



OCEANAGOLD CORPORATION

FINANCIAL REPORT
DECEMBER 31, 2013

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The financial statements were authorised for issue by the directors on February 20, 2014. 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 20, 2014



J. Denham Shale
Director
Melbourne, Australia
February 20, 2014



To the Shareholders of OceanaGold Corporation

We have audited the accompanying consolidated financial statements of OceanaGold Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at 31 December 2013 and 31 December 2012 and the consolidated statements of comprehensive income, statements of changes in equity and statements of 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 control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

We believe that the audit evidence we have obtained in our 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 31 December 2013 and 31 December 2012 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers
Chartered Accountants

February 20, 2014
Melbourne

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

<i>(in United States dollars)</i>	<i>Notes</i>	<i>2013</i> \$'000	<i>2012</i> \$'000
ASSETS			
Current assets			
Cash and cash equivalents		24 788	96 502
Trade and other receivables	8	27 665	15 209
Derivatives and other financial assets	9	7 783	4 404
Inventories	10	85 188	65 866
Prepayments		5 764	3 797
Total current assets		151 188	185 778
Non-current assets			
Trade and other receivables	8	44 501	17 961
Derivatives and other financial assets	9	3 004	6 328
Inventories	10	95 753	49 176
Deferred tax assets	6	5 506	5 268
Property, plant and equipment	11	312 414	159 657
Mining assets	12	284 460	607 488
Total non-current assets		745 638	845 878
TOTAL ASSETS		896 826	1 031 656
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables		55 993	62 119
Employee benefits	22	6 068	6 971
Derivatives and other financial liabilities	15	-	151
Interest-bearing loans and borrowings	16	67 417	130 172
Total current liabilities		129 478	199 413
Non-current liabilities			
Other obligations		1 965	2 301
Employee benefits	22	1 243	504
Deferred tax liabilities	6	9 565	52 132
Interest-bearing loans and borrowings	16	126 525	136 694
Asset retirement obligations	14	36 320	30 752
Total non-current liabilities		175 618	222 383
TOTAL LIABILITIES		305 096	421 796
SHAREHOLDERS' EQUITY			
Share Capital	17	647 333	636 189
Accumulated losses		(143 911)	(96 054)
Contributed surplus	18	40 332	38 418
Other reserves	19	47 976	31 307
TOTAL SHAREHOLDERS' EQUITY		591 730	609 860
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		896 826	1 031 656

On behalf of the Board of Directors:



James E. Askew
Director
February 20, 2014



J. Denham Shale
Director
February 20, 2014

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>	Notes	2013 \$'000	2012 \$'000
Revenue	4	553 612	385 448
Cost of sales, excluding depreciation and amortization	5	(260 651)	(226 039)
Depreciation and amortization		(129 315)	(91 376)
General and administration expenses		(28 423)	(14 911)
Operating profit		135 223	53 122
Other expenses			
Interest expense and finance costs		(27 416)	(24 145)
Foreign exchange gain/(loss)		1 267	(961)
Gain/(loss) on disposal of property, plant and equipment		(2 663)	(552)
Total Other expenses		(28 812)	(25 658)
Gain/(loss) on fair value of undesignated hedges		(2 083)	503
Interest income		438	2 635
Other income/(expense)		(782)	1 647
Impairment charge	13	(193 300)	-
Profit/(loss) before income tax		(89 316)	32 249
Income tax benefit/(expense)	6	41 459	(11 577)
Net Profit/(Loss)		(47 857)	20 672
Other comprehensive income, net of tax:			
Items that may be reclassified to profit or loss:			
Net change in fair value of available-for-sale assets		17	(836)
Currency translation gain/(loss)		16 652	18 116
Total other comprehensive income (net of tax)		16 669	17 280
Comprehensive income/(loss) attributable to shareholders		(31 188)	37 952
Net earnings/(loss) per share:			
- basic and diluted	7	(\$0.16)	\$0.08

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

<i>(in United States dollars)</i>	Share Capital \$'000	Contributed Surplus \$'000	Other Reserves \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at January 1, 2013	636 189	38 418	31 307	(96 054)	609 860
Comprehensive income/(loss) for the period	-	-	16 669	(47 857)	(31 188)
Employee share options:					
Share based payments	-	2 554	-	-	2 554
Forfeiture of options	-	(458)	-	-	(458)
Exercise of options	211	(182)	-	-	29
Issue of shares (net of costs)	10 933	-	-	-	10 933
Balance at December 31, 2013	647 333	40 332	47 976	(143 911)	591 730
Balance at January 1, 2012	543 988	36 951	14 027	(116 726)	478 240
Comprehensive income/(loss) for the period	-	-	17 280	20 672	37 952
Employee share options:					
Share based payments	-	2 935	-	-	2 935
Forfeiture of options	-	(277)	-	-	(277)
Exercise of options	1 860	(1 191)	-	-	669
Issue of shares (net of costs)	90 341	-	-	-	90 341
Balance at December 31, 2012	636 189	38 418	31 307	(96 054)	609 860

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>	2013	2012
	\$'000	\$'000
Operating activities		
Net profit/(loss)	(47 857)	20 672
<i>Charges/(credits) not affecting cash</i>		
Depreciation and amortization expense	129 315	91 376
Net (gain)/loss on disposal of property, plant & equipment	2 663	552
Other expense – reclassification of available for sale reserve	911	-
Non-cash interest charges	6 774	5 527
Accrued interest income	-	(25)
Unrealized foreign exchange (gains)/losses	(1 267)	961
Stock based compensation charge	2 097	2 658
Gain/(loss) on fair value of undesignated hedges	2 083	(503)
Non-cash transaction costs	5 415	451
Impairment charge	193 300	-
Future tax expense/(benefit)	(41 459)	11 577
<i>Changes in non-cash working capital</i>		
(Increase)/decrease in trade and other receivables	(30 726)	(25 485)
(Increase)/decrease in inventory	(44 268)	(5 510)
(Decrease)/increase in accounts payable	(15 096)	9 759
(Decrease)/increase in other working capital	(2 456)	3 243
Net cash provided by/(used in) operating activities	159 429	115 253
Investing activities		
Payment for investments	-	(4 286)
Payment for acquisition of subsidiary, net of cash acquired (note 27(b))	181	-
Proceeds from sale of property, plant and equipment	1 024	4
Payments for property, plant and equipment	(17 809)	(20 990)
Payments for mining assets: exploration and evaluation	(4 442)	(7 992)
Payments for mining assets: development	(57 607)	(182 010)
Payments for mining assets: in production	(80 159)	(79 274)
Net cash used in investing activities	(158 812)	(294 548)
Financing activities		
Proceeds from issue of shares	26	95 426
Payment of transaction costs/fees for loans	-	(6 749)
Payments for equity raising costs	(414)	(4 415)
Repayment of finance lease liabilities	(19 014)	(17 325)
Settlement of derivatives	(10 846)	12
Repayments of borrowings and convertible notes	(168 936)	(61 352)
Proceeds from borrowings	115 994	103 322
Net cash (used in)/provided by financing activities	(83 190)	108 919
Effect of exchange rate changes on cash held in foreign currencies gain/(loss)	10 859	(3 111)
Net increase/(decrease) in cash and cash equivalents	(71 714)	(73 487)
Cash and cash equivalents at beginning of period	96 502	169 989
Cash and cash equivalents at end of period	24 788	96 502
Cash interest paid	(20 373)	(17 090)
Cash interest received	438	2 610

Non-Cash Investing and Financing Activities – refer Note 29

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 December 31, 2013, 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 Reefion in New Zealand. The Group also operates an open cut Gold-Copper mine at Didipio in the Philippines, which commenced commercial production on April 1, 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

The Group have amended certain accounting policies to take into account the accounting standards which became effective during the year. There were no changes to any of the carrying amounts in the financial statements.

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

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.

Concentrate sales

Pre-commencement of commercial production

Sales of concentrate during the commissioning phase are treated as pre-production income; as a credit to capitalized mine development costs (refer to note 3vii).

Post-commencement of commercial production

The Group recognizes the sale of gold, copper concentrate and silver when the significant risks and rewards of ownership transfer to the buyer. Sales prices are provisionally set on a specified future date based on market prices. Revenue is recorded under these contracts using forward market gold, copper and silver prices on the expected date that the final sales prices will be fixed based on an agreed quotational period. Variations between the price recorded and the actual final price set are caused by changes in market prices and result in an embedded derivative in accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs. The changes in fair value of this embedded derivative are classified as provisional price adjustments and included in revenue in the statement of comprehensive income. Changes in the fair value over the quotational period and up until final settlement are estimated by reference to forward market prices.

Interest Income

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

Non current assets are reviewed for impairment if there is an indication that the carrying amount may not be recoverable. Impairment is assessed at the level of cash-generating units which, in accordance with IAS 36 'Impairment of Assets', are identified as the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from other assets.

When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of value in use (being the net present value of expected future cash flows of the relevant cash-generating unit in its current condition) and fair value less costs to sell ("FVLCS"). The best evidence of FVLCS is the value obtained from an active market or binding sale agreement. Where neither exists, FVLCS is based on the best information available to reflect the amount the Group could receive for the cash generating unit in an arm's length transaction. This is often estimated using discounted cash flow techniques.

Where recoverable amount is assessed using FVLCS based on discounted cash flow techniques, the resulting estimates are based on detailed "life of mine" and/or production plans. For value in use, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business and which meet the requirements of IAS 36.

The cash flow forecasts for FVLCS purposes are based on management's best estimates of expected future revenues and costs, including the future cash costs of production, capital expenditure, closure, restoration and environmental clean-up. For the purposes of determining FVLCS from a market participant's perspective, the cash flows incorporate management's price and cost assumptions in the short and long term. In the longer term, operating margins are assumed to remain constant where appropriate, as it is considered unlikely that a market participant would prepare detailed forecasts over a longer term period. The cash flow forecasts may include net cash flows expected to be realised from extraction, processing and sale of mineral resources that do not currently qualify for inclusion in proven or probable ore reserves. Such non-reserve material is only included where there is a reasonable degree of confidence in its economic extraction. This expectation is usually based on preliminary drilling and sampling of areas of mineralisation that are contiguous with existing reserves. Typically, the additional evaluation to achieve reserve status for such material has not yet been done because this would involve incurring costs earlier than is required for the efficient planning and operation of the mine.

As noted above, cost levels incorporated in the cash flow forecasts for fair value purposes are based on the current life-of-mine plan or long term production plan for the cash-generating unit. Because future cash flows are estimates for the asset in its current condition, value in use does not reflect future cash flows associated with improving or enhancing an asset's performance. Anticipated enhancements to assets may be included in FVLCS calculations.

Where the recoverable amount of a cash-generating unit is dependent on the life of its associated orebody, expected future cash flows reflect long term mine plans, which are based on detailed research, analysis and iterative modelling to optimise the level of return from investment, output and sequence of extraction. The mine plan takes account of all relevant characteristics of the orebody, including waste to ore ratios, ore grades, haul distances, chemical and metallurgical properties of the ore impacting on process recoveries and capacities of processing equipment that can be used. The life-of-mine plan is therefore the basis for forecasting production output and production costs in each future year.

The discount rates applied to the future cash flow forecasts represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. The Group's weighted average cost of capital is used as a starting point for determining the discount rates, with appropriate adjustments for the risk profile of the countries in which the individual cash-generating units operate as well as the stage of development of the cash generating unit.

For operations with a functional currency other than the US dollar, the impairment review is undertaken in the relevant functional currency. The great majority of the Group's sales are based on prices denominated in US dollars. To the extent that the currencies of countries in which the Group produces commodities strengthen against the US dollar without commodity price offset, cash flows and, therefore, net present values are reduced.

IAS 36 requires that value in use be based on exchange rates current at the time of the assessment.

Non-current assets other than goodwill that have suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

When control of a subsidiary is acquired in stages, its carrying value prior to the acquisition of control is compared with the fair value of the identifiable net assets at that date. If fair value is greater than/less than carrying value, the gain/loss is recorded in the consolidated statement of income.

Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

Joint operations

The Group recognises its direct right to the, and its share of jointly held assets, liabilities, revenues and expenses of joint operations.

Joint ventures

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary, to ensure consistency with the policies adopted by the Group.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 are included in Note 3.

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.

Inventories

Bullion and Ore and Concentrate

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 and health and safety expenses. Ore inventory that is not expected to be processed within one year is classified as non-current.

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 and health and safety expenses.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Mining assets

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 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.

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset Retirement and Environmental Rehabilitation

Asset retirement and environmental rehabilitation provisions include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. The provision is 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 such amount does not exceed the recoverable amount of the asset. Any amount in excess of the recoverable 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.

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 statement of comprehensive income.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Wages, Salaries and Annual Leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognized in Other Payables and Employee Benefits 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 and other designated persons) in the form of stock based compensation transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

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 appropriate pricing model as per Note 21.

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.

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 is 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 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.

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.

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.

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)

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.

Deferred stripping

Stripping costs 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 representing better access to the ore body that will be produced in future periods that would not have been accessible without the stripping activity. When charges are capitalised, the charges are amortized over the component 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.

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 who makes strategic decisions.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The following accounting policies are effective for future periods:

IFRS 9 – Financial instruments

This standard will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two classification categories: amortized cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A 'simple' debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other financial assets, including investments in complex debt instruments and equity investments must be measured at fair value.

All fair value movements on financial assets must be recognised in profit or loss except for equity investments that are not held for trading (short-term profit taking), which may be recorded in other comprehensive income (FVOCI). However, in December 2012, the IASB proposed limited amendments which would introduce a FVOCI category for certain eligible debt instruments.

For financial liabilities that are measured under the fair value option, entities will need to recognise the part of the fair value change that is due to changes in the entity's own credit risk in other comprehensive income rather than profit or loss.

New hedging rules will also be included in the standard. These will make testing for hedge effectiveness easier which means that more hedges are likely to be eligible for hedge accounting. The new rules will also allow more items to be hedged and relax the rules on using purchased options and non-derivative financial instruments as hedging 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 39 – Financial instruments

Amended to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty ("CCP") meets specified criteria.

This amendment is effective for years beginning on/after January 1, 2014. Since the Group has not novated any hedging contracts in the current or prior periods, applying the amendments will not affect any of the amounts recognised in the financial statements.

IAS 36 – Impairment of assets

The IASB has made small changes to some of the disclosures that are required under IASB 136 Impairment of Assets.

This amendments is effective for years beginning on/after January 1, 2014. These may result in additional disclosures if the group recognises an impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements. The group intends to apply the amendment from 1 January 2014.

IFRIC 21 – Levies

The standard sets out the accounting for an obligation to pay a levy imposed by a government in accordance with legislation. It clarifies that a liability must be recognised when the obligating event occurs, being the event that triggers the obligation to pay the levy.

This standard is effective for years beginning on/after January 1, 2014. The impact of this new standard is immaterial to the company.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 2 – Share-based payment

The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

This standard is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. The Group has not assessed the impact of this amendment.

IFRS 3 – Business combinations

The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation'. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Consequential changes are also made to IFRS 9, IAS 37 and IAS 39.

The amendment is effective for business combinations where the acquisition date is on or after 1 July 2014. The Group will apply the standard accordingly.

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 (Note 12) 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 (Note 12) 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) Impairment of assets

The Group assesses each Cash-Generating Unit (CGU), at least annually, to determine whether there is any indication of impairment or reversal. Where an indicator of impairment or reversal exists, a formal estimate of the recoverable amount is made, which is deemed as being the higher of the fair value less costs to sell and value in use calculated in accordance with accounting policy Note 2. These assessments require the use of estimates and assumptions such as discount rates, exchange rates, commodity prices, future operating development and sustaining capital requirements and operating performance (including the magnitude and timing of related cash flows).

An impairment charge of \$193.3million was recognized for the full year, with \$85.5million recognised during the quarter ended June 30, 2013 and \$107.8million during the quarter ended December 31, 2013. Further details are as per Note 13 below.

3 CRITICAL ESTIMATES AND JUDGEMENTS (continued)

(iii) Net realizable value of inventories

The Group reviews the carrying value of its inventories (Note 10) 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.

(iv) 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 and 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.

(v) 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.

(vi) Taxation

The Group's accounting policy for taxation requires management's 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.

Moreover, in certain jurisdictions, tax losses may be restricted and only available to offset future profits generated from the same mining permit area. In this case, the recovery of the losses depends on the successful exploitation of the relevant project. Restricted losses could be forfeited if the project did not proceed. Most of the losses carried forward are unrestricted.

(vii) Didipio commencement of commercial production

The Group assessed the Didipio mine progress to determine when the mine moved into the commercial production stage. The criteria used to assess the start date were determined based on the unique nature of the mine including its complexity and location. The Group considered various relevant criteria to assess when the mine was substantially complete and ready for its intended use and had moved into the production stage. The major criteria considered included, but were not limited to, the following: (1) all major capital expenditures to bring the mine to name plate capacity had been completed; (2) at least 5,000 tonnes of concentrate had been produced that met specifications; (3)

3 CRITICAL ESTIMATES AND JUDGEMENTS (continued)

the process plant, power plant and other facilities had been transferred to the control of the operations team from the commissioning team; (4) the mine or mill had reached 80 percent of design capacity; (5) gold and copper recoveries were at or near expected levels; (6) the open pit mine had the ability to sustain ongoing production of ore at the required cutoff grade; and (7) costs were under control or within expectations. In line with the above, the commencement of commercial production was determined to be April 1, 2013. Upon commencement of commercial production stage, the capitalization of certain mine construction and operation costs ceased and costs have been either attributed to inventory or expensed in the period in which they are incurred, except for capitalized costs related to property, plant and equipment additions or improvements, open pit stripping activities that provide a future economic benefit, and exploration and evaluation expenditure that meets the criteria for capitalization. At this point depreciation and amortization of previously capitalized costs also commenced.

(viii) Non-Controlling Interest

A third party has a contractual right to an 8% free carried interest in the operating vehicle that is formed to undertake the management, development, mining and processing of ore, and marketing of products as part of the Didipio mine in the Philippines. This free carried interest in the common share capital of the operating vehicle has similar voting and dividend rights to the remaining majority, subject to the operating vehicle having fully recovered its pre-operating costs. A subsidiary of the Company is currently involved in arbitration proceedings with the third party over certain payment claims.

At the same time, the third party is also involved in a legal dispute with another party over the ownership of the free carried interest. At December 31, 2013 no such equity has been issued to any third party due to the uncertainty. Consequently, no non-controlling interest has been recognised. A non-controlling interest is intended to be recognized after the issue of shares and after the full recovery of pre-operating expenses.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2013**

4 REVENUE

	<i>December 31 2013 \$'000</i>	<i>December 31 2012 \$'000</i>
Gold sales		
Spot market sales	363 830	385 448
Concentrate sales	58 212	-
	<hr/> 422 042	<hr/> 385 448
Copper sales		
Concentrate sales	157 223	-
Silver sales		
Concentrate sales	4 436	-
	<hr/> 583 701	<hr/> 385 448
Less concentrate treatment, refining and selling costs	(13 554)	-
Less concentrate sales capitalized (Note 3(vii))	(16 535)	-
Total Revenue	<hr/> 553 612	<hr/> 385 448

Provisional Sales

We have provisionally priced copper concentrate sales for which price finalization subject to quotational periods is outstanding at the reporting date. For the period ended December 31, 2013, our provisionally priced copper concentrate sales included a provisional pricing loss of \$0.8 million (2012: nil).

At December 31, 2013, our provisionally priced copper and gold sales subject to final settlement were recorded at average prices of \$7,203/t and \$1,207/oz, respectively.

5 COST OF SALES BY NATURE OF EXPENSES

	<i>December 31 2013 \$'000</i>	<i>December 31 2012 \$'000</i>
Cost of sales consists of:		
Materials and consumables costs	177 434	138 967
Employee benefits expenses	64 401	63 252
Other direct costs	18 816	23 820
	<hr/> 260 651	<hr/> 226 039

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2013**

6 INCOME TAX

Major components of income tax expense:

	<i>December 31</i>	<i>December 31</i>
	<i>2013</i>	<i>2012</i>
	<i>\$'000</i>	<i>\$'000</i>
Statement of operations		
<i>Current income tax</i>		
Income tax expense relating to tax losses utilized	19 266	1 618
<i>Deferred income tax</i>		
Origination and reversal of temporary differences	(62 353)	10 102
Adjustments in respect of deferred income tax of previous years	1 628	(143)
Income tax (benefit)/ expense reported in statement of comprehensive income	<u>(41 459)</u>	<u>11 577</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/(loss) before tax from continuing operations	<u>(89 316)</u>	<u>32 249</u>
At the statutory income tax rate of 25% (2012: 25%)	(22 329)	8 062
Adjustments in respect of income tax of previous years	1 628	(143)
Expenditure/income not allowable/(assessable) for income tax purposes	(3 747)	1 559
Tax losses not recognized	1 013	1 402
Effect of differing tax rates between Canada, Australia, New Zealand and Philippines	(18 024)	697
Income tax expense/(benefit) reported in the statement of comprehensive income	<u>(41 459)</u>	<u>11 577</u>

The statutory income tax rates in Australia and New Zealand are respectively 30% and 28% (2012: 30% and 28%). In Philippines, the company is currently in a tax incentive period.

<i>December 31</i>	<i>December 31</i>
<i>2013</i>	<i>2012</i>
<i>\$'000</i>	<i>\$'000</i>

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	37 011	56 277
Provisions	12 210	9 341
Other	(1 624)	-
Gross deferred tax assets	<u>47 597</u>	<u>65 618</u>
Set-off deferred tax liabilities	(42 091)	(60 350)
Net non-current deferred tax assets	<u>5 506</u>	<u>5 268</u>
<i>Deferred tax liabilities</i>		
Mining assets	(16 365)	(63 123)
Property, plant and equipment	(35 291)	(44 234)
Inventory	-	(2 077)
Interest receivable	-	(50)
Accrued revenue	-	(1 996)
Convertible notes	-	(1 002)
Gross deferred tax liabilities	<u>(51 656)</u>	<u>(112 482)</u>
Set-off deferred tax assets	42 091	60 350
Net non-current deferred tax liabilities	<u>(9 565)</u>	<u>(52 132)</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 \$71.6 m (2012: \$59.4m). 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 (2012: nil) were utilized which were not previously recognized as a deferred tax asset.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2013**

7 EARNINGS PER SHARE

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

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

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

	<i>December 31</i> 2013 \$'000	<i>December 31</i> 2012 \$'000
<i>Numerator:</i>		
Net income/(loss) attributable to equity holders from continuing operations (used in calculation of basic and diluted earnings per share)	(47 857)	20 672
Interest on convertible notes	-	8 048
Net income/(loss) attributable to equity holders from continuing operations (used in calculation of diluted earnings per share)	(47 857)	28 720
	<i>Thousands</i>	<i>Thousands</i>
<i>Denominator:</i>		
Weighted average number of common shares (used in calculation of basic earnings per share)	294 187	263 964
Effect of dilution:		
Share options	4 721	3 863
Convertible notes	-	28 423
Adjusted weighted average number of common shares (used in calculation of diluted earnings per share)	298 908	296 250
Net earnings/(loss) per share:		
- basic and diluted	(\$0.16)	\$0.08

For the years ended December 31, 2012 and 2013, the conversion of employee share options and convertible notes was anti-dilutive as they increased earnings per share.

8 TRADE AND OTHER RECEIVABLES

	<i>December 31</i> 2013 \$'000	<i>December 31</i> 2012 \$'000
Current		
Trade receivables	21 642	10 207
Interest receivable	-	25
Other receivables	6 023	4 977
	27 665	15 209
Non-Current		
Other receivables	44 501	17 961
	44 501	17 961

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 2013**

9 DERIVATIVES AND OTHER FINANCIAL ASSETS

	<i>December 31</i>	<i>December 31</i>
	<i>2013</i>	<i>2012</i>
	<i>\$'000</i>	<i>\$'000</i>
Current		
Forward rate agreements ¹	-	552
Gold put/call options ²	7 501	89
Other assets ³	282	3 763
	7 783	4 404
Non-Current		
Other Assets ³	52	1 985
Available-for-sale financial assets ⁴	333	4 343
Gold put/call options ²	2 619	-
	3 004	6 328
	10 787	10 732

1. Represents forward rate agreements to sell specified amounts of US\$ at specified amounts of A\$ which expired on December 16, 2013. The purpose of these agreements was to eliminate foreign exchange risk to ensure that US\$ bank facility drawdowns would be sufficient to repay the A\$ convertible notes that fell due during the period.
2. Represents a series of bought gold put options with a strike price of NZ\$1,600 per ounce and a series of sold gold call options with a strike price of NZ\$1,787 per ounce expiring June 2015 for 84,690 ounces of gold remaining outstanding at December 31, 2013. (2012: Represented a series of gold put options concluded June 26, 2013 with a strike price of US\$1,400 per ounce for 55,332 ounces of gold that were 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.

10 INVENTORIES

	<i>December 31</i>	<i>December 31</i>
	<i>2013</i>	<i>2012</i>
	<i>\$'000</i>	<i>\$'000</i>
Current		
Gold in circuit	14 675	11 911
Ore – at cost	28 415	21 832
Gold on hand	667	-
Gold and copper concentrate	7 265	-
Maintenance stores	34 166	32 123
	85 188	65 866
Non-Current		
Ore – at cost	49 814	48 729
Ore – at net realizable value	45 939	447
	95 753	49 176
Total inventories	180 941	115 042

During the year, ore inventories were written down by \$17.6m (2012:\$0.8m reversal of write-down).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2013**

11 PROPERTY, PLANT AND EQUIPMENT

	Year ended December 31, 2013				
	Land	Buildings	Plant and equipment	Rehabilitation	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Net book value					
At January 1, 2013:					
Cost	15 562	9 368	357 497	23 985	406 412
Accumulated depreciation	-	(4 639)	(233 304)	(8 812)	(246 755)
January 1, 2013	15 562	4 729	124 193	15 173	159 657
Movement for the year:					
Additions	9	1 248	26 635	5 453	33 345
Additions through acquisition of entity	-	-	13	-	13
Transfers	-	22 710	169 160	-	191 870
Disposals/write-off	(3 059)	-	(934)	(350)	(4 343)
Impairment charge	-	-	(15 809)	-	(15 809)
Depreciation for the year	-	(1 698)	(46 306)	(2 904)	(50 908)
Exchange differences	(59)	(32)	(1 271)	(49)	(1 411)
At December 31, 2013	12 453	26 957	255 681	17 323	312 414
At December 31, 2013:					
Cost	12 453	31 728	542 949	29 106	616 236
Accumulated depreciation	-	(4 771)	(287 268)	(11 783)	(303 822)
	12 453	26 957	255 681	17 323	312 414

	Year ended December 31, 2012				
	Land	Buildings	Plant and equipment	Rehabilitation	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Net book value					
At January 1, 2012:					
Cost	9 714	8 349	314 031	19 208	351 302
Accumulated depreciation	-	(3 962)	(191 381)	(6 766)	(202 109)
January 1, 2012	9 714	4 387	122 650	12 442	149 193
Movement for the year:					
Additions	5 014	471	24 581	3 646	33 712
Additions through acquisition of entity	-	-	-	-	-
Transfers	-	-	-	-	-
Disposals/write-off	-	-	(159)	(231)	(390)
Depreciation for the year	-	(420)	(30 434)	(1 613)	(32 467)
Impairment charge	-	-	-	-	-
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

Plant and equipment includes assets under capital lease net of accumulated depreciation of \$45.8m (2012: \$59.4m). The assets under capital leases are pledged as security for capital lease liabilities.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2013**

12 MINING ASSETS

	Year ended December 31, 2013			
	Exploration and evaluation phase \$'000	Development phase \$'000	In production \$'000	Total \$'000
Net book value				
At January 1, 2013:				
Cost	21 051	373 565	578 400	973 016
Accumulated amortization	-	-	(365 528)	(365 528)
At January 1, 2013	21 051	373 565	212 872	607 488
Movement for the period:				
Additions	4 441	44 502	93 879	142 822
Addition through acquisitions of entity	17 654	-	-	17 654
Transfers	-	(327 636)	141 300	(186 336)
Capitalized revenue	-	(16 535)	-	(16 535)
Disposals/Write-off	-	(2 205)	-	(2 205)
Impairment charge	-	-	(160 094)	(160 094)
Amortization for the period	-	-	(112 530)	(112 530)
Exchange differences	(288)	13	(5 529)	(5 804)
At December 31, 2013	42 858	71 704	169 898	284 460
At December 31, 2013:				
Cost	42 858	71 704	727 906	842 468
Accumulated amortization	-	-	(558 008)	(558 008)
	42 858	71 704	169 898	284 460
	Year ended December 31, 2012			
	Exploration and evaluation phase \$'000	Development phase \$'000	In production \$'000	Total \$'000
Net book value				
At January 1, 2012:				
Cost	13 406	182 962	465 307	661 675
Accumulated amortization	-	-	(281 898)	(281 898)
January 1, 2012	13 406	182 962	183 409	379 777
Movement for the year:				
Additions	7 992	190 537	83 063	281 592
Addition through acquisitions of entity	-	-	-	-
Transfers	-	-	-	-
Capitalized revenue	-	-	-	-
Disposals/write-offs	(946)	-	(306)	(1 252)
Impairment charge	-	-	-	-
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

Borrowing costs

There are no borrowing costs capitalized into the cost of assets held on the statement of financial position at December 31, 2013 (2012: 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 2013**

13 IMPAIRMENT OF ASSETS

Impairments testing

Non-current assets are tested for impairment when events or changes in circumstances suggest that the carrying amount may not be fully recoverable. At December 31, 2013, the Group identified two potential indicators of impairment. Firstly, the company's market capitalization was below the carrying value of net assets during the previous six months. Secondly, market prices of gold remained subdued resulting in a decision to initiate a two year reduction in the previously announced mine life at Macraes. In the second quarter, Reefton mine life had been reduced, which resulted in impairment.

The Group has two cash generating units (CGUs), New Zealand and Philippines. It is to be noted that the Philippines CGU is a low cost gold-copper mine still in its first year of operations with another 15 years of life to 2028 with potential for further cost optimisations. The Group has determined that there is no indicator of impairment for the Philippines CGU on the basis that the Company's long term outlook for gold and copper prices has not changed. The Group has further analysed the indicators of impairment and isolated the potential impairment to the New Zealand CGU. As a result of these indicators, an impairment assessment on the company's New Zealand CGU was performed.

The carrying value of the New Zealand CGU has been assessed using the Fair Value Less Costs to Sell (FVLCS) approach, using discounted cash flows.

Key assumptions and sensitivities

The FVLCS of the New Zealand CGU has been prepared including production from certain identified exploration targets where there is a higher degree of confidence in the economic extraction of minerals, although these do not currently qualify for inclusion in proven or probable ore reserves. Should these projects prove to be uneconomic, the carrying value of the New Zealand CGU could be further impaired by a significant amount.

The company has not disclosed any individual sensitivities for the key assumptions below as the Company believes that such disclosure may be misleading. This is because in practice the factors do not move in isolation and therefore, it is not practicable to calculate such sensitivities. It is reasonably possible, on the basis of existing knowledge, that should outcomes during the next financial year significantly differ from the assumptions made with respect to current and future projects, it could require a material adjustment to the carrying value of the New Zealand CGU.

The table below summaries the key assumptions used in the 2013 end of year carrying value assessments.

	2013	
	2014-2018	Long term (2019+)
Gold (US\$ per ounce)	From \$1,270 to \$1,157	\$1,350
Tungsten 65% concentrate (US\$ per ton)	\$21,000	\$21,000
NZD:USD exchange rate	From \$0.81 to \$0.69	\$0.67
Discount rate (%)	NZ\$ assets 8.9% to 11.1%	

Commodity prices and exchange rates

Commodity price and foreign exchange rates are estimated with reference to external market forecasts including brokers' average for the short term and medium term (excluding tungsten where it is not available), and views of management for the long term.

Discount rate

In determining the Fair Value of the New Zealand CGU, the future cash flows were discounted using rates based on the Group's estimated real after tax weighted average cost of capital, pursuant to the Capital Asset Pricing Model, with an additional premium applied having regard to the geographic location of the CGU, as well as the stage of development of the asset.

Operating and capital costs

Life-of-mine operating and capital cost assumptions are based on the Group's latest budget, five year plan and life of mine plans for operating pits. For non-operating pits, those assumptions are management's best estimates based on experience and cost structures of similar mines.

The impairment assessment for the New Zealand CGU resulted in an impairment charge being recognized of \$193.3 million of which an amount of \$85.5million had been recognized in the second quarter.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2013**

14 ASSET RETIREMENT OBLIGATIONS

	<i>December 31</i> 2013 \$'000	<i>December 31</i> 2012 \$'000
Non-Current		
Rehabilitation	36 320	30 752
<i>Movement:</i>		
At January 1	30 752	21 175
Arising during the year	5 104	8 428
Accretion	1 281	926
Utilized	(834)	(1 251)
Exchange adjustment	17	1 474
At December 31	<u>36 320</u>	<u>30 752</u>

Rehabilitation

A provision for rehabilitation is recorded in relation to the gold/copper 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 3.55% to 6.11% (2012: 3.86% to 5%). The liability for retirement and remediation on an undiscounted basis is estimated to be approximately \$42.6m (2012: \$39.9m).

15 DERIVATIVES AND OTHER FINANCIAL LIABILITIES

	<i>December 31</i> 2013 \$'000	<i>December 31</i> 2012 \$'000
Current		
Forward rate agreements ¹	-	151
	<u>-</u>	<u>151</u>

1. Represents forward rate agreements to sell specified amounts of US\$ at specified amounts of A\$ which expired on December 16, 2013. The purpose of these agreements was to eliminate foreign exchange risk to ensure that US\$ bank facility drawdowns would be sufficient to repay the A\$ convertible notes that fell due.

16 INTEREST-BEARING LOANS AND BORROWINGS

	<i>Maturity</i>	<i>December 31</i> 2013 \$'000	<i>December 31</i> 2012 \$'000
Current			
Capital leases ¹	(note 26)	16 427	17 407
7.00% Convertible notes (A\$70m) ²	12/22/2013	-	78 757
7.00% Convertible notes (A\$30m) ²	12/22/2013	-	33 079
Other loan	04/30/2014	990	929
US\$ banking facilities ³	06/30/2014	25 000	-
US\$ banking facilities ³	12/31/2014	25 000	-
		<u>67 417</u>	<u>130 172</u>
Non-current			
Capital leases ¹	(note 26)	28 725	36 594
US\$ banking facilities ³	06/30/2015	97 800	100 100
		<u>126 525</u>	<u>136 694</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2013**

16 INTEREST-BEARING LOANS AND BORROWINGS (continued)

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 2014 to March 2018.

2. *7.00% Convertible notes (Unsecured)*

These convertible notes matured and were repaid in December 2013.

3. *US\$ banking facilities*

Term and revolving credit facilities, totaling US\$177.8m were put in place to be used, 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 was made on December 20, 2013 with the next one due June 30, 2014. At December 31, 2013, the Group had term and revolving credit facilities owing of US\$147.8m and available undrawn facilities of US\$30m.

4. *Other capital facilities*

In 2012, the Group entered into an additional \$US25m Convertible Revolving Credit Facility whereby it had 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 was never drawn upon and expired on 10 September 2013.

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 Reefton 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.

17 SHARE CAPITAL

Movement in common shares on issue

	<i>December 31 2013 Thousand shares</i>	<i>December 31 2013 \$'000</i>	<i>December 31 2012 Thousand shares</i>	<i>December 31 2012 \$'000</i>
Balance at the beginning of the period	293 518	636 189	262 643	543 988
Shares issued	6 762	11 349	30 000	94 757
Options exercised	70	211	875	1 860
Share issue costs	-	(416)	-	(4 416)
Balance at the end of the period	<u>300 350</u>	<u>647 333</u>	<u>293 518</u>	<u>636 189</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.

On November 27, 2013, the Company issued a total of 6,762,209 shares to Pacific Rim shareholders for the acquisition of the remaining issued and outstanding Pacific Rim shares that it did not already own. The Pacific Rim shareholders obtained 0.04006 of a common share of the Company for each Pacific Rim common share at an issue price of C\$1.77 per share.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2013**

18 CONTRIBUTED SURPLUS MOVEMENT

	<i>December 31</i>	<i>December 31</i>
	<i>2013</i>	<i>2012</i>
	<i>\$'000</i>	<i>\$'000</i>
Balance at start of period	38 418	36 951
Share based compensation expense	2 555	2 935
Forfeited options	(458)	(277)
Exercised options	(183)	(1 191)
Balance at end of period	<u>40 332</u>	<u>38 418</u>
Contributed surplus		
Employee stock based compensation	10 289	8 375
Shareholder options (lapsed on January 1, 2009)	18 083	18 083
Equity portion of convertible notes	11 960	11 960
	<u>40 332</u>	<u>38 418</u>

19 OTHER RESERVES

	<i>December 31</i>	<i>December 31</i>
	<i>2013</i>	<i>2012</i>
	<i>\$'000</i>	<i>\$'000</i>
Foreign currency translation reserve ¹	48 796	32 143
Available-for-sale equity reserve ²	(820)	(836)
Total other reserves	<u>47 976</u>	<u>31 307</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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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20 SEGMENT INFORMATION

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

	New Zealand \$'000	Philippines \$'000	All other segments \$'000	Elimination \$'000	Total \$'000
Year Ended December 31, 2013					
Revenue					
Sales to external customers	354 090	199 522	-	-	553 612
Inter segment management and gold handling fees	-	-	6 840	(6 840)	-
Total segment revenue	354 090	199 522	6 840	(6 840)	553 612

Result

Segment result excluding impairment unrealized hedge losses and depreciation and amortization	160 406	118 213	(16 260)	-	262 359
Depreciation and amortization	(109 462)	(19 819)	(34)	-	(129 315)
Inter segment management and gold handling fees	(6 840)	-	6 840	-	-
Gain/(loss) on fair value of derivative instruments	9 972	-	(12 055)	-	(2 083)
Impairment charge	(193 300)	-	-	-	(193 300)
Total segment result before interest and tax	(139 224)	98 394	(21 509)	-	(62 339)
Net Interest expense					(26 977)
Income tax benefit/(expense)					41 459
Net profit/(loss) for the year					(47 857)

Assets

Additions to property, plant, equipment and mining assets	119 023	56 833	311	-	176 167
Total Segment assets	338 831	542 039	15 956	-	896 826

	New Zealand \$'000	Philippines \$'000	All other segments \$'000	Elimination \$'000	Total \$'000
Year Ended December 31, 2012					
Revenue					
Sales to external customers	385 448	-	-	-	385 448
Inter segment management and gold handling fees	-	-	6 943	(6 943)	-
Total segment revenue	385 448	-	6 943	(6 943)	385 448

Result

Segment result excluding unrealized hedge losses and depreciation and amortization	154 959	289	(10 616)	-	144 632
Depreciation and amortization	(91 180)	(165)	(31)	-	(91 376)
Inter segment management and gold handling fees	(6 943)	-	6 943	-	-
Gain/(loss) on fair value of derivative instruments	1 150	-	(647)	-	503
Total segment result before interest and tax	57 986	124	(4 351)	-	53 759
Net interest expense					(21 510)
Income tax benefit/(expense)					(11 577)
Net profit/(loss) for the year					20 672

Assets

Additions to property, plant, equipment and mining assets	122 877	192 369	58	-	315 304
Total segment assets	536 674	415 225	79 757	-	1 031 656

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2013**

21 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 year:

WAEP = weighted average exercise price

	<i>December 31, 2013</i>		<i>December 31, 2012</i>	
	No.	WAEP	No.	WAEP
Outstanding at the start of the year	6 084 138	A\$2.51	7 404 540	A\$2.38
Granted	-	-	410 000	A\$2.30
Forfeited	(228 162)	A\$2.87	(385 090)	A\$2.43
Expired	(2)	A\$0.00	(470 000)	A\$3.58
Exercised	(69 999)	A\$0.43	(875 312)	A\$0.74
Balance at the end of the year	5 785 975	A\$2.52	6 084 138	A\$2.51
Exercisable at the end of the year	4 849 328	A\$2.53	3 524 514	A\$2.42

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 valuation 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 2013 or 2012 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 3.66 years.

At December 31, 2013, \$0.3m (2012: \$0.9m) remains to be expensed over the life of the options.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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21 STOCK-BASED COMPENSATION (continued)

(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 year:

WAEP = *weighted average exercise price*

	<i>December 31, 2013</i>		<i>December 31, 2012</i>	
	No.	WAEP	No.	WAEP
Outstanding at the start of the year	2 186 270	A\$0.00	-	-
Granted	2 047 623	A\$0.00	2 186 270	A\$0.00
Forfeited	(651 268)	A\$0.00	-	-
Exercised	-	-	-	-
Balance at the end of the year	3 582 625	A\$0.00	2 186 270	A\$0.00
Exercisable at the end of the year	-	-	-	-

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 2013 or 2012 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
13/02/2013	0%	55.41%	3.12%	3	0.00	2.54	1.7609
17/05/2013	0%	58.28%	2.88%	3	0.00	1.83	1.3639

(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. Members either sold or transferred the shares into their names. At December 31, 2013, no shares transfer remained outstanding.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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21 STOCK-BASED COMPENSATION (continued)

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

	Opening Shares Held by Trustee	Shares Acquired by the Trustee During the Year		Shares Transferred from the Trustee During the Year		Forfeited Shares sold by Trustee	Closing Shares Held by the Trustee	
	Number	Number ¹	Fair Value ²	Number ³	Fair Value ⁴	Number ³	Number	Fair Value ⁵
2012	199,324	73 587	A\$210,247	257,583	A\$833,303	-	15,328	A\$42,305
2013	15,328	74 633	A\$154,975	89,961	A\$178 098	-	-	-

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 2012. 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.

(d) Stock Options

An evergreen incentive stock option plan was introduced into the Group following the acquisition of Pacific Rim. The plan was adopted by Pacific Rim on August 29, 2006, whereby the maximum number of shares reserved for grant to Eligible Parties under the 2006 Plan is equal to 10% of the number of shares outstanding at the time of the grant. This plan remains a Pacific Rim plan but the options are exercisable into OceanaGold shares at the ratio of 0.04006 for every Pacific Rim option in accordance with the Plan of Arrangement.

(i) Evergreen incentive stock option plan movements

The following table reconciles the outstanding rights granted under the evergreen incentive stock option plan at the beginning and the end of the year:

WAEP = *weighted average exercise price*

	December 31, 2013		December 31, 2012	
	No.	WAEP	No.	WAEP
Outstanding at the start of the year	16,235,000	C\$0.23	12,700,000	C\$0.28
Granted	-	-	3,860,000	C\$0.11
Forfeited	(958,333)	C\$0.17	-	-
Expired	(3,355,000)	C\$0.46	(325,000)	C\$1.07
Balance at the end of the year	11,921,667	C\$0.16	16,235,000	C\$0.23
Exercisable at the end of the year	11,921,667	C\$0.16	13,065,000	C\$0.25

Options granted were valued using the Black-Scholes option pricing model. For employees, the Company recognizes stock-based compensation expense based on the estimated fair value of the options on the date of the grant. For non-employees, the fair value of the options is based on the fair value of services received and recognized at the time of services rendered. The fair value of the options is recognized over the vesting period of the options granted as stock-based compensation expense and corresponding adjustment to contributed surplus. The number of options expected to vest is periodically reviewed and the estimated option forfeiture rate is adjusted as required throughout the life of the option. Upon exercise these amounts are transferred to share capital.

The expected life of the option is based on the historical activity of each specific class of option holder which includes directors, officers, employees and consultants.

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 has been calculated using historical price data based on the estimated life of the options. As a result it reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the outcome.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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21 STOCK-BASED COMPENSATION (continued)

Dividend yield has been assumed to be nil on the basis that no dividends have been declared for the 2013 or 2012 financial years.

The risk-free rate for the expected term of the option was based on the Government of Canada yield curve in effect at the time of the grant.

(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 C\$0.11 and C\$0.21 and a weighted average remaining life of 2.05 years.

At December 31, 2013, \$Nil (2012: \$0.18m) remains to be expensed over the life of the options.

22 EMPLOYEE BENEFITS

(a) Leave entitlements liability

	<i>December 31 2013 \$'000</i>	<i>December 31 2012 \$'000</i>
Aggregate employee benefit liability is comprised of:		
Employee benefits provision - current	6 068	6 971
Employee benefits provision - non-current	1 242	504
	7 310	7 475

Employee Benefits Provision - Current

	<i>December 31 2013 \$'000</i>	<i>December 31 2012 \$'000</i>
Balance at beginning	6 971	5 382
Arising during the year	5 941	7 356
Utilized	(6 885)	(5 809)
Exchange rate adjustment	41	42
Closing Balance	6 068	6 971

Employee Benefits Provision - Non-Current

	<i>December 31 2013 \$'000</i>	<i>December 31 2012 \$'000</i>
Balance at beginning	504	187
Arising during the year	739	317
Utilized	-	-
Exchange rate adjustment	-	-
Closing Balance	1 243	504

(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.

23 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 that were in place during the year).

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 call/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, 2013, the Group's cash was mainly held with two major banks with the largest exposure being 71% (2012:71%). At December 31, 2013, the Group's gold call/put options were with two financial institutions.

No financial assets were 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, operating leases and trade financing. 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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23 FINANCIAL INSTRUMENTS (continued)

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

Year ended December 31, 2013	<i>Carrying amount \$'000</i>	<i>Contractual cash flows \$'000</i>	<i>12 months or less \$'000</i>	<i>1-3 years \$'000</i>	<i>3+ years \$'000</i>
<i>Non-derivative financial liabilities</i>					
Capital leases	45 152	48 705	18 798	25 518	4 389
US\$ banking facilities	147 800	158 091	57 143	100 948	-
Insurance loans	990	990	990	-	-
	193 942	207 786	76 931	126 466	4 389

For the year ended December 31, 2013, there were no outstanding derivative financial liabilities.

Year ended December 31, 2012	<i>Carrying amount \$'000</i>	<i>Contractual cash flows \$'000</i>	<i>12 months or less \$'000</i>	<i>1-3 years \$'000</i>	<i>3+ years \$'000</i>
<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	-	-
	266 866	299 482	151 045	139 446	8 991
<i>Derivative financial liabilities</i>					
Forward rate agreements:					
Outflow	151	158 310	158 310	-	-
Inflow	(552)	(158 665)	(158 665)	-	-
	(401)	(355)	(355)	-	-

The gross inflows/(outflows) disclosed in the above 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 commodity products (gold bullion and copper) are determined on international markets and quoted in US dollars. All hedging programs are managed in accordance with policies approved by the Board. Performance under these policies is regularly reported to the Board.

The Group entered into a series of bought gold put options with a strike price of NZ\$ 1,600 per ounce and a series of sold gold call options with a strike price of NZ \$1,787 per ounce expiring June 2015 to eliminate commodity price risk over 115,650 ounces of gold. These options were mandatory conditions for the US\$ banking facilities (refer to note 16). At December 31, 2013 there were 84,690 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.

Sensitivity analysis

At December 31, 2013 if the US dollar had depreciated/ appreciated by 10% with all other variables remaining constant, the effect on the loss would be \$1.0m lower/higher (2012: \$5.9m profit higher/lower) due to exchange gains/ losses on cash and cash equivalents. The impact on other equity will be \$1.5m (2012: \$2.7m).

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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2013**

23 FINANCIAL INSTRUMENTS (continued)

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, 2013 if interest rates had increased/decreased by 100 basis points from the year end rates with all other variables held constant, the loss for the year would have been \$1.0m lower/higher (2012:\$ \$0.8m 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 2013 and 2012.

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>2013</i>	<i>2012</i>
	<i>\$'000</i>	<i>\$'000</i>
Fixed rate		
<i>Financial Assets</i>		
Trade and Other receivables	72 166	33 170
	72 166	33 170
<i>Financial Liabilities</i>		
Trade payables	55 993	62 119
Insurance loan	990	929
Capital leases	42 912	37 797
Convertible notes	-	111 836
	99 895	212 681
Floating rate		
<i>Financial Assets</i>		
Cash and cash equivalents	24 788	96 502
	24 788	96 502
<i>Financial Liabilities</i>		
Capital leases	2 238	16 204
US\$ banking facilities	147 800	100 100
	150 038	116 304

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.

December 31, 2013	Interest rate risk				Foreign exchange risk				
	-100 bps		+100 bps		-10%		+10%		
Carrying amount	Profit/	Other	Profit/	Other	Profit/	Other	Profit/	Other	
\$'000	(Loss)	equity	(Loss)	equity	(Loss)	equity	(Loss)	equity	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Financial assets									
Cash and cash equivalents	24 788	-	-	-	-	1 036	-	(1 036)	-
Other assets	72 166	-	-	-	-	-	-	-	-
Financial Liabilities									
Capital leases	45 150	27	-	(27)	-	-	(1 531)	-	1 531
Other liabilities	204 783	981	-	(981)	-	-	-	-	-
Total	346 887	1 008	-	(1 008)	-	1 036	(1 531)	(1 036)	1 531

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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23 FINANCIAL INSTRUMENTS (continued)

December 31, 2012	Interest rate risk				Foreign exchange risk				
	Carrying amount \$'000	-100 bps Profit/ (Loss) \$'000	Other equity \$'000	+100 bps Profit/ (Loss) \$'000	Other equity \$'000	-10% Profit/ (Loss) \$'000	Other equity \$'000	+10% Profit/ (Loss) \$'000	Other equity \$'000
Financial assets									
Cash and cash equivalents	96 502	(965)	-	965	-	5 851	-	(5 851)	-
Other assets	33 170	-	-	-	-	-	-	-	-
Financial Liabilities									
Capital leases	54 001	162	-	(162)	-	-	(2 700)	-	2 700
Other liabilities	277 285	6	-	(6)	-	-	-	-	-
Total	460 958	(797)	-	797	-	5 851	(2 700)	(5 851)	2 700

24 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.

	<i>December 31 2013 \$'000</i>	<i>December 31 2012 \$'000</i>
Total Debt (as shown in the statement of financial position)*	193 942	266 866
Less: Cash and cash equivalents	(24 788)	(96 502)
Net Debt	<u>169 154</u>	<u>170 364</u>
Total Equity (as shown in the statement of financial position)	<u>591 730</u>	<u>609 860</u>
Debt to equity ratio	0.29	0.28

* Interest bearing liabilities

The debt-to-equity ratio is in line with prior year.

The Group is subject to a number of externally imposed capital requirements relating to financing agreements; as at December 31, 2013 and 2012 the Group was in compliance with all requirements.

25 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). Valuations are obtained from issuing institutions.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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25 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

December 31, 2013	Level 1	Level 2	Level 3	Total
<i>Recurring measurements</i>				
Derivatives embedded in accounts receivable	-	(797)	-	(797)
Available for sale financial assets	333	-	-	333
Forward rate agreements	-	-	-	-
Gold put/call options	-	10 120	-	10 120
Total assets	333	9 323	-	9 656
<hr/>				
Forward rate agreements	-	-	-	-
Total liabilities	-	-	-	-

December 31, 2012	Level 1	Level 2	Level 3	Total
<i>Recurring measurements</i>				
Derivatives embedded in accounts receivable	-	-	-	-
Available for sale financial assets	4 343	-	-	4 343
Forward rate agreements	-	552	-	552
Gold put/call options	-	89	-	89
Total assets	4 343	641	-	4 984
<hr/>				
Forward rate agreements	-	151	-	151
Total liabilities	-	151	-	151

There are no unrecognized financial instruments held by the Group at December 31, 2013 (2012: nil).

26 COMMITMENTS

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

	<i>December 31 2013 \$'000</i>	<i>December 31 2012 \$'000</i>
Within 1 year	4 578	5 341
Within 1 to 2 years	754	3 445
Within 2 to 3 years	356	456
Within 3 to 4 years	75	75
Within 4 to 5 years	-	-
	5 763	9 317

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

(b) Lease commitments under capital leases:

	<i>December 31 2013 \$'000</i>	<i>December 31 2012 \$'000</i>
Within 1 year	18 798	19 884
Within 1 to 2 years	15 735	17 474
Within 2 to 3 years	9 783	12 672
Within 3 to 4 years	2 118	8 003
Within 4 to 5 years	2 272	988
More than five years	-	-
	48 706	59 021
Future finance charges	(3 554)	(5 020)
Present value of minimum lease payments	45 152	54 001
<i>Reconciled to:</i>		
Current interest bearing liability (Note 16)	16 427	17 407
Non-Current interest bearing liability (Note 16)	28 725	36 594
Total	45 152	54 001

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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26 COMMITMENTS (continued)

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 2013 which are expected to continue in 2014. In future these royalties represent 1% to 2% of gold sales and were \$7.3m in 2013 (2012: \$8.9m).

(d) Capital commitments

At December 31, 2013, the Group has commitments of \$19.9m (2012: \$33.1m), principally relating to the purchase of property, plant and equipment and the development of mining assets mainly in Philippines.

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

	<i>December 31 2013 \$'000</i>	<i>December 31 2012 \$'000</i>
Within one year:		
- purchase of property, plant and equipment	11 137	20 652
- development of mining assets	8 777	12 484
	19 914	33 136

The Group is committed to annual expenditure of approximately \$0.3m (2012: \$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.

27 BUSINESS COMBINATION

(a) Summary of acquisition

On November 27, 2013 the Group acquired an additional 80.02% of the issued and outstanding common shares of Pacific Rim Mining Corp. ("Pacific Rim") making it a 100% owner in line with the Group's strategy to add high grade gold projects to its portfolio of assets. Prior to November 27, 2013, the Group owned shares in Pacific Rim representing 19.98% of its issued and outstanding common shares.

Pacific Rim is an explorer company which owns a 100% interest in the mineral property known as El Dorado and certain other exploration licenses located in El Salvador, and carries out other exploration activities in the United States and Central America. The El Dorado Project is an established high grade gold-silver resource adding to the portfolio of the Group.

Details of the purchase consideration and the net assets acquired are as follows:

	Year ended	
	December 31, 2013	December 31, 2012
	\$'000	\$'000
Purchase consideration		
Issue of 6.76 million common shares	11,349	-
Acquisition date fair value of the previously held equity interest	2,798	-
Total purchase consideration	14,147	-

(i) Common shares issued

The fair value of the 6.76 million common shares issued as part of the consideration paid for Pacific Rim (US\$11.3m) was based on the published share price on November 27, 2013 on the TSX.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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27 BUSINESS COMBINATION (continued)

(ii) Re-measurement of previously held equity interest to its acquisition-date fair value

At acquisition date, the 19.98% equity interest in Pacific Rim was fair valued at \$2.8 million. The group recognised a loss of \$0.9 million as a result of measuring at fair value its 19.98% equity interest in Pacific Rim held prior to the acquisition date. The loss has been included in Other Expense in the Statement of Comprehensive Income.

(iii) Fair value of net assets acquired

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value US\$'000
Cash	181
Other receivables	70
Prepayments	45
Other assets	25
Property, plant and equipment	13
Mining assets	17,654
Total assets	17,988
Trade and other payables	(2,913)
Provision for employee entitlements	(928)
Total liabilities	(3,841)
Net identifiable assets acquired	14,147

There were no acquisitions in the year ending December 31, 2012.

(i) Acquired receivables

The fair value of acquired other receivables is \$0.1 million and the full amount is expected to be recoverable.

(ii) Revenue and profit contribution

The acquired business contributed revenue of \$nil and net loss of \$0.3 million to the group for the period from November 27, 2013 to December 31, 2013.

If the acquisition had occurred on January 1, 2013, consolidated revenue and loss for the year ended December 31, 2013 would have been \$553.7 million and \$53.3 million respectively. These amounts have been calculated using the Group's accounting policies and required no additional adjustment.

(b) Purchase consideration – cash

	US\$'000 2013	US\$'000 2012
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	-	-
Less: Balance acquired - cash	181	-
	181	-
Inflow of cash - investing activities	181	-

Acquisition-related costs

Acquisition-related costs of \$0.9 million are included in other expenses in the statement of comprehensive income and in operating cash flows in the statement of cash flows.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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28 RELATED PARTIES

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

(a) Compensation of Key Management

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

	Year ended	
	December 31, 2013	December 31, 2012
	\$'000	\$'000
Salaries and short-term employee benefits	4 526	4 176
Post-employment benefits	176	127
Share-based payments	1 017	1 363
Termination benefits	331	-
Total	6 050	5 666

(b) Loans to key management personnel

There are no loans to key management personnel during the year (December 2012: Nil).

(c) Other transactions with key management personnel

There are no other transactions with key management personnel during the year (December 2012: Nil).

29 NON CASH INVESTING AND FINANCING ACTIVITIES

	Year ended	
	December 31, 2013	December 31, 2012
	\$'000	\$'000
Acquisition of plant and equipment by means of finance leases	9 984	9 644

30 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 Reefton Gold Project which amount to approximately \$36.6 million (2012: \$31.1 million).
- (b) The Group has provided a cash operating bond to the New Zealand Department of Conservation of \$0.4 million (2012: \$0.4 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, 2013 the outstanding rental obligations under the capital lease are \$48.7 million (2012: \$54.0 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\$177.8 million banking facilities (note 16). At December 31, 2013 the total outstanding balance under these facilities is US\$147.8 million (December 31, 2012: 100.1 million). Associated with this guarantee are certain financial compliance undertakings by the Group, including gearing covenants.
- (f) The Department of Environment and Natural Resources of the Philippines (“DENR”), along with a number of mining companies (including OceanaGold Philippines Inc.), are parties to a case that began in 2008 whereby a group of Non-Governmental Organisations (NGOs) and individuals challenged the constitutionality of the Philippines Mining Act (“Mining Act”) and the Financial or Technical Assistance Agreements (“FTAAs”) in the Philippines Supreme Court. After some years of slow development, the case has recently progressed to oral hearing, which is currently continuing.

30 CONTINGENCIES (continued)

Notwithstanding the fact that the Supreme Court has previously upheld the constitutionality of both the Mining Act and the FTAA's, the Company is mindful that litigation is an inherently uncertain process and the outcome of the case may adversely affect the operation and financial position of the Company. At this stage, it is not possible to identify the potential orders of the Court nor to quantify the possible impact. The Company is working closely with the DENR, the other respondents in the case, and the mining industry to defend the Mining Act and the validity of its FTAA.

- (g) The Company operates in a number of jurisdictions. In the normal course of operations, the Company is occasionally subject to claims or litigations. The Company deals with these claims as and when they arise. At the date of this report, there are no such claims that the Company believes will result in material losses.
- (h) In 2009, the newly acquired subsidiary, Pacific Rim, filed an arbitration claim with the International Centre for the Settlement of Investment Disputes (ICSID) in Washington District of Columbia, seeking monetary compensation under the Investment Law of El Salvador. This followed the passive refusal of the Government of El Salvador to issue a decision on Pacific Rim's application for environmental and mining permits for El Dorado. The matter is now in the final phase of arbitration and a decision is expected after the submissions and testimonies. Notwithstanding the current arbitration, OceanaGold will also continue to seek a negotiated resolution to the El Dorado permitting impasse. If the Company is unsuccessful in obtaining a permit for El Dorado or in its arbitration claim, or is impacted by other factors beyond the control of the Company, this would adversely impact operations in El Salvador or result in impairment.

31 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the year end, the Company announced that in response to the continued lower gold price environment, it had re-optimised the mine schedule at the Macraes Open Pit and Frasers Underground mines in New Zealand. As a result, the current Macraes Open Pit mine plan goes until the end of 2017 while the Frasers Underground is expected to end in mid-2015. Additionally, the Company partially hedged gold production at Macraes utilising a zero-cost collar hedge covering 208,000 ounces of gold over the next two years of production with purchased put options at an exercise price of NZ\$1,500 per ounce which were financed through selling an equal number of call options at NZ\$1,600 per ounce.

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.