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OceanaGold Corporation
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OceanaGold Corporation ("OceanaGold" – TSX, ASX and NZX codes "OGC") recently announced that, for the June quarter 2008, gold sales increased to 58,831 ounces from 38,085 ounces in the previous corresponding period (pcp). The increase in average price received more than offset an increase in unit cash costs. With gold sales up strongly and your cash operating margin up slightly, can you explain why EBITDA fell from US$2.8 million to US$1.1 million in the pcp?

CEO Steve Orr
EBITDA decreased due to an unrealized foreign exchange loss of US$4.3 million. This was due to an appreciation of the AUD relative to the USD during second quarter of 2008 which caused the USD cash balance of the Company to devalue in AUD terms. This is important because the AUD is the functional currency of the Company. In addition, administration costs have also increased slightly compared to last year due to additional support services for our dual listing and the development activities at Didipio.

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How do you account for foreign exchange and gold hedging contracts?

CEO Steve Orr
All of our financials are presented in USD. However, most of the costs we incur are actually denominated in NZD. As a result, any appreciation or decline of the NZD against the USD impacts our reported costs. Each quarter we use the average exchange rate of the USD:NZD for the corresponding period to convert our reported costs to USD.

The gold hedges are denominated in NZD at a contracted fixed price. Each quarter, we determine the value of the remaining hedge contracts compared to their market value at the end of the quarter. The change in this difference in value is included in our quarterly income statement as either an unrealized profit or loss on hedges depending upon whether the aggregate value of the remaining contracts has increased or decreased from the previous period end. This amount has no impact on cash flow as it only represents the change in the notional value of the remaining contracts at the end of each quarter.

It is unfortunate that accounting standards require the hedge contracts value to be included in the calculation of our net profits. It distorts the profit by including a notional value that may or may not be realized when the contract actually expires and is settled at some point in the future.

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What hedging remains in place?

CEO Steve Orr
We currently have 319,788 ounces in flat forward contracts denominated at NZ$777 per ounce with contracts expiring and requiring settlement during 2008, 2009 and 2010.

This year we have been rolling the 2008 contracts forward so that we can sell all our gold production into the spot market rather than into the lower fixed price forward contracts. If we continue to roll the 2008 hedges during the year, they will ultimately be deferred until 2011.

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Can you explain how cash flow from operating activities increased to $12.3 million from negative $1.0 million in the pcp? Can you explain movements in the operating cash flow?

CEO Steve Orr
The operating cash flow increased due to gold production of 58,831 ounces from three operating mines in Q2 compared to 38,085 ounces of gold production from one operating mine during Q2 of 2007. In addition, our average gold price received was US$902 per ounce versus US$698 per ounce during the same period in 2007. Operating costs were higher, but the cash operating margin per ounce still increased by about 5%. Reductions in net working capital also contributed to the higher operating cash flow.

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The cash operating cost increased to US$741 per ounce from US$544 per ounce and total cash operating costs increased to US$26.21 per processed tonne from US$11.23 per processed tonne. Can you explain why? How can you achieve greater efficiencies?

CEO Steve Orr
Cash operating costs on a per ounce basis increased due to rising electricity prices, diesel fuel prices and the timing of capital waste stripping activities. The continued strength of the NZD has also influenced the cash cost per ounce expressed in USD terms.

In terms of cost per processed tonne, Frasers Underground and Reefton mines have a higher cost per tonne of ore processed that is offset by higher gold grades.

We are currently implementing a number of initiatives to further improve the rock haulage efficiency from the Macraes open pit.

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As you have indicated, diesel and electricity were key drivers to higher costs accounting for $45 and $74 increases respectively on a cash cost per ounce basis compared to the first quarter 2008. What were the average prices for diesel and electricity in the June quarter? What are current prices? What are your assumptions for the remainder of the year?

CEO Steve Orr
Average spot electricity price for the second quarter was NZ$0.28 per kWh versus NZ$0.11 per kWh in the first quarter of the year. Fortunately, we have some hedging in place which reduced the overall affect of the significant increase in the quarter.

The diesel price also increased from an average of NZ$1.38 per litre in the quarter to a current price exceeding NZ$1.50 per litre. This compared with NZ$1.02 in the first quarter.

Spot electricity prices have reduced significantly and forward prices for August are currently NZ$0.10 per kWh and even slightly less for September. This is broadly in line with traditional averages. Diesel prices however, remain high and we have forecast them to remain at these high levels for the remainder of the year consistent with oil price forecasts.

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You announced revised cash cost guidance for the year. Can you comment on this? How are the operations looking to meeting the production guidance of 265,000 to 275,000 ounces for 2008?

CEO Steve Orr
Although we incurred higher commodity costs, New Zealand gold production achieved expectation and the Company remains on track to meet production guidance for the full year. The higher costs experienced in Q2 combined with allowance for higher diesel costs and for general inflation have resulted in an increase to our expected cost range for the 2008 year to US$560 – US$595 per ounce.

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The Company took an additional charge of US$76 per ounce compared to the March quarter 2008 which was attributed to the expensing of additional waste stripping. What levels of waste stripping do you expect in the future based on your mine plan?

CEO Steve Orr
Our primary objective at the Macraes open pit is to achieve the necessary vertical advance and access the higher grade portions of the pit in the Q4. In order to achieve this, the majority of our mining equipment will be allocated to this area of the mine and thus minimal pre-stripping, which is capitalized, is expected in Q3. We expect a return to normal levels of capitalized waste stripping in Q4 once the lower benches of the Macraes pit are reached.

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Mined grade was 1.66 g/t compared with 1.24 g/t, mill feed grade was 1.34 g/t compared with 0.89 g/t and recoveries were 79.5% compared with 76.7% in the pcp. What are your expectations for grades and recoveries in the future?

CEO Steve Orr
As indicated in Q1, we expect mill feed grades will be slightly lower in Q3 and to increase in Q4 when higher grade is mined at the Macraes Open pit. We should see grade increase to the 1.6-1.7 g/t range in Q4.

We have achieved notable improvement in process recoveries during Q2 and we expect them to be in the 79 – 82% range for the remainder of the year.

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The Company announced on June 24 a temporary suspension of some high cash-burn expenditures in order to preserve cash until supplementary funding for the Didipio project is in place. Can you summarize activities at the site during the quarter? What will be the major tasks once you lift the suspension?

CEO Steve Orr
Didipio activities focused on bulk earthworks which reached 60% completion. Detailed engineering & procurement also progressed to the 60% completion level.

This temporary suspension applies to the high cash expenditure activities at site such as earthworks, pre-stripping and a number of the activities involving heavy equipment. We have invested $64 million in the Project to date and expect a further $29 million to go in over the next six months in order to progress the Project at a slower rate pending completion of the supplemental financing.

All long lead-time items such as the mills and crusher are continuing through the fabrication stage. Permanent accommodation and on-site storage facilities are also being built and we currently have in excess of 200 people still working at Didipio. Once we resume full construction activities, pre-stripping of the open pit will be initiated and bulk earthworks resumed.

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Can you make any comment on progress or plans for funding Didipio?

CEO Steve Orr
The Company is currently evaluating a number of alternatives to secure the supplemental funding requirement for Didipio. We are working on a solution

that will allow the Project to be built and commissioned in the shortest possible timeframe and in a manner that maximizes the value for all our stakeholders.

The Company is engaged in discussions with a number of parties regarding traditional financing facilities such as debt as well as interest in joint venture or merger opportunities.

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In the Quarterly, you discussed the exploration program underway on near mine-targets within the Didipio FTAA. You are trying to preserve cash at Didipio. Why explore on the site when you are trying to save cash and have a financially robust project based on the current reserves?

CEO Steve Orr
We believe the potential in the vicinity around Didipio is immense. Varying degrees of work has been conducted on some of these targets over the past few years and we feel the upside in identifying additional reserves within close proximity of the plant warrants a current drilling program. Any additional resource that we can identify in this general area would be true upside and add significant value to the Project.

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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