



OceanaGold Corporation  
*Delivering on Sustainable Growth*

# 2009

## Second Quarter and Half Year Results

July 30, 2009

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





# Management's Discussion and Analysis of Financial Condition and Results of Operations for the Quarter & Half Year Ended 30 June 2009

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

This Management Discussion & Analysis may use the terms "Measured", "Indicated" and "Inferred" Resources. U.S. investors are advised that while such terms are recognized and required by Canadian regulations, the Securities and Exchange Commission does not recognize them. "Inferred Resources" have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Resources will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Resources may not form the basis of feasibility or other economic studies. U.S. investors are cautioned not to assume that all or any part of Measured or Indicated Resources will ever be converted into reserves. U.S. investors are also cautioned not to assume that all or any part of an Inferred mineral Resource exists, or is economically or legally mineable.

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## Management's Discussion and Analysis of Financial Condition and Results of Operations for the Quarter & Half Year Ended June 30, 2009

### HIGHLIGHTS

- Sold 75,319 ounces of gold during the second quarter with total sales for the half year of 156,412 ounces.
- Achieved cash flow from operations of \$20.4 million bringing the total for the half year to \$43.4 million.
- Average operating cash costs for the first half of US\$349/oz, US\$423/oz for the quarter.
- Announced the discovery of an additional area of high grade gold mineralization at the Frasers Underground mine.
- Subsequent to quarter end the Company completed a successful capital raising by way of an institutional equity placement of A\$24.2 million.
- Commenced a brownfields exploration program on prospective targets in proximity to the New Zealand mine sites with the objective of adding to the Company's reserves and mine life.
- Further progressed the internal technical review of the Didipio Gold Copper project.

\*All statistics are compared to the corresponding 2008 period unless otherwise stated.

\*\*OceanaGold has adopted USD as its presentation currency, the financial statements are presented in USD and all numbers in this document are expressed in USD unless otherwise stated.



## OVERVIEW

### Results from Operations

OceanaGold New Zealand operations achieved gold sales totaling 75,319 ounces for the second quarter 2009. This was slightly ahead of expectations with the New Zealand mines continuing to demonstrate consistent performance. As expected, gold sales were slightly down from the previous quarter on account of planned maintenance to the autoclave at Macraes in April resulting in a higher component of direct leaching and subsequently lower recoveries. The autoclave re-brick was successfully completed on time and on budget with throughputs returning to normal levels immediately after completion. Year-to-date gold sales for the half year period ended June 30, 2009 totaled 156,412 ounces.

Operating cash costs for the quarter were \$423/oz and \$349/oz for the six month period ending June 30, 2009. Lower ounces compared to Q1 2009 and a stronger New Zealand Dollar (NZD) against the U.S. Dollar (USD) contributed to higher USD cash costs compared to Q1 2009.

The NZD averaged \$0.604 for the period against the USD compared to \$0.535 in Q1 2009. The average NZD exchange rate for the six month period ended June 30, 2009 was \$0.570.

Earnings before interest, tax, depreciation and amortization and excluding gain/loss on undesignated hedges (EBITDA) for the quarter was \$22.5 million and \$53.5 million for the half year.

Cash flow from operating activities was \$20.4 million, bringing total cash flow from operations for the six month period ended June 30, 2009 to \$43.4 million. Lower cash operating costs in the half year 2009 were a key contributor to the 42% increase in cash flow from operations compared to the same period in 2008.

### Didipio Gold – Copper Project

The Didipio project remained on care and maintenance during the quarter. The Company continues to progress internal technical studies reviewing project scope and capital requirements. As previously stated, these studies are intended to provide strategic options for the future of the project.

Site accommodation and office facilities continue to be maintained for personnel to provide site security, maintenance, environmental management and community relations.

The company continues to fulfill all community commitments and was active with a number of initiatives during the quarter. Key areas of focus involved community health and education initiatives. The Company was also active in providing ongoing financial support to a local community development association for priority projects identified in the local area.

- Table 1 -  
Key Financial and Operating Statistics

Financial Statistics	Q2 Jun 30 2009	Q1 Mar 31 2009	Q2 Jun 30 2008	Half Year Jun 30 2009	Half Year Jun 30 2008
Gold Sales (Ounces)	75,319	81,093	58,831	156,412	126,555
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
Average Price Received (\$ per ounce)	730	682	902	705	911
Cash Operating Cost (\$ per ounce)	423	279	741	349	611
<b>Cash Operating Margin (\$ per ounce)</b>	<b>307</b>	<b>403</b>	<b>161</b>	<b>356</b>	<b>300</b>
Non-Cash Cost (\$ per ounce)	203	165	203	183	206
Total Operating Cost (\$ per ounce)	626	444	944	532	817
Total Cash Operating Cost (\$ per tonne processed)	18.59	12.99	26.21	15.72	23.26

Combined Operating Statistics	Q2 Jun 30 2009	Q1 Mar 31 2009	Q2 Jun 30 2008	Half Year Jun 30 2009	Half Year Jun 30 2008
Gold produced (ounces)	74,240	84,037	58,289	158,277	121,124
Total Ore Mined (tonnes)	1,026,082	1,488,861	1,199,533	2,514,943	2,687,585
Ore Mined grade (grams/tonne)	2.32	2.34	1.66	2.33	1.62
Total Waste Mined (tonnes) - incl pre-strip	15,059,680	14,350,542	13,797,244	29,410,222	27,302,117
Mill Feed (dry milled tonnes)	1,707,220	1,743,030	1,662,933	3,450,250	3,323,698
Mill Feed Grade (grams/tonne)	1.65	1.90	1.34	1.78	1.46
Recovery (%)	80.4%	81.5%	79.5%	81.0%	76.9%

Combined Financial Results	Q2 Jun 30 2009 \$'000	Q1 Mar 31 2009 \$'000	Q2 Jun 30 2008 \$'000	Half Year Jun 30 2009 \$'000	Half Year Jun 30 2008 \$'000
EBITDA (excluding unrealized gain/(loss) on hedges)	22,484	31,032	1,131	53,516	22,820
Earnings/(loss) after income tax and before undesignated gain/(loss) on hedges (net of tax)	5,397	10,639	(12,051)	16,036	(8,268)
Reported EBITDA (including unrealized gain/(loss) on hedges)	72,081	28,767	(9,152)	100,848	(8,803)
Reported earnings/(loss) after income tax (including unrealized gain/(loss) on hedges)	40,114	9,054	(19,248)	49,168	(30,404)





## Report for the Quarter & Half Year Ended 30 June 2009

### PRODUCTION

Production for the second quarter of 2009 totaled 74,240 gold ounces resulting in total production of 158,277 ounces for the six month period ending June 30, 2009. Total gold sales for the quarter were 75,319 ounces and 156,412 ounces for the six month period ending June 30, 2009.

Production was in line with expectations for the quarter and slightly ahead for the half year 2009. Company production guidance for FY 2009 of 280,000 - 300,000 ounces at operating cash costs of US\$365 - \$405/oz is maintained.

Total combined operating cash costs for the operations were \$423/oz for the quarter. This was higher than Q1 2009 on account of lower gold sales and a stronger NZD/USD exchange rate. Operating cash costs half year 2009 were US\$349/oz.

Cash flow generated from operations for the quarter was \$20.4 million bringing the total for the half year to \$43.4 million.

### OPERATIONS

#### Macraes Goldfield (New Zealand)

The Macraes operations (open-cut and underground) incurred one lost time injury (LTI) in the second quarter. This compares to none for the same period last year.

Production from the Macraes Goldfield was 51,148 gold ounces, which was down from 66,366 ounces in Q1 2009. The lower production at Macraes was attributable to a lower mill feed grade as more material was sourced from stockpiles compared to Q1 2009 due to mining sequencing between stages in the pit. In addition more direct leaching was done at the time of the autoclave shutdown for planned maintenance. This resulted in overall lower recoveries. Furthermore, a higher percentage of autoclave feed came from Reefton during the quarter compared to the previous quarter. The increase in Reefton material has the consequence of displacing some Macraes concentrate from the autoclave to direct leach.

Total waste and ore mined was 13.08M tonnes compared with 12.31M tonnes in the previous quarter. While movements in May were negatively affected by poor weather conditions and a wetter than usual month, June weather was much improved and the movement out of the open pit was the 3<sup>rd</sup> highest monthly movement on record for the operation. Continuous improvement initiatives focused on improving operator efficiency are now paying

dividends with further programs including hot-seating underway. Ore tonnes mined for the quarter of 705,749 tonnes were down compared to Q1 2009 at 1,151,078 tonnes. This was due primarily to the mining sequence in the quarter transitioning from Frasers Pit 4B to 4C with additional overburden being removed to access the new ore package.

Frasers Underground produced another steady quarter with a record 223,000 ore tonnes being mined. Stopping conditions have been better than expected with minimal dilution and therefore higher grades were also reported from the mine.

The Processing Plant operated to plan during the quarter with mill feed of 1.40 million tonnes processed compared to 1.43 million tonnes in Q1 2009. Mill feed grade was 1.42 g/t compared to 1.77 g/t in Q1 2009. The slightly lower feed grade was attributable primarily to the transition of the mining sequencing as mining moved from Frasers open-pit stage 4B to 4C and the use of stockpiles to maintain throughput levels.

Planned maintenance to the autoclave took place in April which was out of commission for approximately three weeks. The replacement of refractory bricks which line the inside of the autoclave takes place roughly every five years and is undertaken as part of our preventative maintenance program. The replacement went according to plan and was completed on time and on budget.

Macraes process plant recoveries were 80.3% for the quarter, down from Q1 2009 at 81.7%. This was due principally to running more direct leach in April when the autoclave was undergoing maintenance.

#### Reefton Goldfield (New Zealand)

There were no LTI's in the second quarter compared to two LTI's during the same period last year. This is a positive outcome after a number of new initiatives and programs were implemented following underperformance in the first quarter. Management continues to work with the employees and contractors focusing on our objective of "Zero Harm" across the operation.

Q2 2009 proved to be wetter than usual for the west coast of the South Island. Material movement was down against the same period last year and compared to Q1 2009. Total waste and ore moved was 3.01M tonnes compared to 3.53M tonnes in Q1 2009. Planned maintenance to the excavators also was a contributor to the lower movements during the quarter.

Gold production from Reefton concentrate was 23,092 gold ounces. Mill throughputs continue to run



above design with 308,196 tonnes being processed during the quarter, more than 20% above design. In addition there was a higher head grade through the mill of 2.71 g/t which resulted in more ounces produced compared to Q1 2009.

### **Community Relations**

The OceanaGold Tours program, which provides mine tours of the Macraes operation to the public, once again saw strong interest with numbers up 9% on the same period last year. These tours encompass a number of other highlights, in addition to the Macraes mine tour and are an important tourism attraction to this region of Otago. An open day was held on 22 April 2009 at the Reefton operation, with an estimated 213 people attending. Tourism Horizons/Green Kiwi Tours run commercial mine tours of the Reefton operation.

The Company continues to be an important contributor to the community, providing support for a number of locally led initiatives and programs. OceanaGold is a proud supporter of the new East Otago Community Sports and Cultural Centre which was officially opened on July 2<sup>nd</sup> 2009. As a part of the Company's commitment to education initiatives in regions where it operates the Company supports the Otago Life Education Trust health-based education programs which are delivered to over 7,000 children each year in the Otago region. OceanaGold will also be a returning sponsor to the 2009 New Zealand Gold Panning Championships in Cromwell, New Zealand later this year. This is an annual event which re-visits the rich history that gold mining has enjoyed for more than 100 years in the region. OceanaGold has supported a number of sporting and community groups in Reefton.



## Report for the Quarter & Half Year Ended 30 June 2009

**- Table 2 -  
Macraes Operating Statistics**

<b>Macraes Goldfield Operating Statistics</b>	<b>Q2 Jun 30 2009</b>	<b>Q1 Mar 31 2009</b>	<b>Q2 Jun 30 2008</b>	<b>Half Year Jun 30 2009</b>	<b>Half Year Jun 30 2008</b>
Gold produced (ounces)	51,148	66,366	40,698	117,514	85,329
Total Ore Mined (tonnes)	705,749	1,151,078	916,107	1,856,827	2,061,151
Ore Mined grade (grams/tonne)	2.26	2.28	1.48	2.27	1.46
Total Waste Mined (tonnes) incl pre-strip	12,369,452	11,162,792	10,475,518	23,532,244	20,897,498
Mill Feed (dry milled tonnes)	1,399,024	1,430,128	1,401,322	2,829,152	2,763,460
Mill Feed Grade (grams/tonne)	1.42	1.77	1.14	1.59	1.27
Recovery (%)	80.3%	81.7%	79.0%	81.0%	76.1%

**- Table 3 -  
Reefton Operating Statistics**

<b>Reefton Goldfield Operating Statistics</b>	<b>Q2 Jun 30 2009</b>	<b>Q1 Mar 31 2009</b>	<b>Q2 Jun 30 2008</b>	<b>Half Year Jun 30 2009</b>	<b>Half Year Jun 30 2008</b>
Gold produced (ounces)	23,092	17,671	17,591	40,763	35,795
Total Ore Mined (tonnes)	320,333	337,783	283,426	658,116	626,434
Ore Mined grade (grams/tonne)	2.44	2.55	2.26	2.5	2.15
Total Waste Mined (tonnes) incl pre-strip	2,690,228	3,187,750	3,321,726	5,877,978	6,404,619
Mill Feed (dry milled tonnes)	308,196	312,902	261,611	621,098	560,238
Mill Feed Grade (grams/tonne)	2.71	2.52	2.42	2.61	2.41
Recovery (%)	81.0%	80.7%	82.3%	80.9%	80.8%
Gold held in concentrate at period end (ounces)	3,609	7,168	671	3,609	671





## DEVELOPMENT

### Didipio Gold & Copper Project (Philippines)

Development at the Didipio Gold and Copper project in Luzon province, The Philippines, remains under care and maintenance. The Company maintains a reduced workforce at the project site and also continued to fulfill all its community and social commitments related to the project during the period. Internal technical studies to re-examine project scope and capital requirements for the project are ongoing.

During the quarter 244,449 man hours were completed without a Lost Time Injury (LTI). Site based work has been limited to care and maintenance focused activities primarily in the areas of environmental, safety and security of property at the project.

Community activities during the quarter focused on the continued financial support provided to the Didipio community through a Memorandum of Agreement (MOA) with the Didipio Community Development Association Inc. (DCDAI). Projects which received funding through this initiative included the construction of a new community hall facility (ongoing), support for the local school to cover salary costs of additional teachers, and the recent completion of a clean water supply program. The Pimmadek Water project provides clean water 24 hours a day for 85 families and more than 500 people in the nearby Didipio community.

In addition, four medical missions were held in local communities throughout Nueva Viscaya and Quirino. These missions were held in partnership with municipal health units, municipal and provincial government agencies and a number of Red Cross volunteers. More than 1,000 patients were treated for various medical and dental needs with some patients traveling a number of hours on foot to seek attention. Access to health services and medicine is often a challenge for many in these remote parts of the country and initiatives like these are planned to continue as part of the Company's commitment to local communities.

## EXPLORATION

In July 2009 the Company successfully raised capital to fund a focussed brownfields exploration programme over all three mines in New Zealand. An expanded exploration programme will be implemented in the near term.

Total exploration expenditure for the quarter was \$388,000.

### New Zealand

#### *Macraes Goldfield*

Exploration activities at the Macraes Goldfield continued to focus on both open pit and underground potential. Regional soil sampling across the northern strike extension of the Hyde Macraes Shear Zone (HMSZ) continued during the quarter. More than 400 samples were collected, infilling areas of interest highlighted from first-pass sampling. The results received to-date are encouraging and likely to lead to targeted drilling in second half of 2009.

Open pit cut-back potential is being considered for the down-dip extension of the Round Hill deposit. The Round Hill deposit is located immediately east of the processing plant and was last mined in 1998. As part of this review, a diamond drill twinning program has been designed to confirm consistency with previous reverse circulation holes drilled during the early 1990's. The first of six drill holes, planned for Round Hill (East) successfully drilled through the Hangingwall Shear at 247m depth. Assay results are still pending.

An aircore drilling program consisting of 28 holes for 378m was completed which sampled the alluvial sediments overlying at Horse Flat. Horse Flat is located three kilometers northwest of the process plant and is an area of historic alluvial mining. Assay results thus far show a patchy distribution of gold with limited continuity between holes. Further analysis on this data set is planned in the third quarter.

At the Frasers Underground mine, an exploration program continued on Panel 2 Deeps with additional diamond drilling exploration taking place. Exploration in this area of the mine was announced in April as a new area of mineralization located below the base of the current reserves. An update on the results of this program is expected in the third quarter.

#### *Reefton Goldfield*

A major geological review of the Reefton Goldfield is underway. Phase one of this program delivered a



detailed geological map and structural analysis of the Globe-Progress and General Gordon pits as well as a review of the Waiuta (surrounds Blackwater) area. The review will be expanded across the entire goldfield over the remainder of 2009 and is expected to lead to a pipeline of ranked drilling targets.

A regional stream sampling programme was initiated during the quarter. The region surrounding the Reefton Goldfield has historically produced more than 8 million ounces of alluvial gold in addition to the 2 million ounces from hard rock mining at Reefton. 26 stream sediment and pan concentrate samples were collected in the Blackwater permit. A possible deep drilling programme to test the down-dip potential of the "Birthday Reef" structure at Blackwater is being costed and examined.

### **Philippines**

Exploration activities in the Philippines continued at reduced levels while the Didipio project remained on care and maintenance. Some field work and desk-top based exploration activities were initiated under the assumption that a number of exploration permits are likely to be approved in the near-term.

Six exploration permit renewals were received from the Department of Environment and Natural Resources (DENR) late in the second quarter. Various exploration activities are planned to commence on a number of these prospects in the third quarter.

## FINANCIAL SUMMARY

The table below provides selected financial data comparing Q2 2009 with Q1 2009 and Q2 2008.

	Q2 Jun 30 2009 \$'000	Q1 Mar 31 2009 \$'000	Q2 Jun 30 2008 \$'000	Half Year Jun 30 2009 \$'000	Half Year Jun 30 2008 \$'000
<b>STATEMENT OF OPERATIONS</b>					
Gold sales	55,010	55,270	53,068	110,280	115,331
Cost of sales, excluding depreciation and amortization	(31,456)	(22,342)	(42,953)	(53,798)	(75,953)
General & Administration	(930)	(2,055)	(4,684)	(2,985)	(8,593)
Foreign Currency Exchange Gain/(Loss)	(154)	113	(4,340)	(41)	(8,037)
Other expense/income	14	46	40	60	72
<b>Earnings before interest, tax, depreciation &amp; amortization (EBITDA) (excluding gain/(loss) on undesignated hedges)</b>	<b>22,484</b>	<b>31,032</b>	<b>1,131</b>	<b>53,516</b>	<b>22,820</b>
Depreciation and amortization	(15,403)	(13,473)	(12,050)	(28,876)	(26,254)
Net interest expense	(3,337)	(3,364)	(4,873)	(6,701)	(9,339)
Earnings/(loss) before income tax and gain/(loss) on undesignated hedges	3,744	14,195	(15,792)	17,939	(12,773)
Tax on earnings / loss	1,653	(3,556)	3,741	(1,903)	4,505
<b>Earnings after income tax and before gain/(loss) on undesignated hedges</b>	<b>5,397</b>	<b>10,639</b>	<b>(12,051)</b>	<b>16,036</b>	<b>(8,268)</b>
Release from OCI of deferred unrealized gain/(loss) on designated hedges	-	-	122	-	279
Gain / (loss) on fair value of undesignated hedges	49,597	(2,265)	(10,404)	47,332	(31,902)
Tax on (gain)/loss on undesignated hedges	(14,880)	680	3,085	(14,200)	9,487
<b>Net earnings/(loss)</b>	<b>40,114</b>	<b>9,054</b>	<b>(19,248)</b>	<b>49,168</b>	<b>(30,404)</b>
Basic earnings/ (loss) per share	\$0.25	\$0.06	(\$0.12)	\$0.30	(\$0.19)
Diluted earnings/ (loss) per share	\$0.21	\$0.05	(\$0.12)	\$0.26	(\$0.19)
<b>CASH FLOWS</b>					
Cash flows from Operating Activities	20,399	22,963	10,803	43,362	30,537
Cash flows from Investing Activities	(17,919)	(11,570)	(64,670)	(29,489)	(96,607)
Cash flows from Financing Activities	(1,198)	(4,084)	(11,598)	(5,282)	(13,961)

	As at Jun 30 2009 \$'000	As at Dec 31 2008 \$'000
<b>BALANCE SHEET</b>		
Cash and cash equivalents	21,438	9,711
Other Current Assets	49,890	35,980
Non Current Assets	626,436	584,299
<b>Total Assets</b>	<b>697,764</b>	<b>629,990</b>
Current Liabilities	101,452	89,105
Non Current Liabilities	269,857	294,229
<b>Total Liabilities</b>	<b>371,309</b>	<b>383,334</b>
<b>Total Shareholders' Equity</b>	<b>326,455</b>	<b>246,656</b>



## Report for the Quarter & Half Year Ended 30 June 2009

### RESULTS OF OPERATIONS

The Company reported earnings before interest, tax, depreciation and amortisation excluding gains/losses on undesignated hedges (EBITDA) in Q2 2009 of \$22.5 million compared with \$1.1 million in Q2 2008 and \$31.0 million in Q1 2009. The results for the period were characterised by increased production, compared to the prior year, supported by lower operating costs year on year. In addition, the costs in USD increased as the NZD strengthened. Offsetting these increased costs was a higher average gold price received that peaked at US\$980/oz in May 2009. The Company delivered approximately 44% of its production for the quarter into “out of the money” hedges. This was in contrast to Q2 2008 when all production was sold into the spot market.

Cash costs per ounce in the second quarter were higher than Q1 2009 due to lower production (the autoclave was relined in April as planned maintenance) and there were certain costs increases including royalties and maintenance. This was offset in part by lower operating costs for diesel and power compared to the prior year.

#### Sales Revenue

Gold revenue of \$55.0 million in Q2 2009 was marginally lower than the prior quarter. Increased gold prices offset lower sales volumes. This contrasts with a 3.7% increase when compared to Q2 2008 when the Company reported revenue of \$53.1 million.

Gold sales volume for Q2 2009 was 75,318 ounces which was higher than Q2 2008 by 28.0% and 7.1% lower than last quarter. Production was in accordance with plan but constrained due to the autoclave re-line that was completed on scheduled in April. Other than this planned maintenance on the processing plant production has been stable.

The average gold price received per ounce was \$730, an increase of 9.3% over the prior quarter. This reflects the increased spot gold price achieved over the period.

#### Undesignated Hedges Gains/Losses

Unrealised gains and losses calculated on the fair value adjustment of the company's undesignated hedges are brought to account at the end of each reporting period and reflect changes in the spot gold price. This also includes the adjustments made to take account of the delivery of gold into the hedge book as the derivative liability was released. These valuation adjustments, as at June 30 2009, reflect a gain of \$49.6 million for Q2.

The derivative instruments used to manage the impact of movements in gold prices are summarised below under “Current and Non-current Derivative Liabilities”.

#### Operating Costs & Margins

Cash costs per ounce sold were \$423 which was \$318 (43%) lower than the comparative period Q2 2008. This reflects the decline of input costs from the peaks experienced in 2008.

The cash margin of \$307 per ounce resulted in earnings before interest, tax, depreciation & amortization (excluding undesignated hedge gains/losses) of \$22.4 million for the quarter, compared to \$31.0 million in Q1 2009 and \$1.1 million in Q2 2008.

Administration costs were lower quarter on quarter due to a favourable adjustment of \$1.3 million for forfeited executive options.

#### Depreciation and Amortization

Depreciation and amortization charges are calculated on a unit of production basis totaling \$15.4 million for the quarter. These charges were slightly higher in USD when compared to Q1 2009 due to the strengthening NZ dollar.

The depreciation and amortization charges include amortization of mine development and deferred waste stripping costs and depreciation on equipment.

#### Net Interest expense

The net interest expense of \$3.3 million is consistent with Q1 2009.

Despite low interest rates, the stronger Australian and New Zealand dollars have contributed to an increase to the outstanding debt in the reporting currency of USD.

#### Net earnings/(loss)

The company reported a net profit of \$40.1 million in Q2 2009 compared with a net profit of \$9.1 million in Q1 2009 and a net loss of \$19.2 million in Q2 2008. The impact of non-cash charges for undesignated hedge gains and losses was influential between the periods. This does not affect cash flow in the reporting period but can have a significant influence on reported net earnings. As a result, EBITDA before undesignated hedge gains/losses is reported to measure operating performance on a consistent basis.



# Report for the Quarter & Half Year Ended 30 June 2009

The EBITDA for the period decreased when compared to Q1 2009 as a result of the strengthening New Zealand dollar and increases in some costs.

## DISCUSSION OF CASH FLOWS

### Operating Activities

Cash flows from operating activities for Q2 were \$20.4 million a decrease from Q1 2009 of approximately \$2.6 million. The reduction reflects higher costs in US dollar terms from the strengthening New Zealand dollar.

### Investing Activities

Investing activities were comprised of expenditures for pre-stripping and sustaining capital for the New Zealand operations and a small number of final payments due on equipment previously ordered for the Didipio Gold - Copper Project.

Cash used for investing activities totaled \$17.9 million compared to \$11.6 million Q1 2009 and \$64.7 million (including \$27 million in escrow) in Q2 2008. The expenditure for Q2 included a component of the autoclave reline.

### Financing Activities

Financing cash outflows totaled \$1.2 million comprising repayments of borrowings, and finance lease payments. These payments continue to decline with no further proceeds being redrawn from finance facilities during the quarter.

## DISCUSSION OF FINANCIAL POSITION AND LIQUIDITY

### **Company's funding and capital requirements**

For the quarter ended June 30, 2009, the Company earned a profit of \$40.1 million. As at June 30, 2009 the current liabilities of the Company exceeded current assets by \$30.1 million. Excluding the non-cash hedge derivative liabilities (which will be settled by delivery of future gold production by December 2010), current assets exceeded current liabilities by \$24.3 million. The Company had cash on hand of \$21.4 million at June 30, 2009. On 22 July 2009 an institutional equity placement, for \$19.3 million (A\$24.2 million), was completed.

Over the next 12 month period the Company is expected to generate sufficient free cash flow from operations to meet all of its debt obligations as they become due.

## Capital commitments

OceanaGold's capital commitments as at June 30 2009 are as follows:

Payments due by period as at June 30 2009			
Total \$'000	< 1 year \$'000	1 - 2 years \$'000	2 - 3 years \$'000
2,430	1,544	238	648

## Financial position

### Current Assets

Current assets have increased by \$6.5 million since March 2009 primarily from increased cash balances of \$4.1 million, increased inventories of \$4.4 million and an offsetting decrease of \$1.7 million in future income tax assets.

### Non-Current Assets

During the quarter, non-current assets increased from \$554 million to \$626 million. The NZD appreciation has increased the value of Property, Plant and Equipment and Mining Assets in USD terms and depreciation was less than the capital expenditure. In addition, future income tax assets decreased by \$8.3 million due to utilization of tax losses in the New Zealand operations.

### Current Liabilities

Current liabilities increased \$3.1 million during the quarter largely reflecting an increase in borrowings from the strengthening New Zealand dollar.

### Non-Current Liabilities

Interest bearing loans and borrowings increased by \$18.7 million during the quarter as a result of foreign exchange movements. This was offset by the change in derivative liabilities a decrease of \$28.7 million largely due to the lower New Zealand gold price quarter on quarter.

### Current and Non-Current derivative liabilities

OceanaGold holds certain derivative instruments to manage the impact of movements in the spot gold price.

Current instruments held include undesignated forward gold sales contracts for 144,255 ounces (Mar 2009: 177,765 ounces) at NZ\$773, undesignated gold put options for 124,788 ounces (Mar 2009: 146,142 ounces) with an average exercise price of NZ\$1,000 and undesignated gold call options (sold) for 104,024 ounces (Mar 2009: 104,024 ounces) with an average exercise price of NZ\$1,062.





## Report for the Quarter & Half Year Ended 30 June 2009

A summary of OceanaGold's mark-to-market adjustment on derivatives is:

	Jun 30 2009 \$'000	Dec 31 2008 \$'000
<b>Current Assets</b>		
Gold put options	162	1,493
<b>Non Current Assets</b>		
Gold put options	360	1,997
<b>Total Assets</b>	<b>522</b>	<b>3,490</b>
	Jun 30 2009 \$'000	Dec 31 2008 \$'000
<b>Current Liabilities</b>		
Gold forward sales contracts	40,928	46,949
Gold call options (sold)	13,474	1,831
	<b>54,402</b>	<b>48,780</b>
<b>Non Current Liabilities</b>		
Gold forward sales contracts	22,337	45,708
Gold call options (sold)	14,402	34,358
	<b>36,739</b>	<b>80,066</b>
<b>Total Liabilities</b>	<b>91,141</b>	<b>128,846</b>

### Shareholders' Equity

A summary of OceanaGold's movement in shareholders' equity is set out below:

	Quarter ended Jun 30 2009 \$'000
<b>Total equity at beginning of financial period</b>	<b>252,215</b>
Profit/(loss) after income tax	40,114
Movement in other comprehensive income	35,571
Movement in contributed surplus	(1,445)
<b>Total equity at end of financial period</b>	<b>326,455</b>

Shareholders' equity has increased to \$326.5 million at period end primarily as a result of the profit earned for the quarter and gains from currency translation differences reflected in other comprehensive income that arise from consolidation of foreign entities.

### CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES

The accounting policies that involve significant management judgment and estimates are discussed in this section. For a complete list of the significant accounting policies, reference should be made to Note 1 of the 2008 audited consolidated financial statements of OceanaGold Corporation.

### Exploration and Evaluation Expenditure

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

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

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

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

### Mining Properties in Production or Under Development

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

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Should the carrying value of expenditure not yet amortised exceed its estimated recoverable amount, the excess is written off to the Statement of Operations.

### Asset Retirement Obligations

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

The key assumptions on which the fair value of the asset retirement obligations are based include the



estimated future cash flow, the timing of those cash flows and the credit-adjusted risk-free rate or rates on which the estimated cash flows have been discounted. Subsequent to the initial measurement the liability is accreted over time through periodic charges to earnings. The amount of the liability is subject to re-measurement at each reporting period if there has been a change to certain of the key assumptions.

#### *Asset Impairment Evaluations*

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

#### *Derivative Financial Instruments /Hedge Accounting*

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

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

The fair value of gold hedging instruments is calculated by discounting the future value of the hedge contract at the appropriate prevailing quoted market rates at reporting date. The fair value of forward exchange contracts is calculated by reference to current forward exchange rate for contracts with similar maturity profiles.

Certain derivative instruments do not qualify for hedge accounting or have not been accounted for as fair value or cash flow hedges. Changes in the fair value of these derivative instruments are recognised immediately in the statement of operations. The company does not have any designated hedges.

#### *Stock Option Pricing Model*

Stock options granted to employees or external parties are measured by reference to the fair value at grant date and are recognised as an expense in equal installments over the vesting period and credited to the contributed surplus account. The expense is determined using an option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradable nature of the option, the current price and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

#### *Income Tax*

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

### **ESTIMATES, RISKS AND UNCERTAINTIES**

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

In addition, this document contains some forward looking statements that involve risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by those forward looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among other things: volatility and sensitivity to market prices for gold; replacement of reserves; procurement of required capital equipment and operating parts and supplies; equipment failures; unexpected geological conditions; political risks arising from operating in certain developing countries; inability to enforce legal rights; defects in title; imprecision in reserve estimates; success of future exploration and development initiatives; operating performance of current operations; environmental and safety risks; seismic activity, weather and other natural phenomena; failure to obtain necessary permits and approvals from government authorities; changes in government regulations and policies including tax and trade laws and policies; ability to maintain and further improve labour relations and other development and operating risks.



## FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are expressed in United States dollars ("USD") and have been translated to USD using the current rate method described below. The controlled entities of OceanaGold have either Australian dollars ("AUD") or New Zealand dollars ("NZD") as their functional currency.

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

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

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

There have been no material changes from the accounting policies of FY2008.

### Adoption of new accounting policies

#### *Mining Exploration Costs*

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long-lived assets in general. The Company has applied this new abstract for the year ended December 31, 2008 and there was no significant impact on its financial statements as a result of applying this abstract.

### Accounting policies effective for future periods

#### *International Financial Reporting Standards ("IFRS")*

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian

generally accepted accounting principles (GAAP) with IFRS for all Canadian Publicly Accountable Enterprises (PAEs). The effective changeover date is January 1, 2011, at which time Canadian GAAP will cease to apply for OceanaGold Corporation and will be replaced by IFRS. Following this timeline, the company will issue its first set of interim financial statements prepared under IFRS in the first quarter of 2011. The company is currently assessing the impact of transition to IFRS on its consolidated financial statements

#### *Business Combinations, Consolidated Financial Statements and Non-Controlling Interests*

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582, "Business Combinations" replaces section 1581, "Business Combinations", and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling interests", together replace section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standard 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.



## SUMMARY OF QUARTERLY RESULTS OF OPERATIONS

The following table sets forth unaudited information for each of the eight quarters ended September 30, 2007 through to June 30, 2009. This information has been derived from our unaudited consolidated financial statements which, in the opinion of management, have been prepared on a basis consistent with the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for fair presentation of our financial position and results of operations for those periods.

	Jun 30 2009 \$'000	Mar 31 2009 \$'000	Dec 31 2008 \$'000	Sep 30 2008 \$'000	Jun 30 2008 \$'000	Mar 31 2008 \$'000	Dec 31 2007 \$'000	Sep 30 2007 \$'000
Gold sales	55,010	55,270	47,845	54,038	53,068	62,263	36,615	24,367
EBITDA (excluding undesignated gain/(loss) on hedges)	22,484	31,032	24,294	18,991	1,131	21,690	9,057	(8,522)
Earnings/(loss) after income tax and before undesignated gain/(loss) on hedges (net of tax)	5,397	10,639	1,917	2,806	(12,051)	3,783	(5,880)	(16,169)
Net earnings/(loss)	40,114	9,054	(13,426)	(10,905)	(19,248)	(11,156)	(27,162)	(47,730)
Net earnings per share								
Basic	\$0.25	\$0.06	(\$0.08)	(\$0.07)	(\$0.12)	(\$0.07)	(\$0.17)	(\$0.30)
Diluted	\$0.21	\$0.05	(\$0.08)	(\$0.07)	(\$0.12)	(\$0.07)	(\$0.17)	(\$0.30)

The most significant factors causing variation in the results are the commissioning of both the Reefton open pit and Frasers underground mines, the variability in the grade of ore mined from the Macraes open pit mine and variability of cash cost of sales due to the timing of waste stripping activities. The volatility of the gold price has a significant impact both in terms of its influence upon gold sales revenue and its impact upon undesignated gains/(losses) on hedges. Adding to the variation are the large movements in foreign exchange rates between the USD and the NZD.

As noted in the December 2008 MD&A an adjustment in the fourth quarter 2008 to the pre-stripping account is reflected in the "December 2008" quarter above. If the adjustment is updated to the quarter to which it relates there is an equal and offsetting effect increasing Q2 2008 EBITDA by \$4.9 million, earnings after tax and net earnings by \$3.4 million and earnings per share by \$0.02. This is considered a timing difference and therefore not significant with the details and analysis provided above.

## NON-GAAP MEASURES

Throughout this document, we have provided measures prepared according to Canadian generally accepted accounting principles ("GAAP"), as well as some non-GAAP performance measures. Because non-GAAP performance measures do not have any standardized meaning prescribed by GAAP, they are unlikely to be comparable to similar measures presented by other companies.

We provide these non-GAAP measures as they are used by some investors to evaluate OceanaGold's performance. Accordingly, such non-GAAP measures are intended to provide additional information and should not be considered in isolation, or a substitute for measures of performance in accordance with GAAP.

Earnings before interest, tax, depreciation and amortization (EBITDA) is one such non-GAAP measure and a reconciliation of this measure to net earnings/(loss) is provided on page 11.

Cash and non cash costs per ounce are other such non-GAAP measures and a reconciliation of these measures to cost of sales including depreciation and amortization is provided on the next page.





## Report for the Quarter & Half Year Ended 30 June 2009

	Q2 Jun 30 2009 \$'000	Q1 Mar 31 2009 \$'000	Q2 Jun 30 2008 \$'000	Half year Ended Jun 30 2009 \$'000	Half year Ended Jun 30 2008 \$'000
Cost of sales, excluding depreciation and amortization	31,456	22,342	42,953	53,798	75,953
Depreciation and amortization	15,403	13,473	12,050	28,876	26,254
Total cost of sales	46,859	35,815	55,003	82,674	102,207
Add sundry general & administration adjustment	415	304	630	719	1,369
Less selling costs	(110)	(92)	(112)	(203)	(238)
Total operating cost of sales	47,164	36,027	55,521	83,190	103,338
Gold Sales from operating mines (ounces)	75,319	81,093	58,831	156,412	126,555
Total Operating Cost (\$ per ounce)	626	444	944	532	817
Less Non-Cash Cost (\$ per ounce)	203	165	203	183	206
Cash Operating Cost (\$ per ounce)	423	279	741	349	611

### ADDITIONAL INFORMATION

Additional information referring to the Company, including the Company's Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.oceanagold.com](http://www.oceanagold.com).

### DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2008. Based on that evaluation and review to March 31 2009, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at those dates to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

As at December 31, 2008, the Interim Chief Executive Officer and Chief Financial Officer evaluated the design and effectiveness of the Company's internal control over financial reporting. Based on that evaluation and testing and review to June 30 2009, the Chief Executive Officer and the Chief Financial Officer concluded that the design of internal control over financial reporting was effective as at those dates to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

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