the assets. OceanaGold 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 present value of the asset retirement obligations are based include the estimated risk-adjusted future cash flows, the timing of those cash flows and the 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. The amount of the liability is subject to re-measurement at each reporting period if there has been a change to the key assumptions.

### *Asset Impairment Evaluations*

The carrying values of exploration, evaluation, mining properties in production or under development and 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 discounted future cash flows from these assets, the assets are written down to the fair value of the estimated future cash flows based on OceanaGold's discount rate for the asset.

*Derivative Financial Instruments/Hedge Accounting*

The consolidated entity has used derivative financial instruments to manage commodity price and foreign currency exposures from time to time. 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 is calculated by discounting the future value of the hedge contract at the appropriate prevailing quoted market rates at the reporting date. The fair value of forward exchange contracts is calculated by reference to the current forward exchange rate for contracts with similar maturity profiles.

*Stock Option Pricing Model*

Stock options granted to employees or external parties are measured by reference to the fair value at grant date and are recognised as an expense in equal instalments over the vesting period and credited to the contributed surplus account. The expense is determined using an option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradable nature of the option, the current price and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

*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. Deferred tax assets including tax losses are recognised to the extent that it is probable that the company will generate future taxable income. Utilisation of the tax losses also depends on the ability of the entities to satisfy certain tests at the time the losses are recouped.

*Foreign Currency Translation*

The consolidated financial statements are expressed in United States dollars ("USD") and have been translated to USD using the current rate method described below. The controlled entities of OceanaGold have either Australian dollars ("AUD"), New Zealand dollars ("NZD"), Philippine Pesos ("PHP") or United States dollars ("USD") as their functional currency.

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

**ACCOUNTING ESTIMATES**

Significant areas where management's judgment is applied include ore reserve and resource determinations, exploration and evaluation assets, 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.

**RISKS AND UNCERTAINTIES**

This document contains some forward looking statements that involve risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by those forward looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among other things: volatility and sensitivity to market prices for gold; replacement of reserves; possible variations of ore grade or recovery rates; changes in project parameters; procurement of required capital equipment and operating parts and supplies; equipment failures; unexpected geological conditions; political risks arising from operating in certain developing countries; inability to enforce legal rights; defects in title; imprecision in reserve estimates; success of future exploration and development initiatives; operating performance of current operations; ability to secure long term financing and capital, water management, environmental and safety risks; seismic activity, weather and other natural phenomena; failure to obtain necessary permits and approvals from government authorities; changes in government regulations and policies including tax and trade laws and policies; ability to maintain and further improve labour relations; general business, economic, competitive, political and social uncertainties and other development and operating risks.

For further detail and discussion of risks and uncertainties refer to the Annual Information Form available on the Company's website.

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

### Adoption of new accounting policies

The accounting policies adopted during the quarter are consistent with those of the previous financial year and corresponding interim reporting period, except for the below new accounting policies adopted in line with the requirements of new transactions in the quarter.

#### Stock-based compensation

##### Performance Share Rights Plan ("PSRP")

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

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

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period between the grant date and the date on which the relevant participants 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, may ultimately vest.

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

### Interests in Jointly Controlled Operations

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

### Interests in Jointly Controlled Assets

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

#### Non-derivative financial assets

##### Available-for-sale financial assets

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

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

### Accounting policies effective for future periods

#### *IFRS 9 – "Financial instruments - classification and measurement"*

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

A debt instrument is at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. Effective for years beginning on/after January 1, 2015. Not expected to have a material impact on the Company.

#### *IFRS 9 – "Financial instruments – classification and measurement"*

Updated to include guidance on financial liabilities and de-recognition of financial instruments. Effective for years beginning on/after January 1, 2015. The Company has not assessed the impact of this new standard.

*IAS 1 – “Presentation of items of other comprehensive income (“OCI”)”*

Change to the disclosure in OCI, including a requirement to separate items presented into two groups based on whether or not they may be recycled to profit or loss in the future. Effective for years beginning on/after July 1, 2012.

*IAS 19 – “Employee benefits”*

Amended for (i) changes to recognition and measurement of defined benefit pension expense and termination benefits, and (ii) expanded disclosure. Effective for years beginning on/after January 1, 2013. Not expected to have a material impact on the Company.

*IFRS 13 – “Fair value measurement and disclosure requirements”*

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

*“New standards addressing scope of reporting entity”*

IFRS 10, - “Consolidated Financial Statements”,  
IAS 27, - “Consolidated and Separate Financial Statements”, and  
SIC-12, - “Consolidation – Special Purpose Entities”  
IFRS 11, - “Joint Arrangements”

Entities in joint operations will follow accounting for jointly controlled assets and jointly controlled operations under IAS 31.

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

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

Provides guidance on the accounting for overburden (pre-strip) in the production phase. Costs can only be recognised as an asset if they can be attributed to an identifiable component of the ore body. Effective January 1, 2013. The Company is looking at any possible finetuning/simplification of its current estimation methodology in line with the guidance. Impact will be assessed but not expected to be material.

*IFRS 7 - “Financial instruments” – disclosures*

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

*IAS 32 - “Financial instruments” – presentation*

Amended to clarify requirements for offsetting of financial assets and financial liabilities. Effective for annual periods beginning on/after January 1, 2014. Not expected to affect the treatment of offsetting arrangements or have a material effect on the Company

## SUMMARY OF QUARTERLY RESULTS OF OPERATIONS

The following table sets forth unaudited information for each of the eight quarters ended March 31, 2011 through to December 31, 2012. This information has been derived from our unaudited consolidated financial statements which, in the opinion of management, have been prepared on a basis consistent with the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for fair presentation of our financial position and results of operations for those periods. On adoption to IFRS there were no material differences to the income statements and management believes the results are comparable as they were prepared on a consistent basis.

| STATEMENT OF OPERATIONS                                                                     | Dec 31<br>2012<br>\$'000 | Sep 30<br>2012<br>\$'000 | Jun 30<br>2012<br>\$'000 | Mar 31<br>2012<br>\$'000 | Dec 31<br>2011<br>\$'000 | Sep 30<br>2011<br>\$'000 | Jun 30<br>2011<br>\$'000 | Mar 31<br>2011<br>\$'000 |
|---------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Gold sales                                                                                  | 119,018                  | 91,153                   | 86,719                   | 88,558                   | 106,603                  | 103,455                  | 94,805                   | 90,746                   |
| EBITDA (excluding gain/(loss) on undesignated hedges)                                       | 67,100                   | 28,614                   | 25,632                   | 23,285                   | 43,622                   | 43,270                   | 32,994                   | 43,998                   |
| Earnings/(loss) after income tax and before gain/(loss) on undesignated hedges (net of tax) | 23,120                   | 328                      | 735                      | (3,863)                  | 14,336                   | 10,912                   | 4,147                    | 14,772                   |
| Net Profit/(Loss)                                                                           | 24,197                   | (397)                    | 735                      | (3,863)                  | 14,336                   | 10,912                   | 4,147                    | 14,772                   |
| Net earnings/(loss) per share                                                               |                          |                          |                          |                          |                          |                          |                          |                          |
| Basic                                                                                       | \$0.09                   | \$(0.00)                 | \$0.00                   | \$(0.01)                 | \$0.05                   | \$0.04                   | \$0.02                   | \$0.06                   |
| Diluted                                                                                     | \$0.09                   | \$(0.00)                 | \$0.00                   | \$(0.01)                 | \$0.05                   | \$0.04                   | \$0.02                   | \$0.06                   |

The most significant factors causing variation in the results are the variability in the grade of ore mined from the Macraes and Reefton Open Pit mines and variability of cash cost of sales due to the timing of waste stripping activities. The volatility of the gold price has a significant impact both in terms of its influence upon gold revenue and returns. Adding to the variation are large movements in foreign exchange rates between the USD and the NZD.

Earnings before interest, tax, depreciation and amortisation (EBITDA) is one such non-GAAP measure and a reconciliation of this measure to net Profit/(Loss) is provided on page 18.

Cash and non cash costs per ounce are other such non-GAAP measures and a reconciliation of these measures to cost of sales, including depreciation and amortisation, is provided on the next page.

## NON-GAAP MEASURES

Throughout this document, we have provided measures prepared according to IFRS ("GAAP"), as well as some non-GAAP performance measures. As non-GAAP performance measures do not have a standardised meaning prescribed by GAAP, they are unlikely to be comparable to similar measures presented by other companies.

We provide these non-GAAP measures as they are used by some investors to evaluate OceanaGold's performance. Accordingly, such non-GAAP measures are intended to provide additional information and should not be considered in isolation, or a substitute for measures of performance in accordance with GAAP.

# MANAGEMENT DISCUSSION & ANALYSIS

For The Year Ended December 31, 2012

| STATEMENT OF OPERATIONS                                           | Q4<br>Dec 31<br>2012<br>\$'000 | Q3<br>Sep 30<br>2012<br>\$'000 | Q4<br>Dec 31<br>2011<br>\$'000 | Year<br>2012<br>\$'000 | Year<br>2011<br>\$'000 | Year<br>2010<br>\$'000 |
|-------------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|------------------------|------------------------|------------------------|
| Cost of sales, excluding depreciation and amortisation            | 46,656                         | 61,173                         | 58,854                         | 226,039                | 216,798                | 150,697                |
| Depreciation and amortisation                                     | 27,606                         | 21,938                         | 21,520                         | 91,376                 | 85,822                 | 69,337                 |
| Total cost of sales                                               | 74,262                         | 83,111                         | 80,374                         | 317,415                | 302,611                | 220,034                |
| Add sundry general & administration                               | 159                            | 131                            | 358                            | 520                    | 1,402                  | 2,049                  |
| Add non cash & selling costs                                      | 169                            | 285                            | 311                            | 790                    | 1,412                  | 470                    |
| Total operating cost of sales                                     | 74,590                         | 83,527                         | 81,043                         | 318,725                | 305,425                | 222,553                |
| Gold Sales from operating mines (ounces)                          | 69,761                         | 54,750                         | 62,515                         | 230,119                | 249,261                | 268,087                |
| Total Operating Cost (\$/ounce)                                   | 1,069                          | 1,526                          | 1,296                          | 1,385                  | 1,225                  | 830                    |
| Less Non-Cash Cost and 2012 Corporate Admin adjustment (\$/ounce) | 431                            | 445                            | 349                            | 445                    | 350                    | 260                    |
| Cash Operating Costs (\$/ounce)                                   | 638*                           | 1,081*                         | 947                            | 940*                   | 875                    | 570                    |

## ADDITIONAL INFORMATION

Additional information referring to the Company, including the Company's Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.oceanagold.com](http://www.oceanagold.com).

## DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2012. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2012 to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of OceanaGold, including the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting and disclosure controls and procedures as of December 31, 2012.

Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that they were effective at a reasonable assurance level.

There were no significant changes in the Company's internal controls, or in other factors that could significantly affect those controls subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation, nor were there any significant deficiencies or material weaknesses in the Company's internal controls requiring corrective actions.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that its disclosure controls and internal controls over financial reporting will prevent all errors and fraud. A cost effective system of internal controls, no matter how well conceived or operated, can provide only reasonable not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

**NOT FOR DISSEMINATION OR DISTRIBUTION IN THE UNITED STATES OR TO US PERSONS AND NOT FOR DISTRIBUTION TO US NEWSWIRE SERVICE**

\*Refer to page 6 for further details.

## **SECTION C**

### **SHAREHOLDERS INFORMATION**

**(a) Number of holders of equity securities****FULLY PAID ORDINARY SHARES**

- 293,517,918 ordinary shares are held by 7,070 individual shareholders as at 2 April 2013.

Voting rights of members are governed by the Company's Constitution. All fully paid 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                      | 3,245             | 1,445,439          |
| 1,001 - 5,000                  | 2,663             | 6,545,256          |
| 5,001 - 10,000                 | 609               | 4,683,443          |
| 10,001 - 100,000               | 490               | 13,312,276         |
| 100,001 and over               | 63                | 267,531,504        |
| <b>Total number of holders</b> | <b>7,070</b>      | <b>293,517,918</b> |

Number of shareholders holding less than a marketable parcel (of 186 shares) – 851.

**(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 2 April 2013 are:

|                                 |                           |
|---------------------------------|---------------------------|
| <b>Name:</b>                    | <b>FP Ordinary Shares</b> |
| Van Eck Associates Corporations | 23,372,747                |

**(d) Top 20 Shareholders**

The names of the 20 largest holders of fully paid ordinary shares as at 2 April 2013 are listed below:

| Rank                                                    | Name                                                                   | Units              | % of Units   |
|---------------------------------------------------------|------------------------------------------------------------------------|--------------------|--------------|
| 1.                                                      | CANADIAN REGISTER CONTROL                                              | 131,188,705        | 44.37        |
| 2.                                                      | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                              | 27,840,572         | 9.42         |
| 3.                                                      | NATIONAL NOMINEES LIMITED                                              | 24,848,678         | 8.40         |
| 4.                                                      | J P MORGAN NOMINEES AUSTRALIA LIMITED                                  | 20,110,493         | 6.80         |
| 5.                                                      | JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>                 | 11,602,778         | 3.92         |
| 6.                                                      | MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED                         | 7,061,389          | 2.39         |
| 7.                                                      | BNP PARIBAS NOMS PTY LTD <DRP>                                         | 6,654,144          | 2.25         |
| 8.                                                      | CITICORP NOMINEES PTY LIMITED                                          | 6,338,034          | 2.14         |
| 9.                                                      | AMP LIFE LIMITED                                                       | 5,551,346          | 1.88         |
| 10.                                                     | NEW ZEALAND CENTRAL SECURITIES DEPOSITORY LIMITED                      | 5,005,882          | 1.69         |
| 11.                                                     | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA                     | 2,529,610          | 0.86         |
| 12.                                                     | FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR -NOMINEE A/C>                | 2,117,123          | 0.72         |
| 13.                                                     | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C> | 2,026,855          | 0.69         |
| 14.                                                     | CS FOURTH NOMINEES PTY LTD                                             | 1,507,052          | 0.51         |
| 15.                                                     | YANDAL INVESTMENTS PTY LTD                                             | 1,123,653          | 0.38         |
| 16.                                                     | SFB INVESTMENTS PTY LIMITED <SFB SETTLEMENTS A/C>                      | 800,000            | 0.27         |
| 17.                                                     | BOND STREET CUSTODIANS LTD <MACQUARIE SMALLER CO'S A/C>                | 692,131            | 0.23         |
| 18.                                                     | CITICORP NOMINEES PTY LTD <COLONIAL FIRST STATE INV A/C>               | 682,315            | 0.23         |
| 19.                                                     | SUPERLIFE TRUSTEE NOMINEES LIMITED <SL NZ A/C>                         | 630,300            | 0.21         |
| 20.                                                     | BOND STREET CUSTODIANS LTD <MACQUARIE ALPHA OPPORT A/C>                | 597,265            | 0.20         |
| <b>Totals: Top 20 holders of ISSUED CAPITAL GROUP 1</b> |                                                                        | <b>258,908,325</b> | <b>87.56</b> |

## **SECTION D**

### **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 2012 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](http://www.asx.com.au).

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](http://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 also responsible for carrying out periodic performance evaluations of the Board, individual non-executive directors and Board committees. The Committee is further described below.

### **1.2. Structure the Board to add value**

As at 31 December 2012, the Board is comprised of six non-executive directors and an executive director, who provide an appropriate mix of business and specialist skills and qualifications. The Board considers that a diverse range of skills, experience and backgrounds is required on the Board to effectively govern the business. It determines and reviews from time to time the mix of skills and diversity that it looks to achieve in its membership. Having regard to the nature of the Company's business, that mix includes financial, strategic, operational, regulatory and mining engineering, predominantly in precious and base metals.

During the Company's 2012 financial year, the composition of the Board was as follows:

- James E Askew (Chairman and non-executive director);
- J Denham Shale (non-executive director);
- Jose P Leviste, Jr. (non-executive director);
- Jacob Klein (non-executive director);
- William H Myckatyn (non-executive director);
- Geoffrey W Raby (non-executive director); and

- Michael F Wilkes (CEO and managing 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 Box 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.

During the 3 years prior to the date of this document, Mr James Askew assumed interim role of executive Chairman between 8 September 2010 and 17 January 2011. The Board was of the opinion that during this interim period when he acted in an executive capacity, Mr Askew continued to be the most appropriate person to lead the Board as Chairman. Further, the Company is of the opinion that Mr Askew was able to exercise independent judgment to all relevant issues falling within the scope of the role of Chairman and that the Company as a whole benefitted from his long standing experience of its operations and business relationships.

Furthermore, during 2012 and in the lead up to commissioning activities at the Didipio Project, Mr Jose Leviste Jr. provided valuable advisory services to the Philippines subsidiary of the Company and received fees in relation to these services. The total amount of fees paid to Mr Leviste has been disclosed in section 5 of the Management Information Circular. That amount represents less than 5% of the Company's total spend, but may represent more than 5% of the total fees that Mr Leviste receive in the provision of professional services.

With the exception of Messrs Askew, Leviste and Wilkes (who is the CEO and Managing Director), the Board was of the view that during 2012, all other directors were independent in the manner contemplated by the Board Charter and the Principles. Accordingly, during the Company's 2012 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 in section 2 of the Management Information Circular and available on the Company's website.

### ***Term of appointment of non-executive directors***

In accordance with the current Articles of the Company, the directors of the Company shall be elected and 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 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.

The TSX has recently adopted new rules relating to the election of directors. TSX listed companies are now required to hold annual elections for all directors, as opposed to overlapping, multi-year terms (which is currently provided for in section 14.1 and 14.12 of the Company's current Articles). Annual elections are seen as being an essential part of best practices corporate governance, permitting shareholders the opportunity to evaluate the performance of board members on an annual basis. Accordingly, the Company is proposing an amendment to its Articles to provide for annual elections of all directors. Please see section 7 of the Management Information Circular for more information.

### ***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 2012 comprised:

- J D Shale (Chairman);
- J Klein; and
- G W Raby.

The Audit Committee consisted of independent non-executive directors at all times during 2012.

The Board considers that the skills, experience and independence of the current Audit Committee members (as set out in the Management Information Circular) 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 least 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. During the Company's 2012 financial year, the Remuneration and Nomination Committee conducted reviews of performance, remuneration and skills and competencies of senior executives, individual directors, Board committees and the Board as a whole and made recommendations in accordance with the process set out below and in accordance with its Charter.

At the beginning of each year, performance objectives in the form of key performance indicators ("KPIs") are set for the management for the ensuing year. These KPIs are periodically assessed throughout the year and then formally reviewed at the

end of the year. Short term incentives and adjustments to annual remuneration are then awarded based on individual performance against KPIs as well as the overall financial performance of the company.

The members of the Remuneration and Nomination Committee during 2012 comprised:

- J Klein (Chairman);
- J E Askew;
- W H Myckatyn.

The Remuneration and Nomination Committee had three members at all times in 2012.

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 2012, members of the Sustainability Committee are:

- J E Askew (Chairman);
- J D Shale;
- J P Leviste, Jr.; and
- W H Myckatyn.

Each Committee contained a majority of independent non-executive directors 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 below:

|                 | Board of Directors |                 | Audit and Risk Committee |                 | Remuneration and Nomination Committee |                 | Sustainability Committee |                 |
|-----------------|--------------------|-----------------|--------------------------|-----------------|---------------------------------------|-----------------|--------------------------|-----------------|
| Director        | Number Held        | Number Attended | Number Held              | Number Attended | Number Held                           | Number Attended | Number Held              | Number Attended |
| J E Askew       | 7                  | 6               | -                        | Non-member      | 2                                     | 2               | 3                        | 3               |
| J D Shale       | 7                  | 7               | 4                        | 4               | -                                     | Non-member      | 3                        | 3               |
| J P Leviste Jr. | 7                  | 7               | -                        | Non-member      | -                                     | Non-member      | 3                        | 3               |
| J Klein         | 7                  | 6               | 4                        | 3               | 2                                     | 1               | -                        | Non-member      |
| W H Myckatyn    | 7                  | 6               | -                        | Non-member      | 2                                     | 2               | 3                        | 3               |
| M F Wilkes      | 7                  | 7               | -                        | Non-member      | -                                     | Non-member      | -                        | Non-member      |
| G W Raby        | 7                  | 6               | 4                        | 3               | -                                     | Non-member      | -                        | Non-member      |

### **1.3. Remuneration of directors and senior executives**

#### ***Senior executives***

The total direct compensation for the Company's executive officers comprises both a fixed component and an at-risk component. The at-risk component is composed of short-term and long-term incentives and does not provide for an executive pension plan. The compensation program aims to ensure total remuneration is competitive by market standards and links rewards with the short-term and long-term strategic goals and performance of the Company.

Currently, the Company's compensation package for its "Named Executive Officers" or "NEOs" (as defined in the Management Information Circular) consists of base salary, bonuses and the granting of performance rights under the Company's Performance Rights Plan.

Executive compensation is linked to the performance of the Company and the individual, with the goal of ensuring that the total compensation is at a level that ensures the Company is capable of attracting, motivating and retaining individuals with exceptional executive skills.

#### ***Non-executive directors***

The total direct compensation for the Company's non-executive Directors comprises both a fixed component and a once-off commencement grant of Performance Rights under the Performance Rights Plan.

The Company does not have any retirement benefit schemes in operation or any accrued retirement benefits in favour of any of the non-executive directors.

Further details regarding the remuneration of senior executives and non-executive directors can be found in the Management Information Circular in sections 3 and 5.

#### **1.4. 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.

#### **1.5. 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.

#### **1.6. 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.

#### **1.7. 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 and Policy, available on the Company's website.

#### **1.8. 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. Management has reported to the Board as to its assessment of 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.

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. The Board has received confirmation in writing from the CEO and Chief Financial Officer in connection with the Company's financial statements for the year ended 31 December 2012. The confirmation provided by the CEO and Chief Financial Officer as to the integrity of the financial statements was founded on a sound system of risk management and internal control and that system was operating effectively in all material respects in relation to financial reporting risks. Further, the management monitors material business risks and assesses internal control continually throughout the year. It reports to the Audit and Financial Risk Management Committee on a quarterly basis and the Committee in turn reports on key issues to the Board on regular basis.

Further, the Company is fully committed to conducting business in an ethical and honest manner, and intends to comply with bribery and corruption laws in all of the jurisdictions in which it operates. Accordingly, the Company is currently in the process of adopting a corporate anti-bribery and anti-corruption policy.

#### **1.9. 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 Information 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.

#### **1.10. Diversity**

The Company is committed to building a flexible and diverse organisation, providing opportunities and workplace arrangements that accommodate the needs of individuals from varied backgrounds. The Company will continue to respect the unique characteristics of its employees and the diverse experiences that every individual brings to the workplace.

During 2012, the Company continues to employ a diverse workforce across its operations. As at the date of this document, 24% of management positions in the Philippines and 13% of management positions in New Zealand are occupied by women. Over 13% of the full time workforce in New Zealand is female, however this is largely due to mining related roles being historically held by males. In the Philippines, 28% of full time employees are female. Over 55% of roles in the corporate head office in Melbourne are held by women. The Company is fully committed to develop high potential women within the organisation and in this regard, has recently appointed a female Company Secretary who has also become a member of the Executive Committee. Overall, more than 17% of the Company's full time employees are female, and 15% of management roles are held by women.

The Board examines its size and diversity annually to determine whether the number of directors is appropriate. The Board is satisfied that its current number of directors is appropriate, providing a diversity of views and experience while maintaining efficiency. The Board believes that the composition of the Board fairly represents the interests of Shareholders.

In accordance with Recommendation 3.2 of the ASX Corporate Governance Principles and Recommendations ("The Principles"), the Company has implemented a Diversity Policy to reflect its ongoing efforts and commitment to maintaining and developing a diverse workforce. In order to transform its diversity goals into achievable outcomes, management of the Company has drafted measurable objectives for the Remuneration Committee's consideration, and expects to release them in the coming months. These objectives will complement policies already in place which facilitate the maintenance and development of a diverse workforce. The Diversity Policy is available on the Company's website under 'Governance'.

The Company remains committed to the provision of flexible working arrangements for staff members who have domestic or other responsibilities, as well as the promotion of an inclusive and supportive workplace culture. Furthermore, the Company seeks to provide training and development opportunities to staff across the Company's various locations, ensuring that all employees are given fair and equal access to all employment opportunities.

#### **1.11. Additional information**

In addition to the above and 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.

### **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 NZX 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](http://www.tsx.com).

As required by the NZSX/NZDX Listing Rules, the Company discloses that:

- the rules set out in Appendix 17 of the NZX Listing Rules do not apply to the Company as it is a “Dual Listed Issuer” (as defined in the NZSX/NZDX Listing Rules); and
- on 3 June 2011, the Company was granted waivers from NZSX/NZDX Listing Rules 1.6.1, 5.1.6(b), 5.1.7(b) and 10.10.4.



# OCEANAGOLD CORPORATION

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## Company Secretary

Liang Tang

## Auditors

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## Stock Exchanges

### Canada

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Toronto, Ontario M5X 1J2  
Canada

Ticker symbol: OGC

### Australia

Australian Stock Exchange Limited  
Level 4, North Tower, Rialto  
525 Collins Street, Melbourne  
Victoria, 3000  
Australia

Ticker symbol: OGC

### New Zealand

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Ticker symbol: OGC

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