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OceanaGold Corporation
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OceanaGold Corporation ("OceanaGold" – TSX, ASX and NZX codes "OGC") announced EBITDA (excluding unrealized hedge losses) of $8.7 million for the year to 31 December 2007 compared with $16.0 million for the previous corresponding period. Significantly, EBITDA was $9.1 million for the quarter ended 31 December 2007 compared with $1.0 million for the previous corresponding period. What were the major influences on EBITDA year to year? What caused the strong turnaround in the December quarter? Is that sustainable?

CEO Steve Orr
The three major influences on our EBITDA included gold production, the realised gold price and our cash cost per ounce. In 2007, our EBITDA was about half what it was in 2006, which was due primarily to our reduced New Zealand production rate during the first three quarters of the year. It was only in the fourth quarter that we resumed normal run of mine grade at Macraes.

This was accentuated by the fact that we experienced a somewhat slower ramp up at our new Reefton operation, which reached its full run rate by the last quarter. When production reached targets, we achieved a very strong performance in the December quarter. It actually meant that the contribution to earnings in the December quarter of $9.1 million was significantly greater than the first three quarters combined. That was because in the December quarter Macraes was at full production at very favourable ore grades. We also had Reefton operating at its full designed performance.

We were also able to fully benefit in the December quarter from the strong spot gold price.

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Can you explain the way you are required to account for unrealized hedge losses or gains? Can you explain the impact on the Reported EBITDA (including unrealized hedge losses) in 2007 of bringing to account unrealized hedge losses?

CEO Steve Orr
Like other mining companies, we are required to account for changes in our hedge position each quarter, whether it's realised or not, on a mark-to-market basis. This reflects the notional position of our hedge book at a point in time - the only time a cash impact occurs is when we deliver into a contract and close out the hedge position. We report a number that could either be an unrealised loss or an unrealised gain, depending on the level of the spot gold price relative to the hedge contract.

In our case, because our hedges are not designated to specific production, the value of the remaining contracts is marked-to-market in the income statement. Due to the recent strong performance of the gold price, we've had a negative mark-to-market position.

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What will be the major influences on EBITDA (excluding unrealized hedge accounting) in 2008 and beyond?

CEO Steve Orr
Higher production levels will be the major influence in 2008 and beyond. For 2008, we are expecting gold production of between 280,000 and 300,000 ounces, an increase of at least 53% from 2007. This will include higher production in New Zealand and by the beginning of 2009, we will also start to see some influence on earnings from our Philippines Didipio operation as it begins its ramp up.

Higher production is expected to provide very healthy margins given our guidance for cash costs in 2008 of between US$440 to US$460 per ounce. The only thing that will influence our cash cost margin will be the foreign exchange ratio of the NZ dollar to the US dollar. It currently stands at about 77c to 78c, which is the highest it has been in recent years.

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Can you explain the amount of gold production sold into hedge contracts in 2007 and how it affected the average sales price received in 2007? How are your outstanding hedge contracts currently accounted for in your financial statements?

CEO Steve Orr
In 2007, we only sold 30% of gold production into hedge contracts. The rest were sold into the market. This represents a significant reduction over 2006 where we sold 59% of our production into hedge contracts. As we are increasing our production profile with new mines, we are adding additional unhedged ounces to our total production. This has the impact of diluting the influence of the hedge contracts to our overall earnings and cash flow and enabling us to capitalise on a strong gold price.

The current outstanding contracts in the financial statements will be marked-to-market each quarter depending on the average of that hedge contract. This will have no cash impact – it just represents the difference between the market price over the average of the quarter and the hedge price contract.

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Further on hedging, OGC recently announced its intention to restructure its hedge book which will result in additional cash flow generated of US$33 million in 2008 at a spot gold price of US$850/oz. Can you outline your current hedge book on a year by year basis? What is the Company's policy regarding gold hedging going forward?

CEO Steve Orr
In 2008, we have 113,700 ounces hedged at a fixed price of NZD$773/oz. In 2009, we have 106,000 ounces at NZD$773/oz, and in 2010 we have 99,800 ounces at NZD$773/oz. Therefore, our total remaining hedged position is 320,000 ounces.

The policy on gold hedging is that we will have no new gold hedging moving forward. It's been a legacy facility and we've been working very hard to minimise its impact on earnings. We're adding unhedged ounces to our production profile and given our capital commitments to building new mines, that is the best mechanism to minimise the dilution on earnings of our remaining hedging.

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A key driver of the improved performance in EBITDA (excluding unrealized hedge losses) in the December quarter 2007 was lower operating costs. For the December quarter 2007 operating costs were US$544/oz compared with US$718/oz in the September quarter 2007 and US$556/oz over the whole of 2007. You expect operating costs in 2008 of between US$440 and US$460 an ounce. What will drive that?

CEO Steve Orr
Yes, our total cash costs are expected to continue to decline. We finished the year at US$556 an ounce, but we are expecting to produce gold at between US$440 to US$460 an ounce in 2008. We should achieve this by mining higher grade ore material at the Macraes open pit, the addition of the higher grade Frasers Underground and attaining a full production rate from our higher grade Reefton operation.

It's important to remember that 2007 was a bit of an anomaly due to the significant amount of waste overburden material that we had to remove to expose this latest ore block at Macraes.

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In a recent Open Briefing, OGC outlined planned strong production growth from its New Zealand operations and its new project, Didipio, in Philippines. Can you explain your current funding situation and how you will fund your planned growth to reach the ultimate production target in 2010 or 2011?

CEO Steve Orr
We have approximately US$125 million of cash on hand. All of that will be deployed for the construction of Didipio in 2008, so that we can initiate commissioning in the first half of 2009. We've already invested a significant amount of capital in New Zealand, which has allowed us to develop two new mines and increase production from 180,000 ounces to what we expect to be between 280,000 to 300,000 ounces in 2008.

Both the Reefton and Frasers mines were built very close to capital budget and recently, Frasers was commissioned exactly within the timeframe that we had represented to the market. Construction is ongoing at Didipio with commissioning on track to commence during the first half of 2009.

In 2010, once Didipio reaches full production, we expect OceanaGold's total production to increase to 350,000-370,000 ounces plus 15,000-20,000 tonnes of copper per annum.

The final design of Didipio is currently being completed. We are working on the final engineering and have been looking at ways to further de-risk and modify the operation so that we can achieve better performance. By way of example, we are now considering on-site power generation versus the original plan of utilising power from the local electrical grid. This will provide greater reliability and consistency with only incremental increases in operating costs.

Also, after completing additional hydrological studies, the technical team has recommended that the drainage tunnel be removed and replaced with additional pumping capacity for the underground portion of the mine. This removes a 30 month project that had inherent risks for delay and capital cost expansion.

The capex requirement for Didipio of US$155M has experienced some cost pressure since we reported that number in early 2007. This is being managed closely through the final engineering phase with Ausenco as we lock down further items. While there have been very few projects developed in the past 18 months that haven't experienced cost increases, we expect any increase at Didipio to be modest and more than off-set by the higher current commodity prices. For example, the Didipio feasibility study presented a robust project at US$500/oz gold and US$1.90/lb copper, which is about one-half of where both those commodities trade today.

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Thank you Steve.

For more information about OceanaGold, please visit www.oceanagold.com or contact Darren Klinck, Vice President, Corporate and Investor Relations, OceanaGold Corporation, telephone + 61 3 9656 5300.

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