



OCEANAGOLD CORPORATION

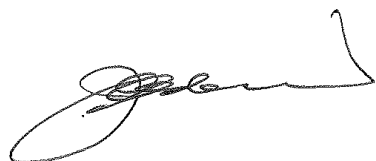
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER REPORT
MARCH 31ST, 2011
UNAUDITED

**UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL
POSITION**

As at March 31, 2011

<i>(in thousands of United States dollars)</i>	<i>Notes</i>	<i>March 31 2011 \$'000</i>	<i>December 31 2010 \$'000</i>	<i>January 1 2010 \$'000</i>
ASSETS				
Current assets				
Cash and cash equivalents		193 570	181 328	42 423
Trade and other receivables		10 769	10 395	3 460
Inventories	5	37 094	35 672	25 315
Prepayments		665	1 253	1 116
Derivatives		-	-	141
Total current assets		242 098	228 648	72 455
Non-current assets				
Inventories	5	40 259	40 060	33 133
Deferred tax assets	6	-	-	17 690
Property, plant and equipment	7	127 100	125 389	119 205
Mining assets	8	318 332	312 119	263 513
Total non-current assets		485 691	477 568	433 541
TOTAL ASSETS		727 789	706 216	505 996
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Current liabilities				
Trade and other payables		37 727	34 441	29 996
Employee benefits	9	4 530	4 208	2 358
Derivatives		-	-	89 875
Interest-bearing loans and borrowings	10	22 166	24 417	62 794
Asset retirement obligation		20	25	38
Total current liabilities		64 443	63 091	185 061
Non-current liabilities				
Other payables		2 272	2 251	2 709
Employee benefits	9	187	73	69
Deferred tax liabilities	6	16 941	9 462	1 836
Interest-bearing loans and borrowings	10	188 002	182 595	120 880
Asset retirement obligation		13 492	12 378	9 937
Total non-current liabilities		220 894	206 759	135 431
TOTAL LIABILITIES		285 337	269 850	320 492
SHAREHOLDERS' EQUITY				
Share capital	11	543 470	543 474	354 915
Accumulated losses		(142 894)	(157 666)	(202 101)
Contributed surplus	14	34 569	33 677	32 690
Accumulated other comprehensive income		7 307	16 881	-
TOTAL SHAREHOLDERS' EQUITY		442 452	436 366	185 504
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		727 789	706 216	505 996

On behalf of the Board of Directors:



James E. Askew
Director
28 April 2011



J. Denham Shale
Director
28 April 2011

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

**UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

For the Quarter ended March 31, 2011

<i>(in thousands of United States dollars except for the per share amounts)</i>	<i>Notes</i>	<i>Three months ended</i>	
		<i>March 31 2011 \$'000</i>	<i>March 31 2010 \$'000</i>
Revenue			
Gold sales		90 746	48 299
Cost of sales, excluding depreciation and amortisation		(44 065)	(35 364)
Depreciation and amortisation		(18 927)	(17 572)
General and administration expenses		(3 356)	(4 380)
Operating profit		24 398	(9 017)
Other expenses			
Interest expense		(4 719)	(4 041)
Foreign exchange gain/(loss)		592	(115)
		20 271	(4 156)
Gain on fair value of undesignated hedges		-	16 230
Interest income		1 926	250
Other income		81	39
Profit before income tax		22 278	3 346
Income tax expense		(7 506)	(1 532)
Net Profit attributable to shareholders of OceanaGold Corporation		14 772	1 814
Other comprehensive income for the period, net of tax:			
Currency translation loss		(9 574)	(5 921)
Comprehensive income/ (loss) attributable to shareholders of OceanaGold Corporation		5 198	(4 107)
Net earnings per share:			
- basic	18	\$0.06	\$0.01
- diluted	18	\$0.06	\$0.01

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

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Quarter ended March 31, 2011

(in thousands of United States dollars)

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Losses	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at January 1, 2011	543 474	33 677	16 881	(157 666)	436 366
Comprehensive income/ (loss) for the period	-	-	(9 574)	14 772	5 198
Employee share options:					
Share based payments	-	976	-	-	976
Forfeiture of options	-	(20)	-	-	(20)
Exercise of options	-	(64)	-	-	(64)
Net proceeds on issue of shares	(4)	-	-	-	(4)
Balance at March 31, 2011	543 470	34 569	7 307	(142 894)	442 452
Balance at January 1, 2010	354 915	32 690	-	(202 101)	185 504
Comprehensive income/ (loss) for the period	-	-	(5 921)	1 814	(4 107)
Employee share options:					
Share based payments	-	518	-	-	518
Forfeiture of options	-	(306)	-	-	(306)
Exercise of options	-	(3)	-	-	(3)
Net proceeds on issue of shares	78 453	-	-	-	78 453
Balance at March 31, 2010	433 368	32 899	(5 921)	(200 287)	260 059

The accompanying notes are an integral part of these consolidated interim financial statements.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For Quarter ended March 31, 2011

<i>(in thousands of United States dollars)</i>	<i>Three months ended</i>	
	<i>March 31</i>	<i>March 31</i>
	<i>2011</i>	<i>2010</i>
	<i>\$'000</i>	<i>\$'000</i>
Operating activities		
Net earnings	14 772	1 814
<i>Charges / (credits) not affecting cash</i>		
Depreciation and amortisation expense	18 927	17 572
Net profit on disposal of property, plant & equipment	(37)	-
Non-cash interest charges	1 077	881
Unrealised foreign exchange losses	-	115
Stock based compensation charge	770	216
Gain on fair value of undesignated hedges	-	(16 230)
Tax expense	7 506	1 532
<i>Changes in non-cash working capital</i>		
(Increase)/decrease in trade and other receivables	(536)	802
(Increase) in inventory	(1 687)	(2 393)
(Decrease)/increase in accounts payable	3 873	(14 719)
Increase in other working capital	2 498	150
Net cash provided by/(used in) operating activities	47 163	(10 260)
Investing activities		
Proceeds from sale of property, plant and equipment	37	-
Payments for property, plant and equipment	(4 627)	(1 196)
Payments for mining assets: exploration and evaluation	(801)	(66)
Payments for mining assets: development	(6 824)	(1 081)
Payments for mining assets: in production	(17 138)	(15 752)
Net cash used for investing activities	(29 353)	(18 095)
Financing activities		
Proceeds from issue of shares	58	84 819
Payments for equity raising costs	(126)	(4 700)
Payment of finance lease liabilities	(4 526)	(2 200)
Repayments of borrowings	(427)	(3 139)
Net cash provided by financing activities	(5 021)	74 780
Effect of exchange rates changes on cash held in foreign currencies	(547)	(590)
Net increase in cash and cash equivalents	12 242	45 835
Cash and cash equivalents at beginning of period	181 328	42 423
Cash and cash equivalents at end of period	193 570	88 258
Cash Interest Paid	(883)	(637)

Non-cash investing and financing activities - Refer Note 17

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

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Quarter ended March 31, 2011

1 BASIS OF PREPARATION AND ADOPTION OF IFRS

The Company prepares its financial statements in accordance with Canadian general accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the company has commenced reporting on this basis in these interim consolidated financial statements ("financial statements"). In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in Note 3, the company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS in the company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the company's consolidated financial statements for the year ended December 31, 2010.

The policies applied in these financial statements are based on IFRS issued and outstanding as of the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the company's annual consolidated financial statements for the year ending December 31, 2011, could result in restatement of these financial statements, including the transition adjustments recognised on change-over to IFRS.

The financial statements should be read in conjunction with the company's Canadian GAAP annual financial statements for the year ended December 31, 2010. Note 3 discusses the impact of transition and Note 4 discloses IFRS information for the year ended December 31, 2010 that is material to an understanding of these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

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

Foreign currency translation

These consolidated financial statements are expressed in United States dollars ("US\$") which is the reporting currency for OceanaGold Corporation and the functional currency is Australian dollars ("A\$"). The controlled entities of OceanaGold have either US Dollars, Australian dollars ("A\$") or New Zealand dollars ("NZ\$") 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 United States dollars 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 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.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Quarter ended March 31, 2011

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

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

Actual results may differ from those estimates. Changes in estimates are recognised in the period in which the changes occur to the extent that they are not errors.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet 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 amortised cost less a provision for impairment.

Inventories

Bullion and ore

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

Gold in circuit

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

Stores

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

Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised when replaced. All other repairs and maintenance 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 assets residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, at each financial year end.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Quarter ended March 31, 2011

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

An item of property, plant and equipment is derecognised 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 derecognised.

Exploration, evaluation and development and expenditure

Exploration and Evaluation Expenditure

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

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

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

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

Mining Properties in Production

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

Mining Properties under Development

Mining properties under development are accounted for at cost and are not amortised until production has commenced.

Impairment of non-financial assets

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

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

Provisions

Provisions are recognised 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 recognised 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 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 recognised as an interest expense.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Quarter ended March 31, 2011

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 recognised 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 amortisation 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 amortisation 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 capitalised within property, plant and equipment or mining properties and development, to the extent that any amount of deduction does not exceed the carrying amount of the asset. Any deduction in excess of the carrying amount is recognised 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Interest-bearing loans and borrowings

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

After initial recognition, interest-bearing loans and borrowings are subsequently carried at amortised 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 balance sheets 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 recognised 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 recognised at fair value as a liability in the balance sheet, net of transaction costs.

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

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

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

Quarter ended March 31, 2011

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 recognised in Other Payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution pension funds

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

Share based compensation

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

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

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

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

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

The cost of equity-settled transactions is recognised, 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 recognised for equity-settled transactions at each reporting date until vesting date reflects:

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

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

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

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

Leases

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

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

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

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

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

Operating lease payments are recognised 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 capitalised and amortised over the lease term.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Quarter ended March 31, 2011

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting

The consolidated entity, where deemed appropriate, uses 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 subsequently re-measured at their fair values at each reporting date.

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

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

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

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

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in Accumulated Other Comprehensive Income at that time would remain in Other Comprehensive Income and is recognised when the committed or forecast production is ultimately recognised 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 recognised in accumulated other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. Cash received or paid on the settlement or maturity of gold derivatives are recorded as operating cash flows.

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

Revenue

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

Bullion sales

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

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

Interest income

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

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Quarter ended March 31, 2011

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Income tax

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 company and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Earnings per share

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

Deferred Stripping

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

Sales Taxes

Revenues, expenses and assets are recognised 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 recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of the amount of 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 balance sheet.

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.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Quarter ended March 31, 2011

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation

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

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

Segment reporting

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

Contributed equity

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

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

Dividends

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

Accounting standards issued but not yet applied

IFRS 9 – Financial instruments: classification and measurement

This is the first part of a new standard on classification and measurement of financial assets that will replace *IAS 39, Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise, it is at fair value through statement of income. Updated to include guidance on financial liabilities and derecognition of financial instruments. Effective for years beginning on/after January 1, 2013. The company has yet to consider the impact of this new standard.

3 TRANSITION TO IFRS

The effect of the company's transition to IFRS, described in note 1, is summarised as follows:

(i) Transition elections

The company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

	As described in note 3(ii)
Deemed cost of mining assets	(b)
Cumulative translation adjustment	(e)
Asset retirement obligation	(d)

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Quarter ended March 31, 2011

3 TRANSITION TO IFRS (continued)

(ii) Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS

(in thousands of United States dollars)

Notes	December 31, 2010			March 31, 2010			January 1, 2010		
	Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS	Cdn GAAP	Adj	IFRS
ASSETS									
Current assets									
Cash and cash equivalents	181 328		181 328	88 258		88 258	42 423		42 423
Trade and other receivables	10 395		10 395	2 608		2 608	3 460		3 460
Inventories	35 672		35 672	26 798		26 798	25 315		25 315
Prepayments	1 253		1 253	644		644	1 116		1 116
Derivatives	-		-	15		15	141		141
Deferred tax assets (a)	-		-	9 396	(9 396)	-	9 006	(9 006)	-
Total current assets	228 648		228 648	127 719	(9 396)	118 323	81 461	(9 006)	72 455
Non-current assets									
Inventories	40 060		40 060	36 066		36 066	33 133		33 133
Deferred tax assets (a)	-		-	5 304	9 396	14 700	8 684	9 006	17 690
Property, plant and equipment (d)	124 277	1 112	125 389	110 976	1 020	111 996	118 156	1 049	119 205
Mining assets (b)	650 761	(338 642)	312 119	554 073	(291 343)	262 730	546 272	(282 759)	263 513
Total non-current assets	815 098	(337 530)	477 568	706 419	(280 927)	425 492	706 245	(272 704)	433 541
TOTAL ASSETS	1 043 746	(337 530)	706 216	834 138	(290 323)	543 815	787 706	(281 710)	505 996
LIABILITIES AND SHAREHOLDERS' EQUITY									
Current liabilities									
Trade and other payables	34 441		34 441	85 961		85 961	29 996		29 996
Employee benefits	4 208		4 208	2 635		2 635	2 358		2 358
Derivatives	-		-	-		-	89 875		89 875
Interest-bearing loans and borrowings	24 417		24 417	60 927		60 927	62 794		62 794
Asset retirement obligation	25		25	36		36	38		38
Deferred tax liabilities (c)	6 029	(6 029)	-	-		-	-		-
Total current liabilities	69 120	(6 029)	63 091	149 559		149 559	185 061		185 061
Non-current liabilities									
Other payables	2 251		2 251	2 018		2 018	2 709		2 709
Employee benefits	73		73	71		71	69		69
Deferred tax liabilities (c)	89 978	(80 516)	9 462	79 400	(77 567)	1 833	77 753	(75 917)	1 836
Interest-bearing loans and borrowings	182 595		182 595	120 408		120 408	120 880		120 880
Asset retirement obligations (d)	10 975	1 403	12 378	8 576	1 291	9 867	8 621	1 316	9 937
Total non-current liabilities	285 872	(79 113)	206 759	210 473	(76 276)	134 197	210 032	(74 601)	135 431
TOTAL LIABILITIES	354 992	(85 142)	269 850	360 032	(76 276)	283 756	395 093	(74 601)	320 492
SHAREHOLDERS' EQUITY									
Share capital	543 474		543 474	433 368		433 368	354 915		354 915
Accumulated losses	(12 579)	(145 087)	(157 666)	(55 200)	(145 087)	(200 287)	(57 014)	(145 087)	(202 101)
Contributed surplus	33 677		33 677	32 899		32 899	32 690		32 690
Accumulated other comprehensive income (e)	124 182	(107 301)	16 881	63 039	(68 960)	(5 921)	62 022	(62 022)	-
TOTAL SHAREHOLDERS' EQUITY	688 754	(252 388)	436 366	474 106	(214 047)	260 059	392 613	(207 109)	185 504
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1 043 746	(337 530)	706 216	834 138	(290 323)	543 815	787 706	(281 710)	505 996

Quarter ended March 31, 2011

3 TRANSITION TO IFRS (continued)

Explanatory notes

(a) Deferred tax assets

All deferred tax assets have been reclassified as non-current in compliance with IFRS.

(b) Carrying value of mining assets

The company has elected in accordance with IFRS 1 to adopt the fair value of the Didipio project as the deemed cost and has resulted in an adjustment to the carrying value of the asset of \$283 million.

(c) Deferred tax liabilities

Deferred tax liabilities associated with the Didipio project has been adjusted in line with the change in the carrying value of these assets under IFRS.

(d) Asset retirement obligation

Under CGAAP, a credit-adjusted discount rate was used to calculate the net present value of the obligation. IFRS requires a risk-free discount rate to be applied to risk-adjusted cash flows. The adjustment reflects this change.

(e) Translation reserve

On transition to IFRS, the translation reserve was transferred to Accumulated Losses.

(iii) Adjustments to the Statement of Comprehensive Income

The transition from Canadian GAAP to IFRS had no significant impact on the statement of comprehensive income.

(iv) Adjustments to the Statement of Cash Flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the company except that, under IFRS, cash flows relating to interest are classified as operating, investing or financing in a consistent manner each period. Under Canadian GAAP, cash flows relating to interest payments were classified as operating. The company will continue to classify interest receipts and payments as operating cash flows.

4 ADDITIONAL IFRS INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2010

The following IFRS disclosures relating to the year ended December 31, 2010 are material to an understanding of these interim financial statements.

(i) Critical accounting 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.

(a) Critical accounting estimates and judgements

i. Mining assets – deemed cost

The company adjusted the book value of the Didipio project (currently in pre-development) as at January 1, 2010 by \$283 million (including IFRS translation adjustment), based on the assessment of the fair value of the project. The fair value has been adopted as the deemed cost of the project in accordance with IFRS 1.

The fair value was based on the estimated discounted cash flows. These calculations used cash flow projections based on project budgets used by management and discounted using pre tax rates adjusted for specific risks in relation to the project.

ii. Capitalised exploration and evaluation expenditure

The future recoverability of 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 exploration and evaluation asset through sale.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Quarter ended March 31, 2011

4 ADDITIONAL IFRS INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2010 (continued)

ii. Capitalised exploration and evaluation expenditure (continued)

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.

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.

In addition, exploration and evaluation expenditure is capitalized if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalized expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

iii. Net realisable value of inventories

The Company reviews the carrying value of its inventories at each reporting date to ensure that the cost does not exceed net realizable value. Estimates of net realizable value includes a number of assumptions, including 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 or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

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

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-41-101") 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 company's accounting policy for taxation requires management judgment in relation to the application of income tax legislation. There may be some transactions and calculations undertaken during the ordinary course of business where the ultimate tax determination is uncertain. The company 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 company'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 judgements and a possibility that changes in legislation will impact upon the carrying amount of deferred tax assets and deferred tax liabilities recognized on the balance sheet.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Quarter ended March 31, 2011

4 ADDITIONAL IFRS INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2010 (continued)

(ii) Property, plant and equipment

	Year ended December 31, 2010				Total \$'000
	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Rehabilitation \$'000	
Net book value					
At January 1, 2010:					
Cost	5 868	7 109	238 235	8 108	259 320
Accumulated depreciation	-	(2 957)	(133 371)	(3 787)	(140 115)
	5 868	4 152	104 864	4 321	119 205
At January 1, 2010:					
Additions	721	238	24 355	1 110	26 424
Disposals	-	-	(5 362)	-	(5 362)
Depreciation for the year	-	(358)	(22 522)	(994)	(23 874)
Exchange differences	486	322	7 769	419	8 996
At December 31, 2010	7 075	4 354	109 104	4 856	125 389
At December 31, 2010:					
Cost	7 075	7 934	275 815	10 016	300 840
Accumulated depreciation	-	(3 580)	(166 711)	(5 160)	(175 451)
	7 075	4 354	109 104	4 856	125 389

(iii) Mining Assets

	Year ended December 31, 2010			Total \$'000
	Exploration and evaluation phase \$'000	Development phase \$'000	In production \$'000	
Net book value				
At January 1, 2010:				
Cost	10 284	105 154	294 792	410 230
Accumulated depreciation	-	-	(146 717)	(146 717)
	10 284	105 154	148 075	263 513
At January 1, 2010:				
Additions/ Transfers	459	8 139	79 908	88 506
Disposals	-	-	(41)	(41)
Depreciation for the year	-	-	(53 717)	(53 717)
Exchange differences	385	72	13 401	13 858
At December 31, 2010	11 128	113 365	187 626	312 119
At December 31, 2010:				
Cost	11 128	113 365	404 412	528 905
Accumulated depreciation	-	-	(216 786)	(216 786)
	11 128	113 365	187 626	312 119

(iv) Compensation of key management

Compensation awarded to key management included:

	Year ended December 31, 2010 \$'000
Salaries and short-term employee benefits	2 235
Post-employment benefits	99
Share-based payments	1 370
Termination benefits	320

**NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

Quarter ended March 31, 2011

5 INVENTORIES

	<i>March 31</i>	<i>December 31</i>
	<i>2011</i>	<i>2010</i>
	<i>\$'000</i>	<i>\$'000</i>
Current		
Gold in circuit	6 999	4 171
Ore – at cost	8 140	9 518
Maintenance stores	21 955	21 983
	37 094	35 672
Non-Current		
Ore	40 259	40 060
Total inventories	77 353	75 732

6 DEFERRED INCOME TAX

	<i>March 31</i>	<i>December 31</i>
	<i>2011</i>	<i>2010</i>
	<i>\$'000</i>	<i>\$'000</i>
Deferred income tax		
Deferred income tax at period end relates to the following:		
<i>Deferred tax assets</i>		
Losses available for offset against future taxable income	65 611	71 383
Provisions	5 135	6 363
Other	1 688	855
Gross deferred tax assets	72 434	78 601
Set off deferred tax liabilities	(72 434)	(78 601)
Net non-current deferred tax assets	-	-
<i>Deferred tax liabilities</i>		
Mining assets	(53 668)	(54 012)
Property, plant and equipment	(31 097)	(29 656)
Inventory	(1 369)	(1 422)
Interest Receivable	(778)	(532)
Accrued Revenue	(2 293)	(2 272)
Other	(170)	(169)
Gross deferred tax liabilities	(89 375)	(88 063)
Set off deferred tax assets	72 434	78 601
Net non-current deferred tax liabilities	(16 941)	(9 462)

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Quarter ended March 31, 2011

7 PROPERTY, PLANT AND EQUIPMENT

	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Rehabilitation \$'000	Total \$'000
Net book value					
At December 31, 2010:					
Cost	7 075	7 934	275 815	10 016	300 840
Accumulated depreciation	-	(3 580)	(166 711)	(5 160)	(175 451)
	<u>7 075</u>	<u>4 354</u>	<u>109 104</u>	<u>4 856</u>	<u>125 389</u>
At January 1, 2011:					
Additions	-	133	8 435	2 672	11 240
Depreciation for the year	-	(95)	(6 198)	(239)	(6 532)
Exchange differences	(169)	(104)	(2 607)	(117)	(2 997)
At March 31, 2011	<u>6 906</u>	<u>4 288</u>	<u>108 734</u>	<u>7 172</u>	<u>127 100</u>
At March 31, 2011:					
Cost	6 906	7 877	277 656	12 447	304 886
Accumulated depreciation	-	(3 589)	(168 922)	(5 275)	(177 786)
	<u>6 906</u>	<u>4 288</u>	<u>108 734</u>	<u>7 172</u>	<u>127 100</u>

8 MINING ASSETS

	March 31 2011 \$'000	December 31 2010 \$'000
Mining Assets: Exploration and evaluation phase		
Cost	<u>11 849</u>	<u>11 128</u>
Mining Assets: Development phase		
Cost	<u>120 351</u>	<u>113 365</u>
Mining Assets: In production		
Cost	413 227	404 412
Accumulated amortisation	(227 095)	(216 786)
Net of accumulated amortisation	<u>186 132</u>	<u>187 626</u>
Net book value of mining assets	<u>318 332</u>	<u>312 119</u>

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

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Quarter ended March 31, 2011

9 EMPLOYEE BENEFITS

(a) Employee benefit liability

	<i>March 31</i>	<i>December 31</i>
	<i>2011</i>	<i>2010</i>
	<i>\$'000</i>	<i>\$'000</i>
Aggregate employee benefit liability is comprised of:		
Accrued wages, salaries	2 023	1 620
Employee benefit provisions - current	4 530	4 208
Employee benefit provisions - non-current	187	73
	6 740	5 901

(b) Defined Contribution Plans

The company has defined contribution pension plans for certain groups of employees. The company's share of contributions to these plans is recognised in the statement of operations in the year it is earned by the employee.

10 INTEREST-BEARING LOANS AND BORROWINGS

	<i>Effective</i>		<i>March 31</i>	<i>December 31</i>
	<i>interest rate %</i>		<i>2011</i>	<i>2010</i>
			<i>\$'000</i>	<i>\$'000</i>
Current				
Capital leases	5.19%		22 118	23 933
Other loan	3.00%		48	484
			22 166	24 417
Non-current		<i>Maturity</i>		
Capital leases	5.19%	5/31/2014	25 338	22 530
5.75% Convertible notes (A\$53m)	9.16%	12/22/2012	56 143	55 163
7.00% Convertible notes (A\$70m)	10.13%	12/22/2013	74 565	73 431
7.00% Convertible notes (A\$30m)	10.64%	12/22/2013	31 956	31 471
			188 002	182 595

5.75% Convertible notes (Unsecured)

The notes bear interest at 5.75% per annum payable semi-annually in arrears. The 530 notes mature in 2012 and are redeemable at 109% of their principal amount unless converted to common shares prior to this date at the option of the note holder. The number of shares to be delivered upon conversion shall be determined by dividing the principal amount of the notes by the conversion price of A\$4.1011 (subject to adjustment for certain specified events). Of the A\$52.9 million (US\$39.1 million) net proceeds of the issue, A\$48.5 million (US\$35.8 million) was allocated to interest bearing liabilities and A\$4.4 million (US\$3.3 million) was allocated to equity.

7.00% Convertible notes (Unsecured)

The notes bear interest at 7.00% per annum, payable semi-annually in arrears and have a face value of A\$70 million. Interest accrued in respect of the notes for the first two years is not payable but is instead capitalised into the redemption value of the notes. The notes are due for redemption in 2013 at a value equal to the sum of their principal amount plus the capitalised interest amount, unless converted to common shares prior to this date at the option of the note holder. The number of shares to be delivered upon conversion shall be determined by dividing the principal amount of the note by the conversion price. The conversion price is A\$3.8699 (subject to adjustment for certain specified events). Of the A\$67.4 million (US\$52.9 million) net proceeds of the issue A\$59.2 million (US\$46.5 million) was allocated to interest bearing liabilities and A\$8.2 million (US\$6.4 million) was allocated to equity.

On March 22, 2007 an additional A\$30 million (US\$24.2 million) in convertible notes was issued under the same terms and conditions as the 7% convertible notes. The conversion price is A\$4.0640 (subject to adjustment for certain specified events) and the notes are due for redemption in 2013. Of the A\$28.8 million (US\$23.2 million) net proceeds of the issue A\$24.9 million (US\$20.1 million) was allocated to interest bearing liabilities and A\$3.9 million (US\$3.1 million) was allocated to equity.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Quarter ended March 31, 2011

11 SHARE CAPITAL

Movement in common shares on issue

	<i>March 31 2011 Thousands</i>	<i>March 31 2011 \$'000</i>	<i>December 31 2010 Thousands</i>	<i>December 31 2010 \$'000</i>
Balance at the beginning of the period	262 063	543 474	185 880	354 915
Shares issued	-	-	75 114	198 215
Options exercised	118	124	1 069	3 182
Share issue costs	-	(128)	-	(11 173)
Tax effect of share issue costs recognised/ (derecognised)	-	-	-	(1 665)
Balance at the end of the period	<u>262 181</u>	<u>543 470</u>	<u>262 063</u>	<u>543 474</u>

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

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

CHESS Depository Interests ("CDIs") holders have the same rights as holders of common shares.

The company has share option schemes under which options to subscribe for the company's shares have been granted to executives and senior management. Shareholders have approved the issue of up to 10% of the Company's issued and outstanding shares.

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

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Quarter ended March 31, 2011

12 SEGMENT INFORMATION

The company'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 company and the way in which the company's management reviews business performance.

	New Zealand \$'000	Philippines \$'000	Corporate \$'000	Elimination \$'000	Total \$'000
Quarter Ended March 31, 2011					
Revenue					
Sales to external customers	90 746	-	-	-	90 746
Inter segment management and gold handling fees	-	-	182	(182)	-
Total Segment Revenue	90 746	-	182	(182)	90 746
Result					
Segment result excluding unrealised hedge losses	28 827	(134)	(3 623)	-	25 070
Inter segment management and gold handling fees	(182)	-	182	-	-
Total segment result before interest and tax	28 645	(134)	(3 441)	-	25 070
Income tax benefit/(expense)	(7 577)	-	71	-	(7 506)
Total segment result	21 068	(134)	(3 370)	-	17 564
Interest expense	-	-	-	-	(2 792)
Net earnings for the period					<u>14 772</u>
Assets as at March 31, 2011					
Segment assets	480 615	124 340	122 834	-	<u>727 789</u>

	New Zealand \$'000	Philippines \$'000	Corporate \$'000	Elimination \$'000	Total \$'000
Quarter Ended March 31, 2010					
Revenue					
Sales to external customers	48 299	-	-	-	48 299
Inter segment management and gold handling fees	-	-	97	(97)	-
Total Segment Revenue	48 299	-	97	(97)	48 299
Result					
Segment result excluding unrealised hedge losses	(5 362)	(159)	(3 322)	-	(8 843)
Inter segment management and gold handling fees	(97)	-	97	-	-
Loss on fair value of undesignated hedges	16 231	-	-	-	16 231
Total segment result before interest and tax	10 772	(159)	(3 225)	-	7 388
Income tax benefit	(1 136)	-	(397)	-	(1 533)
Total segment result	9 636	(159)	(3 622)	-	5 855
Interest expense	-	-	-	-	(4 041)
Net loss for the period					<u>1 814</u>
Assets at December 31, 2010					
Segment assets	466 898	116 190	123 128	-	<u>706 216</u>

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Quarter ended March 31, 2011

13 STOCK-BASED COMPENSATION

(i) Stock Option movements

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

WAEP = weighted average exercise price

	March 31, 2011		December 31, 2010	
	No.	WAEP	No.	WAEP
Outstanding at the start of the period	5 645 153	A\$1.92	5 637 259	A\$1.45
Granted	2 710 380	A\$2.68	2 213 999	A\$2.82
Forfeited	(26 666)	A\$1.82	(1 137 219)	A\$1.27
Exercised	(117 778)	A\$0.48	(1 068 886)	A\$1.97
Balance at the end of the period	8 211 089	A\$2.19	5 645 153	A\$1.92
Exercisable at the end of the period	1 424 839	A\$2.47	1 204 847	A\$2.54

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.

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

Dividend yield is assumed to be nil on the basis that no dividends have been declared for the 2010 or 2009 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\$3.825 and a weighted average remaining vesting period of 5.25 years.

14 CONTRIBUTED SURPLUS MOVEMENT

	March 31 2011 \$'000	December 31 2010 \$'000
Balance at start of period	33 677	32 690
Share based compensation expense	976	2 736
Forfeited options	(20)	(517)
Exercised options	(64)	(1 232)
Balance at end of period	<u>34 569</u>	<u>33 677</u>
Contributed surplus		
Employee stock based compensation	4 526	3 634
Shareholder options (lapsed on January 1, 2009)	18 083	18 083
Equity portion of Convertible notes	11 960	11 960
	<u>34 569</u>	<u>33 677</u>

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Quarter ended March 31, 2011

15 CONTINGENCIES

- a. The consolidated entity has issued bonds in favour of various New Zealand authorities (Ministry of Economic Development – Crown Minerals, Otago Regional Council, Waitaki District Council, West Coast Regional Council, Buller District Council, Timberlands West Coast Limited and Department of Conservation) as a condition for the grant of mining and exploration privileges, water rights and/or resource consents, and rights of access for the Macraes Gold Mine and the Globe Progress Mine at the Reefton Gold Project which amount to approximately \$17.4 million (December 31, 2010: \$17.2 million).
- b. The consolidated entity has provided a cash operating bond to the New Zealand Department of Conservation of \$0.3 million (December 31, 2010: \$0.3 million) which is refundable at the end of the Globe Progress mine. This amount is included in the total referred to in (a) above.
- c. In the course of normal operations the consolidated entity may receive from time to time claims for damages including workers compensation claims, motor vehicle accidents or other items of similar nature. The consolidated entity maintains specific insurance policies to transfer the risk of such claims. No provision is included in the accounts unless the Directors believe that a liability has been crystallised. In those circumstances where such claims are of material effect, have merit and are not covered by insurance, their financial effect is provided for within the financial statements.
- d. The Group has provided a guarantee in respect of a capital lease agreement for certain mobile mining equipment entered into by a controlled entity. At March 31, 2011 the outstanding rental obligations under the capital lease are \$62.3 million (2010: \$37.3 million). Associated with this guarantee are certain financial compliance undertakings by the Group, including gearing covenants.
- e. The Didipio Project is held under a Financial and Technical Assistance Agreement (“FTAA”) granted by the Philippines Government in 1994. The FTAA grants title, exploration and mining rights with a fixed fiscal regime. Under the terms of the FTAA, after a period in which the company can recover development expenditure, capped at 5 years from the start of production, the Company is required to pay the Government of the Republic of the Philippines 60% of the “net revenue” earned from the Didipio Project. For the purposes of the FTAA, “net revenue” is generally the net revenues derived from mining operations, less deductions for, amongst other things, expenses relating to mining, processing, marketing, depreciation and certain specified overheads. In addition, all taxes paid to the Government shall be included as part of the 60% payable.

16 COMMITMENTS

Capital commitments

At March 31, 2011, the consolidated entity has commitments of \$12.8 million (December 31, 2010 \$9.7 million), principally relating to the development of mining facilities, and property, plant and equipment.

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

	<i>March 31</i>	<i>December 31</i>
	<i>2011</i>	<i>2010</i>
	<i>\$'000</i>	<i>\$'000</i>
Within one year:		
- development of mining facilities, and purchase of property, plant and equipment	12 829	9 710

There have been no material changes in the capital and operating lease commitments as disclosed in the December 31, 2010 audited financial statements.

17 NON-CASH INVESTING AND FINANCING ACTIVITIES

	<i>March 31</i>	<i>March 31</i>
	<i>2011</i>	<i>2010</i>
	<i>\$'000</i>	<i>\$'000</i>
Acquisition of plant and equipment by means of finance leases	6 612	-

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Quarter ended March 31, 2011

18 EARNINGS PER SHARE

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

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

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

	<i>Three months ended</i>	
	<i>March 31</i>	<i>December 31</i>
	<i>2011</i>	<i>2010</i>
	<i>\$'000</i>	<i>\$'000</i>
Numerator:		
Net income attributable to equity holders from continuing operations (used in calculation of basic earnings per share)	14 772	1 814
Interest on convertible notes	2 688	2 346
Net income attributable to equity holders from continuing operations (used in calculation of diluted earnings per share)*	17 460	4 160
	<i>Thousands</i>	<i>Thousands</i>
Denominator:		
Weighted average number of common shares (used in calculation of basic earnings per share)	262 101	186 353
Effect of dilution:		
Share options	5 007	4 114
Convertible notes	41 128	41 199
Adjusted weighted average number of common shares (used in calculation of diluted earnings per share)	308 236	231 666
Net gain per share:		
- basic	\$0.06	\$0.01
- diluted	\$0.06	\$0.01

For the period to March 31, 2011, conversion of employee share options and convertible notes are anti-dilutive as they increase earnings per share.

19 RELATED PARTIES

There were no significant related party transactions during the period.