STOCK EXCHANGE RELEASE

28 June 2007

Update on North American Listing
Listing on TSX & Filing of Final Prospectus

OceanaGold Corporation ("OceanaGold") is pleased to announce that it has completed its listing on the Toronto Stock Exchange ("TSX") and is now trading on the TSX, the Australian Stock Exchange ("ASX") and New Zealand Exchange Limited ("NZX") under the symbol "OGC".

OceanaGold is also pleased to announce that on 27 June 2007, it filed with the Canadian securities regulatory authorities a final prospectus in respect of its initial public offering of 25,715,000 common shares for aggregate gross proceeds of C$90,002,500 at C$3.50 per common share. The issue of these common shares was approved by the shareholders of Oceana Gold Limited at the general meeting on 8 June 2007. The syndicate of underwriters participating in the offering is led by BMO Capital Markets and also includes Austock Corporate Finance Limited, Haywood Securities Inc. and Westwind Partners Inc. OceanaGold has also granted the underwriters an over-allotment option to purchase an additional 3,857,250 common shares at C$3.50 per common share exercisable up to 30 days following closing of the offering, which is expected to be on or about 5 July 2007. A copy of the final prospectus is attached to this announcement.

OceanaGold plans to use the net proceeds of the offering primarily for the development of the Didipio Gold Copper Project in the Philippines.

ENDS-

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No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell these securities. The securities offered by this prospectus have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any applicable state securities laws and, may not be offered or sold within the United States unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration requirements is available. See "Plan of Distribution".

Initial Public Offering

PROSPECTUS

June 25, 2007

OCEANAGOLD CORPORATION

Cdn.$90,002,500

25,715,000 Common Shares

This prospectus qualifies the distribution (the "Offering") of up to 25,715,000 common shares (the "Common Shares") of OceanaGold Corporation ("Oceana" or the "Company") at a price of Cdn.$3.50 per Common Share (the "Offering Price"). Oceana was established to be the Canadian holding company and to carry on the business of Oceana Gold Limited ("Oceana Gold"). Oceana Gold is a gold mining and exploration company that has two operating mines in New Zealand and development and exploration properties in the Philippines and New Zealand. Oceana Gold has been listed on the Australian Stock Exchange Limited and New Zealand Exchange Limited since 2004. See "Business of the Company" and "Mining Projects".

The Common Shares are being offered pursuant to an underwriting agreement (the "Underwriting Agreement") among the Company and BMO Nesbitt Burns Inc., Haywood Securities Inc., Westwind Partners Inc. and Austock Corporate Finance Limited (which will offer the Common Shares only outside of Canada on a private placement basis) (collectively, the "Underwriters"). In connection with the Offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. See "Plan of Distribution".

There is currently no market through which the Common Shares may be sold. The Toronto Stock Exchange has conditionally approved the listing of the Common Shares offered pursuant to this prospectus. Listing is subject to the Company fulfilling all of the requirements of the Toronto Stock Exchange on or before September 4, 2007. An investment in the Common Shares is subject to a number of risks that should be carefully considered by a prospective purchaser. See "Risk Factors".

Price: Cdn.$3.50 per Common Share

	Price to the Public[1]	Underwriters' Fee[2]	Net proceeds to the Company[3]
Per Common Share	Cdn.$3.50	Cdn.$0.1925	Cdn.$3.3075
Total Offering[4]	Cdn.$90,002,500.00	Cdn.$4,950,137.50	Cdn.$85,052,362.50

Notes:

(1) The Offering Price was determined by negotiation between the Company and the Underwriters.

(2) The Underwriters' Fee is the aggregate cash amount payable to the Underwriters in connection with the Offering. See "Plan of Distribution".

(3) Before deducting the expenses of the Offering, estimated to be Cdn.$3,460,000, which expenses, together with the Underwriters' Fee, will be paid out of the gross proceeds of the Offering.

(4) The Company has granted to the Underwriters an over-allotment option (the "Over-Allotment Option"), exercisable for a period of 30 days from the date of the closing of the Offering (the "Closing Date"), to purchase at the Offering Price additional Common Shares equal to up to 15% of the Common Shares sold pursuant to the Offering solely to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Fee" and "Net Proceeds to the Company" will be Cdn.$103,502,875.00, Cdn.$5,692,658.12 and Cdn.$97,810,216.88, respectively. This prospectus also qualifies the distribution of the Over-Allotment Option and the distribution of any Common Shares issuable upon exercise of the Over-Allotment Option. See "Plan of Distribution".

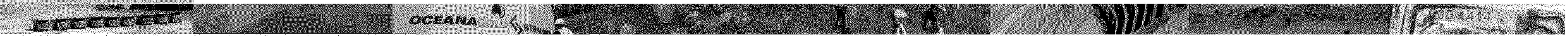
The Underwriters, as principals, conditionally offer the Common Shares, subject to prior sale, if, as and when issued and sold by the Company, and delivered to and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of Oceana by Fasken Martineau DuMoulin LLP, Canadian legal counsel to Oceana, and on behalf of the Underwriters by Stikeman Elliott LLP, Canadian legal counsel to the Underwriters.

Subscriptions for Common Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of the Offering will take place on July 5, 2007 or such other date as the Company and the Underwriters may agree, but no later than July 12, 2007, and that certificates representing the Common Shares will be issued on the Closing Date. See "Plan of Distribution".

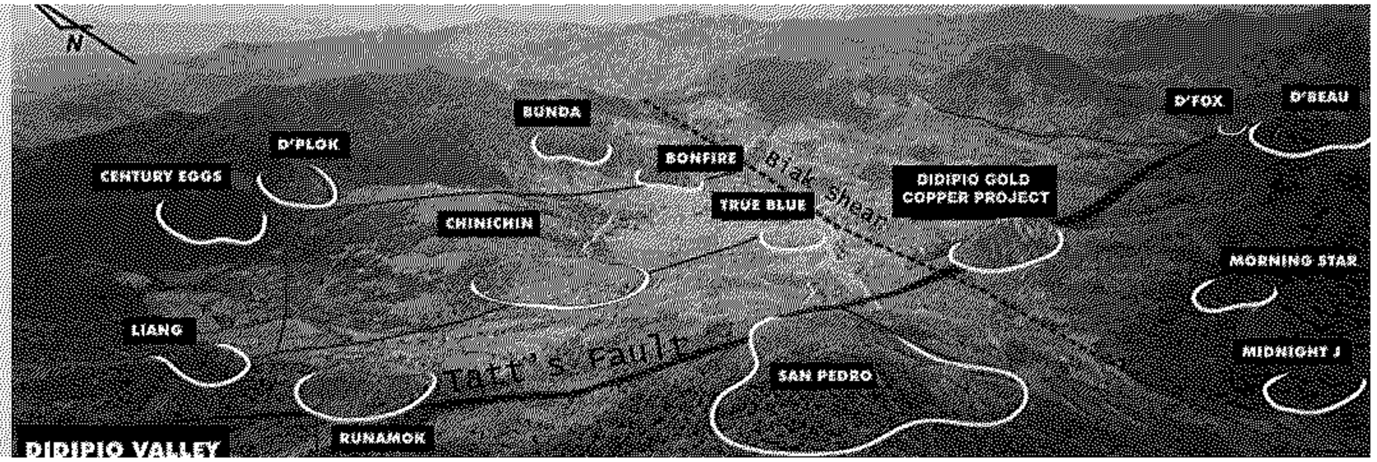
TABLE OF CONTENTS

OCEANAGOLD

Expanding our horizons

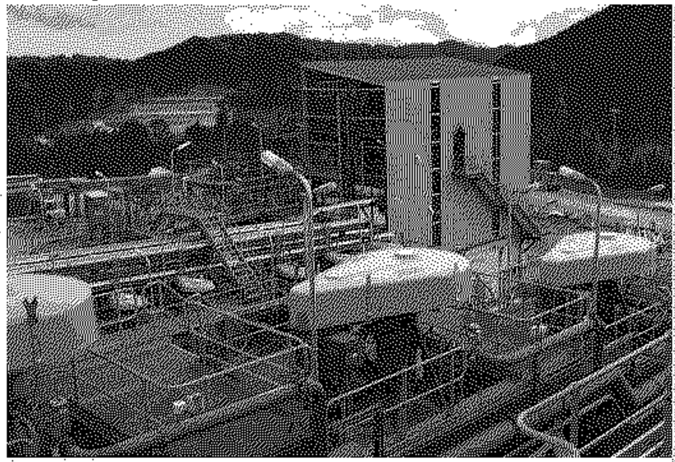


Didipio Gold-Copper Project

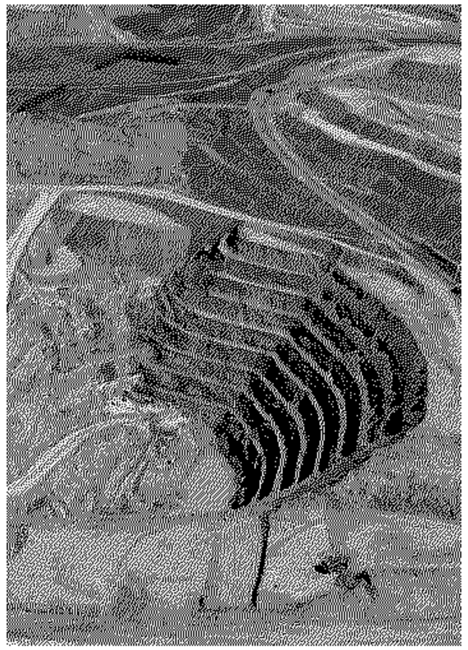


PHILIPPINES

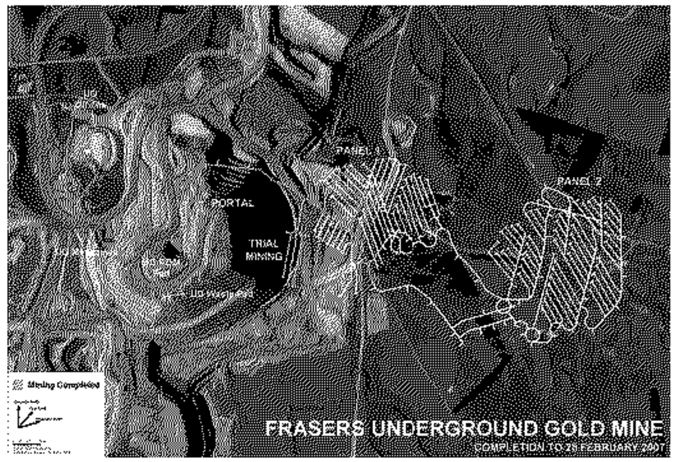
Globe Progress Gold Mine



Macraes Gold Mine



Frasers Underground Gold Mine



AUSTRALIA

Melbourne

NEW ZEALAND

Macraes Project

The Macraes Project consists of the Macraes open pit gold mine and the Frasers underground mine, as well as an adjacent processing plant including a pressure oxidation plant for the processing of sulphide ore (which is one of only three in the southern hemisphere). The Macraes mine has been in operation since 1990 and has produced over two million ounces of gold to date.

The current combined open pit and underground mineral reserves support a seven year mine life for the Macraes Project with a production rate that is expected to average approximately 185,000 ounces of gold per annum commencing in 2008.

Reefton Project

Oceana is developing the Globe Progress open pit mine at the Reefton Project on the west coast of New Zealand's South Island. This project comprises four open pits and a 1.0 Mtpa crushing, grinding and flotation plant to create a gold concentrate that is rail shipped back to the Macraes pressure oxidation plant for final processing into gold. Commissioning of the crushing, grinding and flotation plant was completed in April 2007. First gold was produced from Globe Progress in March 2007.

Didipio Gold-Copper Project

The Didipio Gold-Copper Project is located approximately 270 kilometres north of Manila and 100 kilometres to the east of the Philippine's largest copper/gold mining operations centred on the Baguio area. The Didipio Gold-Copper Project is held under a Financial or Technical Assistance Agreement granted by the Philippines Government in 1994.

The Didipio Gold-Copper Project is expected to support approximately four years of open pit mining (including pre-production) and nine years of underground mining, followed by two years of stockpile processing. The proposed 2.5 Mtpa processing plant is expected to average approximately 120,000 ounces of gold and 15,000 tonnes of copper concentrate per annum for the first 10 years of operations. First production of gold and copper concentrate is targeted for the first half of 2009

OCEANAGOLD CORPORATION

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PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial statements and data contained elsewhere in this prospectus. This summary is qualified in its entirety by the more detailed information contained herein and readers are cautioned to review carefully this prospectus in its entirety. Certain terms which are used but not defined in this "Prospectus Summary" have the meanings ascribed to them in the "Glossary" and the "Technical Glossary".

Business of Oceana

OceanaGold Corporation ("Oceana" or the "Company") was established to be the Canadian holding company and to carry on the business of Oceana Gold Limited ("Oceana Gold") pursuant to court-approved Schemes under Australian law. Oceana Gold is a gold mining and exploration company that has been listed on the ASX and NZX since 2004. The Reorganization became effective on June 18, 2007.

Oceana's asset portfolio consists of the following major projects:

- the Macraes Project, which includes the operating Macraes open pit gold mine and the Frasers underground gold mine that currently is in development;
- the Reefton Project, which includes the operating Globe Progress open pit gold mine; and
- the Didipio Gold-Copper Project, which currently is in development.

The Macraes Project and the Reefton Project are located in New Zealand, and the Didipio Gold-Copper Project is located in the Philippines. In 2006, Oceana Gold produced 182,288 ounces of gold at a total cash cost of US$404 per ounce from the Macraes Project and began commissioning the Globe Progress open pit mine at the Reefton Project, which produced its first gold in March 2007. The Frasers underground mine (the initial capital costs of which are fully-funded) is scheduled for commissioning in the first quarter of 2008. Production of gold and copper concentrate from the Didipio Gold-Copper Project is targeted for the first half of 2009. See "Business of the Company" and "Mining Projects".

Growth Strategy

The Company's growth strategy is to increase its reserve and resource base and expand its current mining operations and production by:

- developing new reserves and resources at its existing mines from in-pit, adjacent and regional exploration;
- successfully bringing the Frasers underground mine and the Didipio Gold-Copper Project into production;
- continuing performance improvements at its Macraes and Globe Progress mining operations; and
- pursuing selective acquisition and exploration opportunities to grow the business.

The Company's goal is to increase annual production to approximately 340,000 ounces of gold and approximately 17,000 tonnes of copper by 2009.

In addition to production from the Macraes open pit mine, the Globe Progress open pit mine is expected to produce 55,000 to 60,000 ounces of gold in 2007. Once the Frasers underground mine is commissioned, Oceana expects to produce approximately 300,000 ounces of gold in 2008 from its three New Zealand mines. Oceana expects that the transition to underground mining will present additional underground mining opportunities elsewhere along the Macraes strike of mineralization. The Company also believes that potential exists to discover additional mineral reserves and resources at the Macraes and Reefton projects. Oceana has commenced work to develop the Didipio Gold-Copper Project with the aim of first production of gold and copper concentrate in the first half of 2009.

The table below highlights selected historical operating results and projected future operating performance that the Company is seeking to achieve:

Company Operating Data

	Actual		Projected			
	2005	2006	2007	2008	2009	2010
Tonnes processed (millions)	5.0	5.5	6.7	6.3	8.7	8.9
Gold produced (thousands of ounces)	170	182	205	301	338	368
Average gold grade (g/t)	1.27	1.24	1.20	1.70	1.47	1.49
Copper concentrate produced (thousands of tonnes)	—	—	—	—	16.54	21.04
Average copper grade (%)	—	—	—	—	0.80	0.88
Total cash cost (US$/oz) after copper credits(1)	413	404	500	322	214	174

Note:

(1) Bi-product accounting applied from 2009 onwards at a copper price of US$1.90/lb.

The total cash cost per ounce in 2007 is adversely impacted by a higher strip ratio and a lower ore grade during the initial stages of the final pushback in the Macraes open pit. The ore grade increases in 2008.

The Company has allocated approximately US$3.4 million in 2007 to a New Zealand exploration program seeking to expand the resource base at both the Macraes and Reefton projects. In the Philippines, an approximate US$5.1 million exploration program in 2007 will focus on testing gold and gold-copper prospects within the Company's tenement package in Luzon and Mindanao, as well as selected prospects within the Didipio Gold-Copper Project.

Business Strengths

Oceana believes it can successfully implement its growth strategy and achieve its production goals because of its key business strengths. These strengths include:

- **Proven Experience in New Zealand:** As the largest gold producer in New Zealand, the Company has developed significant experience in carrying on mining operations. The Company also has successfully commissioned the new Globe Progress mine. The Company's proven track record of successfully acquiring, financing, developing and operating major gold mines provides a significant advantage in pursuing opportunities in New Zealand and elsewhere.

- **Current and Near-Term Production Profile:** Oceana's attractive pipeline of projects provides growth and diversification. The Macraes open pit mine and the Globe Progress open pit mine are currently producing gold, and the Company intends to commission the Frasers underground mine in the first quarter of 2008 and bring the Didipio Gold-Copper Project into production in the first half of 2009.

- **Existing Infrastructure:** The Company's New Zealand projects are supported by well-developed infrastructure and are based in areas where there has been a long-standing history of, and support for, mining activities.

- **Long Life Mineral Reserves and Mineral Resources:** The Company expects to produce gold and/or copper for at least 15 years based on current mineral reserves. The Company also believes that there is potential to discover additional reserves and resources at its existing projects.

- **Established Management Team in the Philippines:** The Company has an experienced management team in the Philippines, some of whom have worked for many years on the Didipio Gold-Copper Project.

- **Management Experience:** The Company's directors and senior management team have significant mining industry experience, including current positions with gold companies Golden Star Resources Ltd., Sino Gold Mining Limited and Yamana Gold Inc., and former positions with Barrick Gold Corporation, AngloGold Ashanti Limited and Oxiana Limited. See "Directors, Executive Officers and Technical Officers".

Mineral Projects

Macraes Project

The Macraes open pit gold mine, located on New Zealand's South Island, is the country's largest gold producing operation. The Macraes Project consists of the Macraes open pit gold mine and the Frasers underground mine, as well as an adjacent processing plant including a pressure oxidation plant for the processing of sulphide ore (which is one of only three in the southern hemisphere). The Macraes mine has been in operation since 1990 and has produced over two million ounces of gold to date.

The Company is developing the Frasers underground mine on the deeper extensions of the Macraes ore body (the initial capital costs of which are fully-funded). The current combined open pit and underground mineral reserves support a seven year mine life for the Macraes Project with a production rate that is expected to average approximately 185,000 ounces of gold per annum commencing in 2008.

Reefton Project

Oceana is developing the Globe Progress open pit mine at the Reefton Project on the west coast of New Zealand's South Island. This project comprises four open pits and a 1.0 Mtpa crushing, grinding and flotation plant to create a gold concentrate that is rail shipped back to the Macraes pressure oxidation plant for final processing into gold. Commissioning of the crushing, grinding and flotation plant was completed in April 2007. The initial pit being mined is Globe Progress, which produced its first gold in March 2007. Based on current reserves, the Reefton Project is expected to produce approximately 455,000 ounces of gold over its mine life.

Didipio Gold-Copper Project

The Didipio Gold-Copper Project is located approximately 270 kilometres north of Manila and 100 kilometres to the east of the Philippine's largest copper/gold mining operations centred on the Baguio area. The Didipio Gold-Copper Project is held under a Financial or Technical Assistance Agreement ("FTAA"), granted by the Philippines Government in 1994. The FTAA grants title, exploration and mining rights with a fixed fiscal regime for a period of 25 years from the date of grant. The FTAA is renewable for a further 25 years.

The Didipio Gold-Copper Project is expected to support approximately four years of open pit mining (including pre-production) and nine years of underground mining, followed by two years of stockpile processing. The proposed 2.5 Mtpa processing plant is expected to average approximately 120,000 ounces of gold and 15,000 tonnes of copper concentrate per annum for the first 10 years of operations. Conventional flotation processing will be used to produce a copper-gold concentrate with some gold retrieved directly through a gravity recovery circuit.

The Didipio Gold-Copper Project is in the initial stages of development, with most civil earth works anticipated to be completed in 2007 and infrastructure construction anticipated for completion in 2008. First production of gold and copper concentrate is targeted for the first half of 2009.

Under the terms of the FTAA, upon the earlier of the Company recovering its pre-operating expenses and property expenditures or five years after the start of commercial production, the Company is required to pay the Government of the Republic of the Philippines 60% of the "net revenue" (as referred to under "The Didipio Gold-Copper Project — Mineral Permits and Regulatory Matters") earned from the Didipio Gold-Copper Project. The FTAA requires the Company to divest 60% of its interest in the project (or such lesser percentage as may be imposed by law) to Filipino persons by the later of ten years after the recovery of pre-operating expenses and 20 years after the effective date of the FTAA, in which case the revenue sharing arrangement described above will cease to apply. However, as an alternative to such divestment, the Company may, at its option, enter into a mineral production sharing agreement with the Government of the Republic of the Philippines. Also, the Company has an agreement with a Philippine claim owner syndicate (the "syndicate") which covers that portion of the FTAA previously included in a block of mineral claims held by the syndicate (the "area of interest"). Under such agreement, the syndicate will be entitled, once certain conditions have been met, to an 8% free carried interest in the operating vehicle that will be established to undertake the management, development, mining and processing of ores, and the marketing of products from, the area of interest following the satisfaction of certain conditions. See "The Didipio Gold-Copper Project — Mineral Permits and Regulatory Matters".

Mineral Reserves and Mineral Resources

The following tables summarize the mineral reserves and mineral resources of the projects as at December 31, 2006. Mineral reserves are included as part of the mineral resources.

Mineral Reserves

	Proven			Probable			Total Reserve (Proven & Probable)				
Project	**Mt**	**Au g/t**	**Cu%**	**Mt**	**Au g/t**	**Cu%**	**Mt**	**Au g/t**	**Au Moz**	**Cu%**	**Cu Mt**
Macraes Project:											
Open Pit(1)	19.55	1.17	—	13.32	1.00	—	32.87	1.10	1.16	—	—
Frasers Underground(2)	—	—	—	4.29	2.37	—	4.29	2.37	0.33	—	—
Total Macraes	19.55	1.17	—	17.61	1.34	—	37.16	1.25	1.49	—	—
Reefton Project(3)	1.50	2.67	—	4.95	2.51	—	6.46	2.55	0.53	—	—
Didipio Gold-Copper Project:											
Open Pit(4)	9.92	0.88	0.66	4.99	0.49	0.54	14.91	0.75	0.36	0.62	0.09
Underground(5)	10.26	2.18	0.54	7.80	1.95	0.54	18.06	2.08	1.21	0.54	0.10
Total Didipio Gold-Copper Project	20.18	1.54	0.60	12.79	1.38	0.54	32.98	1.48	1.57	0.58	0.19
TOTAL (All Projects)	41.24	1.41	—	35.35	1.52	—	76.59	1.46	3.59	—	0.19

Notes:

(1) 0.5 g/t Au cut-off and gold price of US$500/oz.

(2) 1.9 g/t Au cut-off and gold price of US$500/oz.

(3) 0.8 g/t Au cut-off and gold price of US$500/oz.

(4) 0.56 g/t Au equiv. cut-off at a gold price of US$500/oz and copper price of US$1.90/lb.

(5) 1.0 g/t Au equiv. cut-off at a gold price of US$500/oz and copper price of US$1.90/lb.

Mineral Resources

	Measured			Indicated			Measured & Indicated					Inferred		
Project	**Mt**	**Au g/t**	**Cu%**	**Mt**	**Au g/t**	**Cu%**	**Mt**	**Au g/t**	**Au Moz**	**Cu%**	**Cu Mt**	**Mt**	**Au g/t**	**Cu%**
Macraes Project:														
Open Pit(1)	23.86	1.17		37.02	0.95		60.89	1.04	2.03			21.41	1.0	
Frasers Underground(2)	—	—		11.87	2.21		11.87	2.21	0.84			9.69	2.3	
Total Macraes	23.86	1.17	—	48.89	1.26	—	72.76	1.23	2.87	—	—	31.10	1.4	—
Reefton Project(3)	1.81	2.65	—	10.99	2.30	—	12.80	2.35	0.97	—	—	5.66	3.3	—
Didipio Gold-Copper Project:														
Open Pit(4)	17.1	0.71	0.51	16.2	0.41	0.40	33.2	0.57	0.61	0.46	0.15	14.4	0.3	0.3
Underground(5)	17.6	2.06	0.46	13.1	0.94	0.40	30.7	1.58	1.56	0.44	0.14	6.7	0.7	0.3
Total Didipio Gold-Copper Project	34.70	1.40	0.49	29.30	0.65	0.40	64.0	1.06	2.17	0.45	0.29	21.10	0.4	0.3
Sams Creek(6)	—	—	—	—	—	—	—	—	—	—	—	13.50	1.8	—
TOTAL (All Projects)	60.37	1.35	—	89.18	1.19	—	149.55	1.25	6.02	—	0.29	71.35	1.3	—

Notes:

(1) 0.5 g/t Au cut-off.

(2) Cut-offs range between 0 g/t Au and 1.9 g/t Au. See "The Macraes Project - Mineral Resources and Mineral Reserves — Mineral Resources".

(3) 0.8 g/t Au cut-off, except for the Blackwater deposit, which is based on a 0 g/t Au cut-off. See "The Reefton Project — Mineral Resources and Mineral Reserves — Mineral Resources".

(4) 0.4 g/t Au equiv. cut-off at a gold price of US$500/oz and copper price of US$1.90/lb.

(5) 1.0 g/t Au equiv. cut-off at a gold price of US$500/oz and copper price of US$1.90/lb.

(6) 0.7 g/t Au cut-off. Sams Creek is an exploration property on New Zealand's South Island that is wholly-owned by Oceana.

Operational Data

Macraes Project

The Macraes Project derives its economic value from the production and sale of gold. The table below sets forth selected historical operating results and projected operating data for the Macraes Project to 2010:

	Macraes Project Operating Data					
	Actual		Projected			
	2005	2006	2007	2008	2009	2010
Macraes Open Pit Mine						
Tonnes processed (millions)	5.0	5.5	5.3	4.4	4.5	4.4
Gold produced (thousands of ounces)	170	182	117	159	183	134
Average gold grade (g/t)	1.27	1.24	0.86	1.28	1.46	1.13
Total cash cost (US$/oz)	413	404	554	346	226	320
Frasers Underground Mine						
Tonnes processed (millions)	—	—	0.43	0.89	0.88	0.77
Gold produced (thousands of ounces)	—	—	30	60	53	54
Average gold grade (g/t)	—	—	2.54	2.36	2.72	2.49
Total cash cost (US$/oz)	—	—	483	393	264	265
Total Macraes Project						
Tonnes processed (millions)	5.0	5.5	5.7	5.3	5.4	5.2
Gold produced (thousands of ounces)	170	182	147	219	236	188
Average gold grade (g/t)	1.27	1.24	0.99	1.46	1.66	1.33
Total cash cost (US$/oz)	413	404	539	359	234	304

The total cash cost per ounce in 2007 is adversely impacted by a higher strip ratio and a lower ore grade during the initial stages of the final pushback in the Macraes open pit. The ore grade increases in 2008.

Based on current reserves, the Macraes Project is expected to produce a total of 1.3 million ounces of gold at an average cash cost of US$341 per ounce over its remaining mine life.

See "The Macraes Project — Operating Data".

Reefton Project

The Reefton Project derives its economic value from the production and sale of gold. The Globe Progress mine commenced production in 2007. The table below sets forth certain projected operating data for the Reefton Project to 2010:

	Reefton Project Operating Data					
	Actual		Projected			
	2005	2006	2007	2008	2009	2010
Tonnes processed (millions)	—	—	1.0	1.0	1.0	1.2
Gold produced (thousands of ounces)	—	—	58	82	59	93
Average gold grade (g/t)	—	—	2.45	2.96	2.17	2.81
Total cash cost (US$/oz)	—	—	406	252	420	240

Lower grade stockpiles are being processed at the Reefton Project during 2009 resulting in lower production that year. The Company is continuing to optimize mine design to achieve a more consistent output of ore over the life of mine.

Based on current reserves, the Reefton Project is expected to produce a total of approximately 455,000 ounces of gold at an average cash cost of US$316 per ounce over its mine life.

See "The Reefton Project — Operating Data".

Didipio Gold-Copper Project

The Didipio Gold-Copper Project will derive its economic value from the production and sale of gold and copper concentrate. The Didipio Gold-Copper Project is expected to commence production in the first half of 2009. The following table sets forth certain projected operating data for the Didipio Gold-Copper Project through to 2010:

	Didipio Gold-Copper Project Operating Data(1)					
	Actual		Projected			
	2005	2006	2007	2008	2009	2010
Tonnes processed (millions)	—	—	—	—	2.3	2.5
Gold produced (thousands of ounces)	—	—	—	—	43	87
Average gold grade (g/t)	—	—	—	—	0.70	1.18
Copper concentrate produced (thousands of tonnes)	—	—	—	—	16.54	21.04
Average copper grade (%)	—	—	—	—	0.80	0.88
Total cash cost (US$/Au equiv. oz)(2)	—	—	—	—	330	263
Total cash cost (US$/oz) after copper credits(3)	—	—	—	—	(126)	(171)

Notes:

(1) Pre-production ounces in 2008 are not shown in the table.

(2) Au equiv. ounces calculated at US$500/oz Au and US$1.90/lb Cu.

(3) Copper credits calculated at US$1.90/lb.

Based on current reserves, the Didipio Gold-Copper Project is expected to produce a total of 1.5 million ounces of gold and 181,000 tonnes of copper at an average cash cost of US$250 per Au equiv. ounce or US$15 per ounce after copper credits over its mine life.

See "The Didipio Gold-Copper Project — Operating Data".

Economic Analysis

The projected net mine cash flows are shown net of operating costs, development capital, sustaining capital, reclamation costs, taxes, royalties, repayment of the external project debt and associated interest costs, but excluding exploration costs and any allowances for the potential to extend the mine life beyond current reserves.

Macraes Project

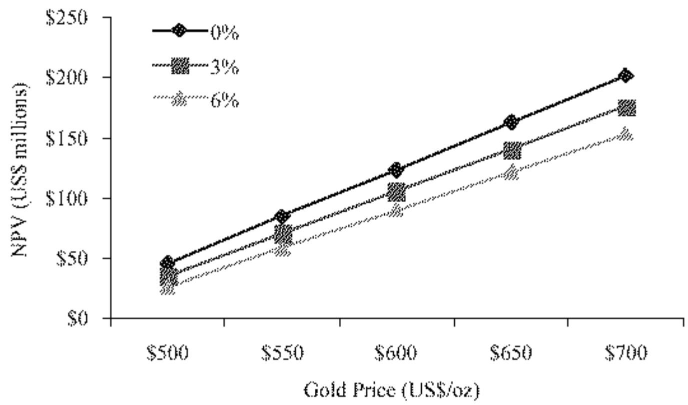
The table below sets forth the net mine cash flows, based on current reserves, projected to be generated from the Macraes Project. The projected net mine cash flows assume a gold price of US$620 per ounce in 2007 and US$500 per ounce in 2008 onward.

Macraes Project Net Mine Cash Flows (US$'000)

	2007	2008	2009	2010	2011	2012	2013	Total
Macraes Open Pit	(27,107)	(5,050)	7,671	(6,471)	7,367	35,914	15,358	27,683
Frasers Underground	(5,948)	(3,758)	5,271	7,379	2,070	2,949	5,017	12,979
Total Macraes Project	(33,055)	(8,808)	12,942	908	9,437	38,863	20,375	40,662

The forecast net mine cash flows from the Macraes Project (including both Macraes open pit and Frasers underground mine) are estimated to total approximately US$41 million. The following graph indicates the NPV sensitivity of the Macraes Project to gold prices and discount rates (of 0%, 3% and 6%):

NPV of Macraes Project Net Mine Cash Flows(1)



Note:

(1) Changes to gold price only applied in 2008 onward.

For every US$50 per ounce change in the gold price, the NPV of the Macraes Project at a 0% discount rate changes by approximately US$39 million. For every 10% change in the NZ$/US$ exchange rate, the NPV of the Macraes Project at a 0% discount rate changes by approximately US$29 million. At a US$650 per ounce gold price and 0.7 US$/NZD exchange rate, the NPV of the Macraes Project will be approximately US$91 million.

See "The Macraes Project — Economic Analysis".

Reefton Project

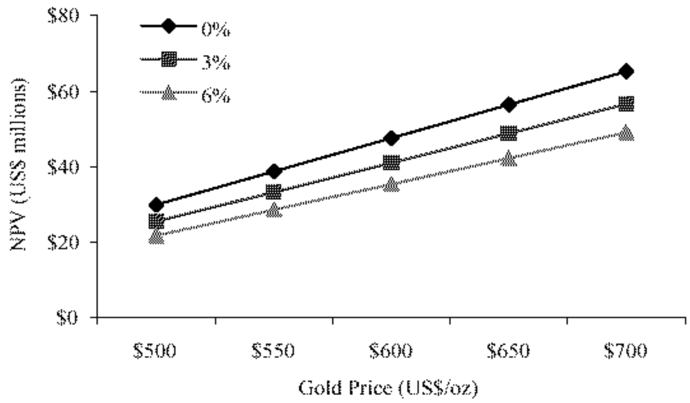
The table below sets forth the net mine cash flows, based on current reserves, projected to be generated from the Reefton Project. The projected net mine cash flows assume a gold price of US$620 per ounce in 2007 and US$500 per ounce in 2008 onward.

Reefton Project Net Mine Cash Flows (US$'000)

	2007	2008	2009	2010	2011	2012	2013	Total
Reefton Project	(21,654)	11,134	(642)	15,323	9,663	13,161	(408)	26,577

The forecast net mine cash flows from the Reefton Project are estimated to total approximately US$27 million. The following graph indicates the NPV sensitivity of the Reefton Project to gold prices and discount rates (of 0%, 3% and 6%):

NPV of Reefton Project Net Mine Cash Flows(1)



Note:

(1) Changes to gold price only applied in 2008 onward.

For every US$50 per ounce change in the gold price, the NPV of the Reefton Project at a 0% discount rate changes by approximately US$9 million. For every 10% change in the NZ$/US$ exchange rate, the NPV of the Reefton Project at a 0% discount rate changes by approximately US$3 million.

See "The Reefton Project — Economic Analysis".

Didipio Gold-Copper Project

The current initial capital cost estimate for the development of the Gold-Copper Project totals US$154.4 million and is summarized in the following table:

Item	US$M
Mining	
— open pit mining	21.9
— underground mining	0.6
— drainage tunnel	16.0
— water management	0.6
— indirect mining costs	0.8
Process Plant and Infrastructure	62.1
Infrastructure and Services	9.1
Accommodation Camp	5.3
Tailings Storage Facility	1.3
Subtotal Direct Costs	**117.7**
Owners Costs	8.1
Indirect Costs	16.8
Contingency	11.8
Total Initial Capital	**154.4**

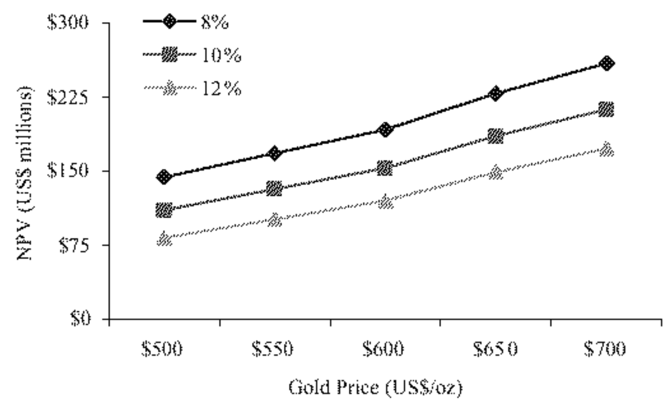
At metal prices of US$500 per ounce of gold and US$1.90 per pound of copper, the Didipio Gold-Copper Project is projected to generate net cash flows of approximately US$360 million. Upon the earlier of the Company recovering its pre-operating expenses and property expenditures or five years after the start of commercial production, the Company is required to pay the Government of the Republic of the Philippines 60% of the net revenue earned from the Didipio Gold-Copper Project. For the purposes of the FTAA, "net revenue" is generally the gross mining revenue from commercial production from mining operations, less deductions for, among other things, expenses relating to mining, processing, marketing and mineral exploration, consulting fees, depreciation of capital, and certain specified overheads. In addition, all taxes paid to the Government, including excise, customs, sales, corporate taxes (30%), and value added taxes, as well as the 2% net smelter royalty payments and any distribution made to the holder of the 8% free carried interest (referred to under "The Didipio Gold-Copper Project — Mineral Permits and Regulatory Matters"), are also deducted from the 60% of net revenues that are payable to the Government. The table below sets forth the net mine cash flows, based on current reserves, projected to be generated from the Didipio Gold-Copper Project. The projected net mine cash flows are shown net of operating costs, development capital, sustaining capital, reclamation costs, taxes, royalties, repayment of the external project debt and associated interest costs, but excluding exploration costs and any allowances for the potential to extend the mine life beyond current reserves.

Didipio Gold-Copper Project Net Mine Cash Flows (US$'000)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Didipio Gold-Copper Project . .	(100,000)	(51,901)	8,109	41,042	71,802	47,665	53,407	37,129	38,313	40,430	36,071	43,598	42,993	20,926	13,616	16,891	360,091

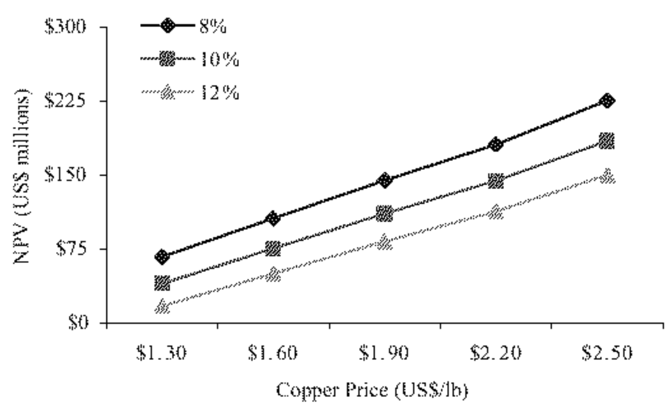
At a 10% discount rate, the NPV of the Didipio Gold-Copper project is estimated at US$104.7 million. The payback period for the project is expected to be 4.65 years with an internal rate of return of 20.8%. The following graphs indicate the NPV sensitivity of the Didipio Gold-Copper Project to gold prices, copper prices and discount rates (of 8%, 10% and 12%):

NPV of Didipio Gold-Copper Project Net Mine Cash Flows



For every US$50 per ounce change in the gold price, the NPV of the Didipio Gold-Copper Project at a 10% discount rate changes by approximately US$26 million.

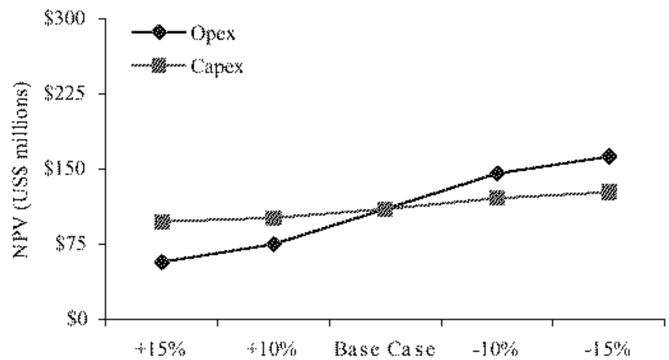
NPV of Didipio Gold-Copper Project Net Mine Cash Flows



For every US$0.30/lb change in the copper price, the NPV of the Didipio Gold-Copper Project at a 10% discount rate changes by approximately US$40 million.

The following graph sets forth the NPV sensitivity of the Didipio Gold-Copper Project to variations in the estimated capital costs ("Capex") and operating costs ("Opex") over the life of the mine:

NPV of Didipio Gold-Copper Project Net Mine Cash Flows
(10% Discount Rate)



For every 10% change in life-of-mine capital costs, the NPV of the Didipio Gold-Copper Project at a 10% discount rate changes by approximately US$10 million. For every 10% change in life-of-mine operating costs, the NPV of the Didipio Gold-Copper Project at a 10% discount rate changes by approximately US$35 million.

See "The Didipio Gold-Copper Project — Economic Analysis".

Hedging Activities

Hedging is a risk management technique used by the Company to protect against future gold price variations. The Company currently has a gold hedge book which consists of a combination of forward sales agreements and put and call option contracts. The effect of the hedge book on production from the Company's New Zealand operations from 2007 to 2010 is that, on average:

- 32% of production will be sold at NZ$773 per ounce;
- 28% of production has a floor price of NZ$1,000 per ounce and benefits from any upside in the gold price; and
- 104,024 ounces in 2010 are subject to a call option which sets a maximum price of NZ$1,062 per ounce.

The Company has no current intention of committing additional gold ounces from its New Zealand operations to the hedge book. Furthermore, at the Didipio Gold-Copper Project, no gold hedging arrangements have been implemented and the Company has no current intention of entering into such arrangements.

See "Hedging Activities".

The Offering

Issuer: OceanaGold Corporation

Offering: 25,715,000 Common Shares

Price to the Public: Cdn.$3.50 per Common Share

Over-Allotment Option: The Company has granted to the Underwriters an Over-Allotment Option, exercisable for a period of 30 days from the Closing Date to purchase at the Offering Price additional Common Shares equal to up to 15% of the Common Shares sold pursuant to the Offering solely to cover over-allotments, if any, and for market stabilization purposes. If the Underwriters exercise the Over-Allotment Option in full, the total net proceeds, after deducting the Underwriters' fee but before deducting expenses of the Offering, to Oceana will be Cdn.$97,810,216.88. See "Plan of Distribution".

Use of Proceeds: The net proceeds of the Offering are expected to be Cdn.$85,052,362.50 after payment of the Underwriters' fee but before deducting expenses of the Offering estimated to be Cdn.$3,460,000 and before giving effect to the exercise of the Over-Allotment Option. The following table provides an estimated breakdown of the proposed application of the net proceeds of the Offering (all figures are approximate):

Use	Amount (Cdn.$million)
Development, construction and start-up of the Didipio Gold-Copper Project	74.2
General corporate and working capital purposes	7.4

While the Company intends to use the funds available to it as stated above, there may be circumstances where, for sound business reasons, a re-allocation of funds may be necessary or advisable.

The Company expects that the net proceeds of the Offering as set forth above, together with cash on hand (including the available proceeds from the issue of the Convertible Notes (as defined and referred to under "Convertible Notes")), will result in the initial capital costs of the Didipio Gold-Copper Project being fully-funded.

See "Use of Proceeds".

Risk Factors: An investment in the Common Shares is speculative and subject to risk and uncertainties. A prospective investor should carefully consider the risks summarized below and all other information contained in this prospectus before investing in the Common Shares, including, without limitation, the historical and pro forma financial statements and accompanying notes included in this prospectus and the information contained in the section entitled "Cautionary Statements Regarding Forward-Looking Information", before a decision is made to purchase Common Shares. Each risk factor identified below should, unless specifically referring to one or more of the mineral projects of the Company, be considered in the context of each mineral project of the Company and the Company as a whole. The occurrence of any one or more of these risks could have a material adverse effect on the value of any investment in Oceana and the business, prospects, financial position, financial condition or operating results of Oceana. The risks noted below do not necessarily comprise all those faced by Oceana.

- Changes in the market price of gold and copper, which in the past have fluctuated widely, will affect the profitability of the Company's operations and its financial condition.

- The effects of hedging arrangements to mitigate the impact of gold price volatility are uncertain and may limit the price that the Company may realize on gold sales.
- Mining sector enterprises face many operating risks.
- The Company may not achieve its production estimates.
- The figures for the Company's reserves and resources are estimates based on interpretation and assumptions and may yield less mineral production under actual conditions than is currently estimated.
- Mining operations involve a high degree of risk and numerous inherent hazards.
- Water management and slope instability affect the Didipio Gold-Copper Project.
- Capital and operating cost estimates may not be accurate.
- Recent high metal prices have increased the demand for, and cost of, exploration, development and construction services and equipment.
- There is no assurance that exploration and development activities will be successful.
- There is no assurance as to the Company's ability to sustain or increase its mineral reserves and resources.
- There is no assurance that the Company will continue to successfully produce gold, or that it will be able to successfully bring new gold and/or gold-copper mines into production.
- The Company's projected growth will impact the Company's existing resources.
- The Company may experience delays in the construction of the Didipio Gold-Copper Project.
- Currency fluctuations may affect the Company's costs and margins.
- The Company may not be able to raise additional funds.
- Regulatory, consenting and permitting risks may delay or adversely affect gold and copper production.
- Tenement applications are uncertain and the Company is subject to consenting and permitting risk.
- The Company's principal exploration and mining activities are situated in only two countries.
- Foreign investments and operations are subject to numerous risks associated with operating in foreign jurisdictions.
- The Company's insurance coverage does not cover all of its potential losses, liabilities, and damages related to its business and certain risks are uninsured or uninsurable.
- Increased competition could adversely affect the Company's ability to acquire suitable producing properties or prospects for mineral exploration in the future.
- The Company may not be profitable.
- The Company's properties are subject to environmental risks.
- The Company is subject to litigation risks.
- Shareholders' interests may be diluted in the future.

- The market price for Common Shares cannot be assured.
- The Company may not pay dividends in the future.
- The Common Shares have no trading history in Canada.
- The Company is dependent on key personnel, including employees, contractors and consultants, who have been employed in the development and operation of mining assets owned by the Company.
- Conflicts of interest may arise between directors and officers of the Company.

See "Risk Factors".

SELECTED FINANCIAL INFORMATION

The summary presented below sets out selected consolidated financial information of Oceana Gold for the periods, and as at the dates, indicated and is derived from, and should be read in conjunction with, the historical consolidated financial statements of Oceana Gold and the notes thereto, "Consolidated Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus. The financial information presented below is based on the Oceana Gold financial statements, prepared in accordance with Canadian GAAP.

	Financial Year ended December 31,		
	2006	2005	2004
	(thousands of US dollars)		
Statement of Earnings/(Loss)			
Net earnings/(loss)	(23,427)	(18,617)	17,883
Balance Sheet			
Cash and cash equivalents	80,025	34,816	
Total assets	623,729	240,984	
Working capital	29,526	21,797	
Long term debt	140,652	58,674	
Shareholder's equity	289,160	110,444	

DIVIDEND POLICY

There are no restrictions in Oceana's constating documents that would restrict or prevent Oceana from paying dividends. However, it is not contemplated that any dividends will be paid on the Common Shares in the immediate future, as it is anticipated that all available funds will be reinvested in Oceana to finance the development of its mines and the overall growth of its business. Any decision to pay dividends on Common Shares in the future will be made by the Board of Directors of Oceana on the basis of the earnings, financial requirements and other conditions existing at such time and will be subject to any restrictions imposed by the terms of any debt facilities or other contractual obligations of Oceana.

CURRENCY AND EXCHANGE RATES

Unless otherwise indicated, references in this prospectus to "Cdn.$" and "Canadian dollars" are to the lawful currency of Canada, references to "$", "US$" and "United States dollars" are to the lawful currency of the United States of America, references to "AUD", "A$" and "Australian dollars" are to the lawful currency of Australia and references to "NZD", "NZ$" and "New Zealand dollars" are to lawful currency of New Zealand.

On June 22, 2007, the noon rate of exchange for one Canadian dollar in United States dollars as reported by the Bank of Canada was Cdn.$1.00 = US$0.9367. On June 22, 2007, the noon rate of exchange for one United States dollar in Australian dollars as reported by New York Federal Reserve Bank was US$1.00 = A$1.1790. On June 22, 2007, the noon rate of exchange for one United States dollar in New Zealand dollars as reported by the New York Federal Reserve Bank was US$1.00 = NZ$1.3038.

The financial information in this prospectus has been converted into US$ using the exchange rates set out in the following table:

	2004	2005	2006	2007	2008[1]
US$/AUD Closing Rate	—	1.3697	1.2669	—	—
US$/AUD Average Rate	1.3567	1.3109	1.3269	1.3	1.3
US$/NZD	—	—	—	1.47	1.75

Note:

(1) The assumed exchange rate for 2008 has been used for the year 2008 and onwards.

HISTORICAL GOLD PRICES

The following table shows the average gold prices during each of the calendar years noted below as reported by Bloomberg:

Year	Average Gold Price (US$/oz)
2002	311
2003	364
2004	410
2005	445
2006	605
2007 (January 1 to June 22)	659

The spot price for gold as at June 22, 2007, was US$654 per ounce as reported by Bloomberg.

ELIGIBILITY FOR INVESTMENT

In the opinion of Fasken Martineau DuMoulin LLP and Stikeman Elliott LLP, counsel to Oceana and the Underwriters, respectively, provided the Common Shares are listed on a prescribed stock exchange as defined in the regulations to the Tax Act, which includes the TSX, the Common Shares would, if issued on the date hereof, be qualified investments under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

NON-GAAP FINANCIAL MEASURES

In this prospectus, the term "total cash cost" includes mining, processing, general and administrative costs, royalties and inventory movements. Total cash cost per ounce is calculated by dividing total cash cost by the total ounces of gold sold in the relevant period. The Company has included cash cost information to provide readers with information about the cost structure of the Company's mining operations. This information differs from measures of performance determined in accordance with Canadian generally accepted accounting principles ("GAAP") and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. There are material limitations associated with the use of such non-GAAP measures. Since these measures do not incorporate revenues, changes in working capital and non-operating cash costs, they are not necessarily indicative of operating profit or cash flow from operations as determined under GAAP. Changes in numerous factors including, but not limited to, mining rates, milling rates, gold grade, gold recovery, and the costs of labour, consumables and mine site general and administrative activities can cause these measures to increase or decrease. While the Company believes that these measures are the same or similar to the measures of other gold mining companies, they may not be comparable to similarly titled measures in every instance.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

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

BASIS OF PRESENTATION

For the meanings of certain capitalized terms used and not otherwise defined in this prospectus, or for the meanings of certain technical terms used in this prospectus, see the "Glossary" and the "Technical Glossary", respectively. Where applicable, terms with a technical meaning related to mineral extraction are defined by the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") — Definitions Adopted by CIM Council.

All references to mineral reserves and mineral resources are references to the gross mineral reserves and mineral resources per project or property, unless reference is made to "attributable" mineral reserves and/or mineral resources which refers only to Oceana's attributable portion of the mineral reserves and mineral resources on any project or property. All information with respect to mineral resources and reserves is reported in accordance with NI 43-101 and the CIM Standards and, unless otherwise indicated, is also consistent with the JORC Code. Certain mineral reserve and mineral resource total numbers presented in this prospectus may not add due to rounding.

As disclosed elsewhere in this prospectus, prior to or concurrently with the closing of the Offering, Oceana and Oceana Gold will complete a number of reorganizational transactions which collectively will have the effect of Oceana Gold becoming a wholly-owned subsidiary of Oceana. For ease of reference, unless otherwise indicated herein, it is assumed for purposes of the disclosure in this prospectus that the aforementioned reorganizational transactions have been completed. Accordingly, references to "Oceana" or the "Company" also include its subsidiary entities after giving effect to the Reorganization, as the context requires.

Unless otherwise indicated, the disclosure contained in this prospectus assumes that the Over-Allotment Option has not been exercised.

BUSINESS OF THE COMPANY

Oceana Background

OceanaGold Corporation ("Oceana" or the "Company") was incorporated pursuant to the *Business Corporations Act* (British Columbia) on March 22, 2007. Pursuant to the Schemes and related transactions discussed below, Oceana will, on or prior to the closing of the Offering, acquire all of the issued and outstanding ordinary shares and options of Oceana Gold Limited ("Oceana Gold") and Oceana Gold will become a wholly-owned subsidiary of Oceana.

The registered office address of the Company is 2100-1075 West Georgia Street, Vancouver, British Columbia, V6E 3G2, Canada, and the head office address of the Company is Level 5, 250 Collins Street, Melbourne, Victoria, 3000, Australia.

Oceana Gold was incorporated in Australia on December 24, 2003 for the purpose of acquiring all of the existing gold interests and undertakings of GRD Limited through the acquisition of GRD Limited's interest in GRD Macraes Limited (now called Oceana Gold (New Zealand) Limited ("OGNZL")). Oceana Gold is a gold mining and exploration company that has been listed on the ASX and NZX since 2004.

Oceana's asset portfolio consists of the following major projects:

- the Macraes Project, which includes the operating Macraes open pit gold mine and the Frasers underground gold mine that currently is in development;
- the Reefton Project, which includes the operating Globe Progress open pit gold mine; and
- the Didipio Gold-Copper Project, which currently is in development.

The Macraes Project and the Reefton Project are located in New Zealand and the Didipio Gold-Copper Project is located in the Philippines.

Oceana Gold acquired its interest in the Didipio Gold-Copper Project through its acquisition of Climax Mining Ltd. ("Climax") on November 6, 2006. Climax is now a wholly-owned subsidiary of Oceana Gold.

In 2006, Oceana Gold produced 182,288 ounces of gold at a total cash cost of US$404 per ounce from the Macraes Project and began commissioning the Globe Progress open pit mine at the Reefton Project, which produced its first gold in March 2007. The Frasers underground mine (the initial capital costs of which are fully-funded) is scheduled for commissioning in the first quarter of 2008. Production of gold and copper concentrate from the Didipio Gold-Copper Project is targeted for the first half of 2009.

Reorganization

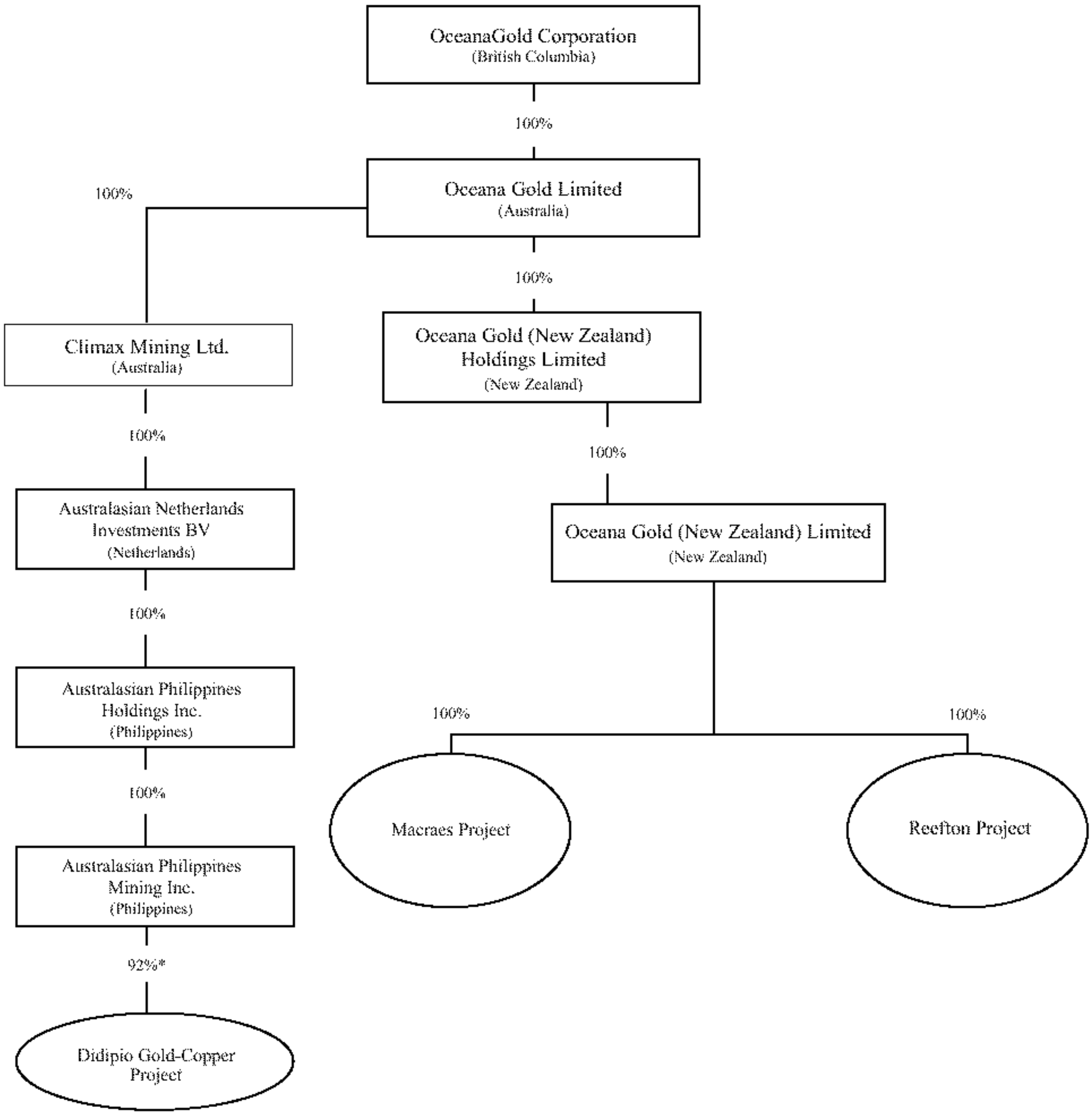
Oceana was established for the purpose of becoming the Canadian holding company of Oceana Gold pursuant to the court-approved Schemes under Australian law. The Reorganization was approved by the supervising court and by the holders of ordinary shares of Oceana Gold and holders of Oceana Gold Listed Options at the meetings held for the purposes of approving the Schemes. The Reorganization became effective on June 18, 2007.

Pursuant to the Reorganization, holders of ordinary shares of Oceana Gold exchanged their shares for either Common Shares or CDIs, on the basis of one Common Share or one CDI for every five ordinary shares of Oceana Gold held on the Record Date. In addition, all outstanding Oceana Gold Listed Options and Oceana Gold Unlisted Options were exchanged for Listed Options or Options (as the case may be). The terms of the convertible notes of Oceana Gold were amended to provide that the Company will issue Common Shares or CDIs to holders of such convertible notes upon their conversion (in lieu of Oceana Gold issuing ordinary shares).

As well, in connection with the Reorganization: (i) Oceana Gold became a wholly-owned subsidiary of the Company; (ii) the ordinary shares and Oceana Gold Listed Options were delisted from the ASX and ceased to be quoted on the NZX; (iii) the Common Shares issued pursuant to the Share Scheme were listed on the TSX and quoted on NZX and the CDIs were listed on the ASX; and (iv) the Listed Options of the Company issued pursuant to the Option Scheme were listed on the ASX and quoted on NZX.

Corporate Structure

The following chart illustrates the corporate structure of Oceana and its subsidiaries in relation to its material mineral projects, immediately following the completion of the Reorganization:



Note:

* A third party will be entitled, once certain conditions are met, to an 8% free carried interest in the operating vehicle that will be formed to undertake operations on a key area of the Didipio Gold-Copper Project.

Growth Strategy

The Company's growth strategy is to increase its reserve and resource base and expand its current mining operations and production by:

- developing new reserves and resources at its existing mines from in-pit, adjacent and regional exploration;
- successfully bringing the Frasers underground mine and the Didipio Gold-Copper Project into production;

- continuing performance improvements at its Macraes and Globe Progress mining operations; and
- pursuing selective acquisition and exploration opportunities to grow the business.

The Company's goal is to increase annual production to approximately 340,000 ounces of gold and approximately 17,000 tonnes of copper by 2009.

In addition to production from the Macraes open pit mine, the Globe Progress open pit mine is expected to produce 55,000 to 60,000 ounces of gold in 2007. Once the Frasers underground mine is commissioned, Oceana expects to produce approximately 300,000 ounces of gold in 2008 from its three New Zealand mines. Oceana expects that the transition to underground mining will present additional underground mining opportunities elsewhere along the Macraes strike of mineralization. The Company also believes that potential exists to discover additional mineral reserves and resources at the Macraes and Reefton projects. Oceana has commenced work to develop the Didipio Gold-Copper Project with the aim of first production of gold and copper concentrate in the first half of 2009.

The table below highlights selected historical operating results and projected future operating performance that the Company is seeking to achieve:

Company Operating Data

	Actual		Projected			
	2005	2006	2007	2008	2009	2010
Tonnes processed (millions)	5.0	5.5	6.7	6.3	8.7	8.9
Gold produced (thousands of ounces)	170	182	205	301	338	368
Average gold grade (g/t)	1.27	1.24	1.20	1.70	1.47	1.49
Copper concentrate produced (thousands of tonnes)	—	—	—	—	16.54	21.04
Average copper grade (%)	—	—	—	—	0.80	0.88
Total cash cost (US$/oz) after copper credits(1)	413	404	500	322	214	174

Note:

(1) Bi-product accounting applied from 2009 onwards at a copper price of US$1.90/lb.

The total cash cost per ounce in 2007 is adversely impacted by a higher strip ratio and a lower ore grade during the initial stages of the final pushback in the Macraes open pit. The ore grade increases in 2008.

The Company has allocated approximately US$3.4 million in 2007 to a New Zealand exploration program seeking to expand the resource base at both the Macraes and Reefton projects. In the Philippines, an approximate US$5.1 million exploration program in 2007 will focus on testing gold and gold-copper prospects within the Company's tenement package in Luzon and Mindanao, as well as selected prospects within the Didipio Gold-Copper Project.

Business Strengths

Oceana believes it can successfully implement its growth strategy and achieve its production goals because of its key business strengths. These strengths include:

- **Proven Experience in New Zealand:** As the largest gold producer in New Zealand, the Company has developed significant experience in carrying on mining operations. The Company also has successfully commissioned the new Globe Progress mine. The Company's proven track record of successfully acquiring, financing, developing and operating major gold mines provides a significant advantage in pursuing opportunities in New Zealand and elsewhere.
- **Current and Near-Term Production Profile:** Oceana's attractive pipeline of projects provides growth and diversification. The Macraes open pit mine and the Globe Progress open pit mine are currently producing gold, and the Company intends to commission the Frasers underground mine in the first quarter of 2008 and bring the Didipio Gold-Copper Project into production in the first half of 2009.
- **Existing Infrastructure:** The Company's New Zealand projects are supported by well-developed infrastructure and are based in areas where there has been a long-standing history of, and support for, mining activities.

- **Long Life Mineral Reserves and Mineral Resources:** The Company expects to produce gold and/or copper for at least 15 years based on current mineral reserves. The Company also believes that there is potential to discover additional reserves and resources at its existing projects.
- **Established Management Team in the Philippines:** The Company has an experienced management team in the Philippines, some of whom have worked for many years on the Didipio Gold-Copper Project.
- **Management Experience:** The Company's directors and senior management team have significant mining industry experience, including current positions with gold companies Golden Star Resources Ltd., Sino Gold Mining Limited and Yamana Gold Inc., and former positions with Barrick Gold Corporation, AngloGold Ashanti Limited and Oxiana Limited. See "Directors, Executive Officers and Technical Officers".

MINING PROJECTS

For an explanation of certain of the technical terms used in this prospectus, please see "Technical Glossary".

Unless otherwise stated, the information in this section in respect of the mineral projects of the Company is based upon the following technical reports (collectively, the "Technical Reports"):

(a) "Independent Technical Report for the Macraes Project located in the Province of Otago, New Zealand" dated May 9, 2007, prepared by J. S. McIntyre, I. R. White and R. S. Frew of Behre Dolbear Australia Pty Limited, N. A. Schofield of Hellman and Schofield Pty Ltd., B. L. Gossage of RSG Global Consulting Pty Limited and R. R. Penter of GHD Limited (the "Macraes Technical Report");

(b) "Independent Technical Report for the Reefton Project located in the Province of Westland, New Zealand" dated May 9, 2007, prepared by J. S. McIntyre, I. R. White and R. S. Frew of Behre Dolbear Australia Pty Limited, B. L. Gossage of RSG Global Consulting Pty Limited and R. R. Penter of GHD Limited (the "Reefton Technical Report"); and

(c) "Amended Independent Technical Report for the Didipio Gold-Copper Project located in Luzon, Philippines" dated May 9, 2007 and amended June 25, 2007, prepared by A van der Heyden of Hellman and Schofield Proprietary Limited, J. Wyche of Australian Mine Design and Development Proprietary Limited and J. McIntyre of Behre Dolbear Australia Pty Limited (the "Didipio Technical Report").

Each of the authors of the Technical Reports is a "qualified person" for purposes of NI 43-101. Each firm involved in the preparation of the Technical Reports is independent of the Company, as are each of the authors of the Technical Reports, within the meaning of NI 43-101.

The Technical Reports have been filed with the Canadian securities regulatory authorities pursuant to NI 43-101 and are available for review on the System for Electronic Document Analysis and Retrieval database on the Internet at www.sedar.com.

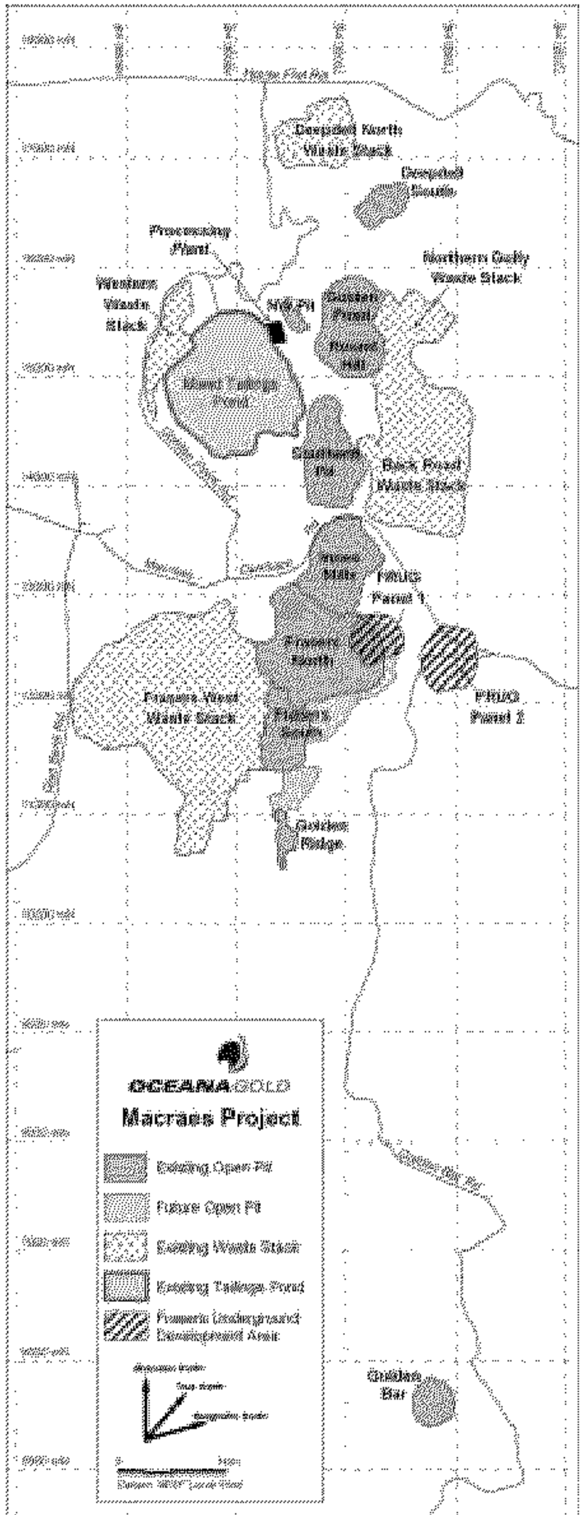
The Macraes Project

The Macraes open pit mine, located on New Zealand's South Island, is the country's largest gold producing operation. The wholly-owned Macraes Project consists of the Macraes open pit gold mine and the Frasers underground mine, as well as an adjacent processing plant including a pressure oxidation plant for the processing of sulphide ore (which is one of only three in the southern hemisphere). The Macraes mine has been in operation since 1990 and has produced over two million ounces of gold to date.

The Company is developing the Frasers underground mine on the deeper extensions of the Macraes ore body (the initial capital costs of which are fully-funded). In connection with the scheduled commissioning of this mine in the first quarter of 2008, production at the Macraes Project is expected to average approximately 185,000 ounces of gold per annum commencing in 2008. The current combined open pit and underground proven and probable mineral reserves support a seven year mine life at the Macraes Project.

Property Description and Location

The Macraes Project is located approximately 60 kilometres north of Dunedin, and 30 kilometres to the northwest of Palmerston in the Otago Region of the South Island, New Zealand. The mining operation occurs approximately 2 kilometres to the east of the Macraes Flat township and is predominantly surrounded by farmland.



Mineral Permits and Regulatory Matters

Oceana holds a contiguous group of tenements to the north-west and south-east of Macraes Flat, covering approximately 35 kilometres of strike of the mineralized Hyde-Macraes Shear Zone ("HMSZ"). The Company's tenements are comprised of a mining licence, a mining permit, a pipeline licence and exploration permits granted or applied for under the Mining Act or the Crown Minerals Act, as set forth in the following table.

Tenement No.[1]	Location Name	Term	Expiry Date	Area (Hectares approx.)
ML 32 3047	Round Hill	21 yrs	October 30, 2010	400
PLL 32 3047-5	Pipeline	21 yrs	October 30, 2010	23
MP 41 064	Macraes Extension	21 yrs	January 31, 2015	9,610
EP 40 472	Stoneburn II	2nd term	May 17, 2010	4,296
EP 40 523	Horseflat	2nd term	September 10, 2011	924
EP 40 524	Dunback	2nd term	May 17, 2009	1,449
EP 40 576	Macraes North	2nd term	October 27, 2011	3,434
EP 40 822	Taieri	1st term	June 12, 2011	3,970
EP 40 842	Hyde	1st term	January 29, 2012	3,369
Total Area				27,475

Note:

(1) ML — Mining License; PLL — Pipeline License; MP — Mining Permit; EP - Exploration Permit.

For a discussion of mining licences issued under the Mining Act, see "New Zealand — Regulation of Mining in New Zealand — The Mining Act 1971" and for a discussion of exploration permits and mining permits issued under the Crown Minerals Act, see "New Zealand — Regulation of Mining in New Zealand — Crown Minerals Act 1991".

The Company is the owner of the majority of land in the immediate vicinity of the Macraes mine, and most of the land within tenements ML 32 3047 and MP 41 064. The Company also has an option to purchase a number of properties outside the Macraes Project tenements.

With respect to Mining License 32 3047, under the Mining Act no royalty on gold is payable to the Crown, although a royalty of 2% of the gross proceeds from scheelite concentrate sold is payable to the Crown (the Company currently does not produce scheelite concentrate). A royalty is payable to OW Hopgood on any gold, scheelite or other minerals recovered from a specified project area in an amount equal to 5% of recovered minerals (at spot price) if recovered by open pit mining and 3% of recovered minerals (at spot price) if recovered by underground mining. The Company expects that the OW Hopgood royalty will cease to be payable by 2008.

With respect to Mining Permit 41 064, royalties to a maximum of 1% *ad valorem* or 5% of accounting profits, whichever is greater, are payable to the Crown annually. See "New Zealand — Regulation of Mining in New Zealand — Royalties".

The Macraes Project is fully permitted.

Environmental Matters

The site is monitored and has a history of general compliance. No recurring non-compliance issues have been identified. The Company has been deemed, in obtaining the consents to license activities with environmental effects for the Macraes Project, to have met the purpose and requirements of New Zealand's Resource Management Act 1991 ("RMA").

The Company has entered into a Negotiated Greenhouse Agreement with the New Zealand Government which requires the Company to reduce its greenhouse gas emissions to an agreed level based on an independent assessment and consistent with world's best practice. The Macraes mine ranked in the top 10% of its peers in Australasia in terms of both processing plant and mining operation efficiency.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access to the mine is by sealed road from Dunedin, and by sealed and metal roads from Middlemarch and Ranfurly. There is good access along metal roads and farm tracks throughout the project area.

The Macraes mine is within short driving distance to a number of populated centres, including Dunedin, a city with a population of 122,000. Many employees live in the nearby towns of Palmerston and Waikouaiti or in the city of Dunedin.

The Macraes Project area is approximately 490 metres above sea level, and exposed, windy and dry, with high evaporation in the warmer part of the year. It experiences a rainfall average of 700mm per year. Climatic influence translates to the potential for 3 to 5 days of lost mining time per year after occasional heavy rains. Droughts, which generally last two or three years, have been recorded in the east Otago region every 10 to 20 years.

The Macraes Project is connected to the local power grid which supplies electrical power. The power line has adequate capacity to supply the mine at full operating limits. Water supply has not been a significant problem in the history of the project.

History

The original tenements comprising the Macraes Project were owned by Golden Point Mining Limited and by BHP Gold Mines (New Zealand) Ltd. In December 1989, Macraes Mining Company Limited obtained 100% ownership of these tenements. In December 1998, Macraes Mining Company Limited amalgamated with a company called Macraes Mining Company Holdings Limited, which immediately thereafter changed its name to Macraes Mining Company Limited. This company subsequently changed its name to Gold and Resource Developments (NZ) Limited and then to GRD Macraes Limited. In 2004, the name was changed to Oceana Gold (New Zealand) Limited.

Geological Setting

Regional and Local Geology

The Macraes Project is located in a major, low-angle structure known as the HMSZ. This regionally continuous, late metamorphic deformation zone cuts greenschist facies metasedimentary rocks of the Otago Schist, a metamorphic belt that was formed by collisional amalgamation of the Caples and Torlesse terranes in the Early-Middle Jurassic.

The HMSZ is one of the largest Mesozoic structures mapped in the Otago Schist, traceable for at least 30 kilometres along strike in east Otago. Mining to date has occurred along a continuous strike length of 6 kilometres in numerous staged pits, three smaller discrete satellite pits immediately to the north, and at Golden Bar, a further 6 kilometres to the south. The HMSZ consists of variably altered, deformed and mineralized schist up to 150 metres thick, known as the Intrashear Schist. The thickest part of the shear zone consists of several mineralized zones stacked on metre-thick shears. These shears have ductile deformation textures overprinted by cataclasis. A shear known as the hangingwall shear, defines the upper limit of the Intrashear Schist. This shear, which can be up to 25 metres thick, is the most strongly mineralized structure at the Macraes Project.

Deposit Geology

The open pit deposit at the Macraes Project is defined by the hangingwall shear. In outcrop, the shear dips 15° to 20° to the east and is approximately 5m thick. At depth, the dip of the shear flattens to approximately 5° to 10° and develops into an approximately 20m to 30m thick high-grade zone of quartz cataclasite and lode schist. Within the open pit, gold mineralization comprises a combination of hangingwall, shear-parallel quartz veins and stockwork veins. Hangingwall shear and stockwork veins account for the majority of mineralization within the open pit, although there are a number of shear-parallel quartz veins. These veins typically splay off the hangingwall and dip at between 5° and 10° to the east. A large amount of irregular mineralization occurs between the base of the hangingwall and the footwall fault. This is stockwork mineralization and generally appears in the drilling as clusters of elevated gold grades. Stockwork mineralization refers to mixtures of quartz veins and concordant lodes, which appear discontinuous at the resource drilling scale. The footwall fault lies between 80 metres and 120 metres below the hangingwall shear and is identified as a 10 metre wide zone of shearing. To date, no economic mineralization has been located below the footwall fault.

The Frasers underground encompasses the down-dip continuation of the hangingwall shear mined in the open pit, which is known to extend approximately 600 metres beyond the limit of the open pit design. The thickest, most mineralized part trends approximately northeast and tapers in width from approximately 350 metres at its western end to a width of approximately 150 metres at the eastern limit of drilling, where it abuts the Macraes Fault Zone. Mineralization is contained within the Intrashear Schist which is generally 80 metres to 100 metres thick, with the higher gold grades confined to the upper part, which is dominated by cataclasite, lode schist and local stockwork pelite lithologies. Numerous drillholes have penetrated through the Intrashear Schist into the Footwall Psammite, particularly at the western end where the Footwall Fault is at a relatively shallow depth of less than 500 metres. Mineralization is consistent with the ore delineated in the Frasers open pit. The highest gold grades are contained within the strongly developed and visually distinguishable zone within the upper hangingwall characterised by quartz cataclasite and silicified breccias. This typically forms a well mineralized, continuous zone approximately 10 metres to 15 metres thick, with a grade of approximately 3g/t Au. Less intensely mineralized lode schist is typically developed lower in the hangingwall package.

Mineralization

The Macraes deposit is a classic example of an orogenic style gold deposit. This style of deposit is recognized to be broadly synchronous with deformation, metamorphism, and magamatism during lithospheric-scale continental-margin orogeny. Most orogenic gold deposits like Macraes occur in greenschist facies rocks. Orogenic deposits typically formed on retrograde portions of pressure-temperature time paths during the last increments of crustal shortening and thus postdate regional metamorphism of the host rocks. The following four types of mineralization occur within the HMSZ at Macraes:

(i) *Mineralized schist.* This style of mineralization involved hydrothermal replacement of schist minerals with sulphides and microcrystalline quartz. Mineralization was accompanied by only minor deformation.

(ii) *Black sheared schist.* This type of schist is pervaded by small scale anastamosing fine graphite and sulphide bearing microshears. This type of mineralization is typically proximal to the hangingwall shear.

(iii) *Shear-parallel quartz veins.* These veins lie within and/or adjacent to the black sheared schist, and have generally been deformed with the associated shears. The veins locally cross-cut the foliation in the host schist at low to moderate angles. Veins are mainly massive quartz, with some internal lamination and localized brecciation. Sulphide minerals are scattered through the quartz, aligned along laminae and stylolitic seams. These veins range from 1 cm to more than 2 metres.

(iv) *Stockworks.* These veins occur in localized swarms that are confined to the Intrashear Schist. Individual swarms are up to 2,000 m^2 in area and consist of numerous subparallel veins. Most of these veins formed subperpendicular to the shallow east dipping shear fabric of the Intrashear Schist. Stockwork veins are typically traceable for 1 metre to 5 metres vertically with most filling fractures that are 5 cm to 10 cm thick, but can be up to 1 metre thick.

Exploration

Detailed geological mapping, geophysical surveys (including seismic surveys, magnetic and electromagnetic surveys), geochemical surveys (including stream sediment sampling, soil sampling and trenching), remote sensing and aerial photography have been completed along the strike of the HMSZ. Target areas with favourable characteristics for gold mineralization have been systematically tested with drilling (as described below). Current exploration is aimed at defining additional resources and upgrading resources along strike.

Drilling

As at December 31, 2006, over 631,000 metres in approximately 5,376 holes have been drilled at the Macraes Project. More than 90% of the holes completed in order to delineate open pit resources were reverse circulation ("RC") percussion drilling, with limited diamond drilling confirmation. Diamond drilling tails also have been completed where groundwater inflows degraded RC percussion sample quality. Drilling on Frasers underground is dominated by diamond drilling due to the depth of mineralization.

Holes generally have been surveyed at 50 metre intervals to the end of the hole. RC holes and diamond core was generally logged and classified at one metre intervals.

Drill hole information is stored as hard copy drill logs in a database. For holes prior to 1994, only collar, interval and assay information has been entered into the database, while the database contains all logged information for all holes commencing in 1994.

The mineral resource estimate is based on the results of 340,768 metres of drilling in 2,293 holes.

Sampling, Analysis and Sample Security

The sampling approach at Macraes consists of drill cuttings (RC percussion drilling) and half cut core samples (diamond drill core). The diamond drilling sampling has remained relatively constant over the life of the project while the sampling of the percussion drilling has changed dependant on the drilling method.

Sampling of the RC percussion drilling has been completed by trained employees and is supervised by technical staff. Definition of sampling intervals for RC percussion drilling has generally been based on 1 metre intervals, over the full depth of the drill hole. The sampling, splitting, tagging, bagging and storage of RC percussion drillholes was carried out in accordance with protocols considered acceptable and consistent with industry standards.

Samples collected from wet percussion drilling was found to be biased due to downhole contamination and, accordingly, the practice of wet RC percussion drilling has been discontinued. The wet sampling bias was addressed by replacing wet sampled RC percussion drillholes with their corresponding diamond or dry RC twins, or in cases where no twin drillhole exists, globally determined wet sample bias correction factors have been used to factor gold grades for wet RC percussion drillhole samples.

After drill core has been logged and photographed, the sections of core considered to be mineralized, or proximal to mineralized zones are cut in half using a core saw. The drill core was sampled in 1 metre intervals by trained and supervised technicians and geologists. Each metre was sampled by taking the same half of each piece of core for that metre and placing them into the appropriate sample bag.

Definition of sampling intervals for diamond drilling was based on geological intervals or 1 metre intervals, within and beyond the margins of mineralized zones identified during logging. Substantially similar ticketing and quality control protocols were used in respect of diamond core samples as were used for RC percussion sampling.

Diamond drilling sample quality is high. Sample quality for RC percussion drilling is lower than for diamond drilling but generally sufficient to define the position and grade of mineralization. Where sample quality issues have caused a grade bias, this bias has been addressed.

Sample recovery from RC percussion drilling and diamond drill core is routinely recorded in geological logs and recovery data is stored in a database. Recovery is generally high and there is no observed correlation between recovery and grade.

Half cut core samples (in the case of diamond drill core) and drill cuttings (in the case of RC percussion drilling) samples from drilling programs at Macraes were collected from the source drill samples by employees of the Company. Subsequent sample preparation and assay was not conducted by any employee, officer, director or associate of the Company.

Since 1990, RC percussion drill chips and diamond drill core samples from the drilling programs at the Macraes Project have typically undergone sample preparation and assay for Au, As and S by Amdel at the Macraes Flat laboratory. Preparation of geological samples by Amdel routinely comprised drying, crushing, splitting (if required) to a maximum of 1kg and pulverising to obtain an analytical sample of 250g.

Drilling has been sampled and submitted to the Amdel laboratory by trained Company staff. Once the samples have been submitted to the laboratory, Amdel staff processed the samples and completed all aspects of the assaying independent of the Company's personnel.

The quality control database is incomplete for the Macraes Project, in part due to the long exploration and mining history of the project, although the risk associated with the incomplete data is mitigated by the available mining and reconciliation data which supports the quality of the data. Notwithstanding the limitations in the data set, the available recovery and QA/QC data indicates the assay data is accurate and precise and therefore suitable for the purposes of grade estimation. The bias associated with the wet RC percussion drilling was addressed in the manner described above. Additional drilling is likely to be required at depths at the open pit mine on the Macraes Project where significant amounts of wet RC percussion drilling exists.

The adoption of the analytical methods, including fire assay for gold, is considered appropriate in the Macraes Technical Report. Quality control data exists to allow review of the analytical performance of assay laboratories for the recent drilling only. The sampling methods, sample preparation procedures and analytical techniques are all considered appropriate when supported with the production and reconciliation data. The sample collection, preparation and analysis procedures meet acceptable industry standards. There are no measures in place to ensure sample security, but the substantial reconciliation data supports the veracity of the data.

Mineral Resources and Mineral Reserves

Mineral Resources

The resource models were derived via geological and mineralization zone modelling of the individual deposits. Estimation involved the application of a variety of techniques including polygonal methods, ordinary kriging and multiple indicator kriging. The table below shows the mineral resources at the Macraes Project as at December 31, 2006.

Macraes Project Mineral Resources as at December 31, 2006

Resource Cut Off	Resource Area	Measured Mt	Measured Au g/t	Indicated Mt	Indicated Au g/t	Measured & Indicated Mt	Measured & Indicated Au g/t	Measured & Indicated Au Moz	Inferred Resource Mt	Inferred Resource Au g/t	Inferred Resource Au Moz
0.5g/t	Coronation	—	—	1.08	1.28	1.08	1.28	0.04	0.33	1.0	0.01
0.5g/t	Deepdell	0.23	1.67	—	—	0.23	1.67	0.01	0.32	1.0	0.01
0.5g/t	Golden Point	—	—	—	—	—	—	—	1.23	2.2	0.09
0.5g/t	Frasers Pit	13.84	1.53	33.07	0.91	46.90	1.09	1.65	10.67	0.8	0.26
1.9g/t	Frasers Underground. . P1 & P2	—	—	11.87	2.21	11.87	2.21	0.84	4.85	1.5	0.23
No cut off	Frasers Underground. . Panel2 Deeps	—	—	—	—	—	—	—	1.22	1.9	0.08
No cut off	Frasers Underground. . Panel2 Extension	—	—	—	—	—	—	—	3.62	3.4	0.39
0.5g/t	Golden Ridge	—	—	1.41	1.18	1.41	1.18	0.05	3.49	0.8	0.09
0.5g/t	Golden Bar	0.09	1.56	1.18	1.40	1.27	1.42	0.06	4.96	1.4	0.22
0.5g/t	Taylors	—	—	0.28	1.50	0.28	1.50	0.01	0.41	1.1	0.01
0.5g/t	Stockpiles	9.71	0.64	—	—	9.71	0.64	0.20	—	—	—
0.5g/t	**Macraes Total**	23.86	1.17	48.89	1.26	72.76	1.23	2.87	31.10	1.4	1.39

Mineral Reserves

The Macraes Project reserve tonnages and grades are based on Whittle 4X pit optimizations, using, among other things, projected costs, slope angles based on geotechnical studies and plant recoveries. Progressive staged cutbacks are based on a US$500 per ounce gold price. A royalty of 1% *ad valorem* or 5% of accounting profits, whichever is greater, is payable to the New Zealand government and refining and handling charges are included.

A breakdown of open pit and underground mineral reserves as at December 31, 2006 is shown in the following table. These mineral reserves are included as part of the mineral resources set forth in the above table.

Macraes Project Mineral Reserves as at December 31, 2006

Reserve Cut Off	Reserve Area	Proven Mt	Proven Au g/t	Probable Mt	Probable Au g/t	Total Reserve (Proven & Probable) Mt	Total Reserve (Proven & Probable) Au g/t	Total Reserve (Proven & Probable) Au Moz
0.5g/t	Coronation	—	—	0.51	1.45	0.51	1.45	0.02
0.5g/t	Frasers Open Pit	9.84	1.69	11.95	0.97	21.80	1.29	0.91
1.9g/t	Frasers Underground P1 & P2	—	—	4.29	2.37	4.29	2.37	0.33
0.5g/t	Golden Ridge	—	—	0.85	1.19	0.85	1.19	0.03
0.5g/t	Stockpiles	9.71	0.64	—	—	9.71	0.64	0.20
0.5g/t	**Macraes Total**	19.55	1.17	17.61	1.34	37.16	1.25	1.49

Mining Operations

Open Pit Mining

Mining to date at the Macraes Project has come from ten pits comprising, from north to south, Deepdell North, Deepdell South, Golden Point, Northwest Pit, Round Hill, Southern Pit, Innes Mills, Frasers, Golden Ridge and Golden Bar. Current operations are in Frasers North Stage 4, Frasers South Stage 2 and Golden Ridge. Mineralization has also been outlined to the north at the Coronation deposit and to the south at the Taylors deposits. The Round Hill and Southern pits have essentially been mined out, with Round Hill being backfilled and Southern Pit being used for tailings disposal.

The bulk of the future open pit tonnage from the Macraes Project will be sourced from the Frasers deposit, including Frasers South and Frasers North. As the non-Frasers pits are mined out, the operation will benefit from fewer equipment moves and fewer haul roads to maintain and more homogeneous feed to the mill.

Open pit mining at Macraes is carried out by the Company personnel using leased mining equipment. Concentrating of the ore is carried out by Oceana at the Macraes site by Company personnel.

A standard refining contract is in place for the transportation and refining of the doré bullion into fine gold. The mining contracts are structured, and include terms and conditions and pricing arrangements, which generally are consistent with industry norms.

The projected mine life for the Macraes open pit is seven years to completion of the currently defined pits, based on defined mineral reserves. If additional mineral reserves are defined in the interim, the life of mine would likely be extended.

Underground Mining

The Company has commenced trial mining of the Frasers underground initial stopes by accessing the underground mineralization with a decline from the current open pit operations. Underground development also will facilitate the completion of infill drilling from suitable locations underground, to further define the identified resources further down dip.

The Company has planned that the underground operation will produce ore at approximately 800,000 tpa for a period of five years from 2008. The Macraes open pit production will run in parallel with the underground operation, with all ore being processed through the Macraes processing plant. The extent of the ore body is still undefined at depth and depending upon ongoing resource definition drilling, the overall mine life may be extended by several years. The underground operation is projected to generate gold production of up to 60,000 ounces of gold per annum, averaging approximately 49,000 ounces per full production year.

The production estimates for Frasers underground are based on the commencement of trial mining in April 2007 and the achievement of 60% of the full production rate by June 2007. Full production rates are forecast from January 2008.

The schedule depends on achieving "steady state" mining rates within seven months. For 2007, approximately 200,000 tonnes of development ore is forecast and 234,000 tonnes from stoping. Similarly, provided that the proposed methods prove successful in the conditions, the 2008 production is scheduled to reach 890,000 tonnes.

The Frasers underground mine is also projected to operate for at least seven years, based on current reserves of 4.3Mt. Additional drilling of the known adjacent mineralization has been undertaken and, if additional reserves are subsequently defined, the underground mine life may be extended as a consequence.

Frasers underground ore will be crushed and treated through the Macraes processing plant, blended into the plant feed with open pit ore. Flotation testwork has generally confirmed that the Frasers underground ore is similar in its treatment characteristics to the open pit ores. Gold recovery from Frasers underground ore is projected to average approximately 88% with recovery to flotation concentrate of approximately 92% to 93% and gold recovery in carbon-in-leach of approximately 95%.

Development and production mining at Frasers underground are to be carried out under contract mining.

Operating Data

The Macraes Project derives its economic value from the production and sale of gold. The table below sets forth selected historical operating results and projected operating data for the Macraes Project to 2010:

	Macraes Project Operating Data					
	Actual		Projected			
	2005	2006	2007	2008	2009	2010
Macraes Open Pit Mine						
Tonnes processed (millions)	5.0	5.5	5.3	4.4	4.5	4.4
Gold produced (thousands of ounces)	170	182	117	159	183	134
Average gold grade (g/t)	1.27	1.24	0.86	1.28	1.46	1.13
Total cash cost (US$/oz)	413	404	554	346	226	320
Frasers Underground Mine						
Tonnes processed (millions)	—	—	0.43	0.89	0.88	0.77
Gold produced (thousands of ounces)	—	—	30	60	53	54
Average gold grade (g/t)	—	—	2.54	2.36	2.72	2.49
Total cash cost (US$/oz)	—	—	483	393	264	265
Total Macraes Project						
Tonnes processed (millions)	5.0	5.5	5.7	5.3	5.4	5.2
Gold produced (thousands of ounces)	170	182	147	219	236	188
Average gold grade (g/t)	1.27	1.24	0.99	1.46	1.66	1.33
Total cash cost (US$/oz)	413	404	539	359	234	304

The total cash cost per ounce in 2007 is adversely impacted by a higher strip ratio and a lower ore grade during the initial stages of the final pushback in the Macraes open pit. The ore grade increases in 2008.

Based on current reserves, the Macraes Project is expected to produce a total of 1.3 million ounces of gold at an average cash cost of US$341 per ounce over its remaining mine life.

Economic Analysis

The projected net mine cash flows are shown net of operating costs, development capital, sustaining capital, reclamation costs, taxes, royalties, repayment of the external project debt and associated interest costs, but excluding exploration costs and any allowances for the potential to extend the mine life beyond current reserves.

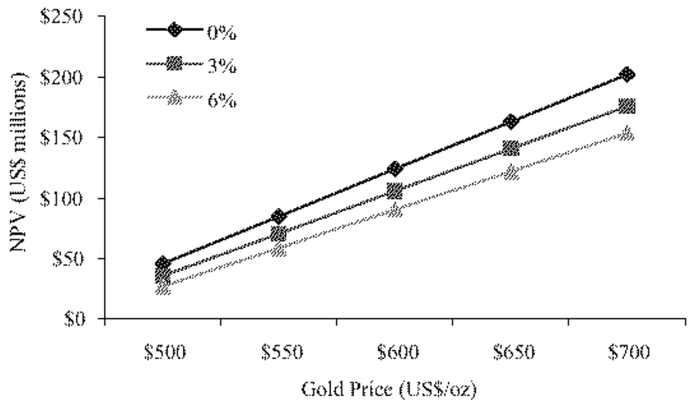
The table below sets forth the net mine cash flows, based on current reserves, projected to be generated from the Macraes Project. The projected net mine cash flows assume a gold price of US$620 per ounce in 2007 and US$500 per ounce in 2008 onward.

Macraes Project Net Mine Cash Flows (US$'000)

	2007	2008	2009	2010	2011	2012	2013	Total
Macraes Open Pit	(27,107)	(5,050)	7,671	(6,471)	7,367	35,914	15,358	27,683
Frasers Underground	(5,948)	(3,758)	5,271	7,379	2,070	2,949	5,017	12,979
Total Macraes Project	(33,055)	(8,808)	12,942	908	9,437	38,863	20,375	40,662

The forecast net mine cash flows from the Macraes Project (including both Macraes open pit and Frasers underground mine) are estimated to total approximately US$41 million. The following graph indicates the NPV sensitivity of the Macraes Project to gold prices and discount rates (of 0%, 3% and 6%):

NPV of Macraes Project Net Mine Cash Flows[1]



Note:

(1) Changes to gold price only applied in 2008 onward.

For every US$50 per ounce change in the gold price, the NPV of the Macraes Project at a 0% discount rate changes by approximately US$39 million. For every 10% change in the NZ$/US$ exchange rate, the NPV of the Macraes Project at a 0% discount rate changes by approximately US$29 million. At a US$650 per ounce gold price and 0.7 US$/NZD exchange rate, the NPV of the Macraes Project would be approximately US$91 million.

Payback

Treating initial fully-funded capital as sunk costs, based on gold prices of US$620 per ounce in 2007 and US$500 per ounce in 2008 and onward, and after taking into account the Company's current gold hedge positions, the payback period for the Macraes open pit operation is 5.5 years, with the project becoming net cash-flow positive in 2012. The payback period for the Frasers underground operation is 3.5 years with the project becoming net cash flow positive in 2010.

Exploration Potential

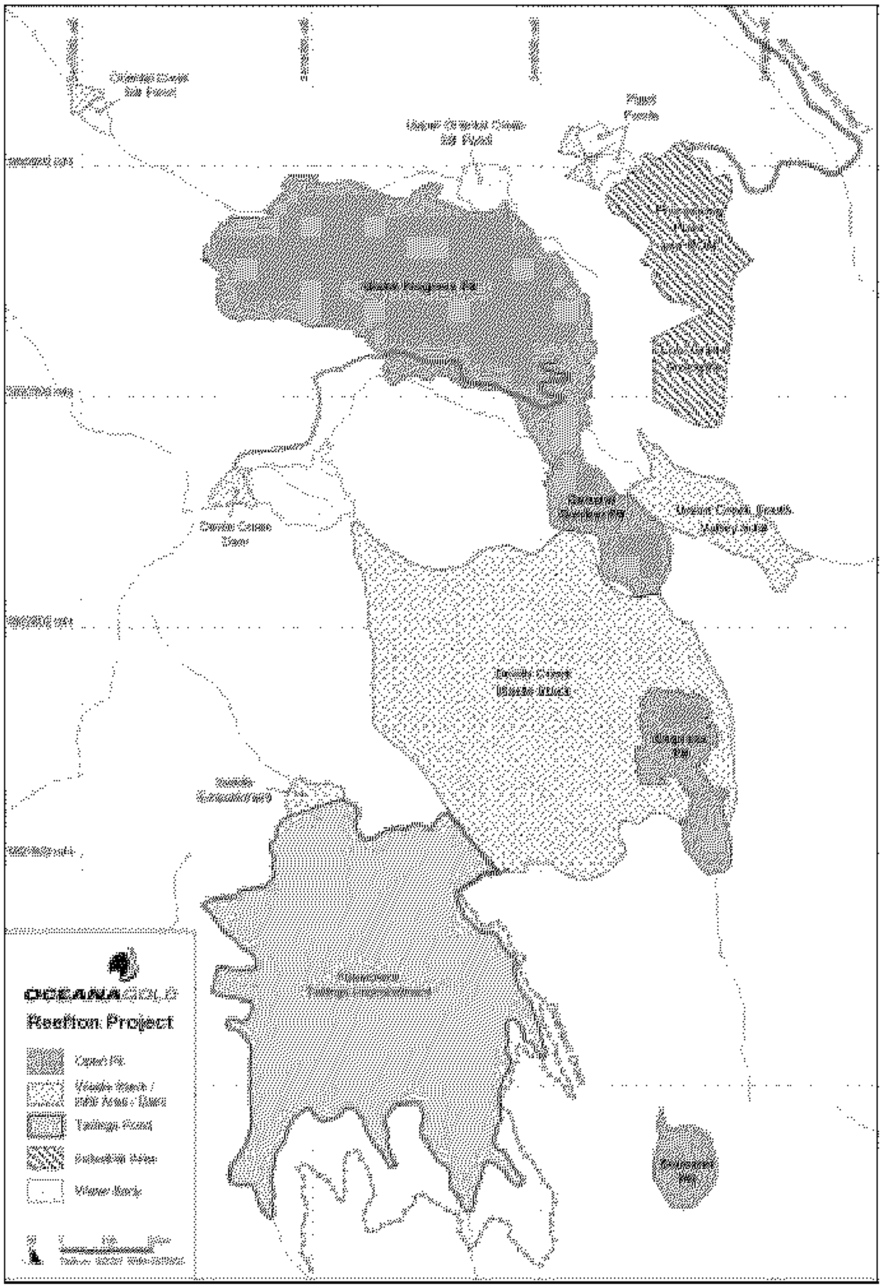
The Company is undertaking an active exploration program at the Macraes Project. Resource potential exists down dip/plunge of known open pits, albeit the tenor of the mineralization is unlikely to increase markedly. The current best strike extension target is the Coronation deposit which is located approximately 8 kilometres north of the current infrastructure. Exploration of the Macraes North area and the Stoneburn area along the strike of the HMSZ is incomplete.

The Reefton Project

Oceana is developing the Globe Progress open pit mine at the wholly-owned Reefton Project on the west coast of New Zealand's South Island. This project comprises four open pits (Globe Progress, General Gordon (which is included as part of the Globe Progress deposit), Empress and Souvenir) and a 1.0 Mtpa crushing, grinding and flotation plant to create a gold concentrate that is rail shipped back to the Macraes pressure oxidation plant for final processing into gold. Mining will entail construction of four open pits along a 2 kilometre length of mineralized shear zone. Commissioning of the crushing, grinding and flotation plant was completed in April 2007. The initial pit being mined is Globe Progress, which produced its first gold in March 2007. The mine is expected to produce 55,000 to 60,000 ounces of gold in 2007 at a cash cost of US$406 per ounce. Based on current reserves, the Reefton Project is expected to produce approximately 455,000 ounces of gold over its mine life.

Property Description and Location

The Globe Progress mine is located approximately 7 kilometres southeast of the township of Reefton, within the West Coast Region of New Zealand's South Island. Access to the project is via state highways and local sealed roads, then by an unsealed access road to the site. Within the project area, access is restricted to several four-wheel drive tracks. The land on which the Globe Progress mine is located is administered by the New Zealand Department of Conservation (the "DoC") and is included in the Victoria Conservation Park.



Mineral Permits and Regulatory Matters

The Company's tenements comprise one prospecting permit, one mining permit and nine exploration permits, as set forth in the following table.

Tenement No.[1]	Location Name	Term	Expiry Date	Area (Hectares Approx.)
MP 41 164	Globe Progress	15 yrs	March 21, 2010	786
EP 40 183	Reefton North	Appraisal extension	November 29, 2009	2,254
EP 40 334	Alexander River	2nd term	August 25, 2008	392
EP 40 530	Auld Creek	2nd term	November 28, 2011	98
EP 40 542	Blackwater	1st term	November 18, 2007	11,480
EP 40 604	Big River	1st term	March 11, 2009	6,700
EP 40 705	Kranz Creek	1st term	August 22, 2007	213
EP 40 821	Merrijigs	1st term	September 13, 2011	199
EP 40 848	Snow Creek	1st term	January 22, 2012	1,134
EP 40 856	Auld Creek North	1st term	February 6, 2012	114
PP 39 315	Soldiers Flat	2nd term	April 20, 2008	42
Total Area				23,412

Note:

(1) MP — Mining Permit; PP — Pipeline Permit; EP - Exploration Permit.

For a discussion of prospecting permits, exploration permits and mining permits issued under the Crown Minerals Act, see "New Zealand — Regulation of Mining in New Zealand — Crown Minerals Act 1991".

The granting of a mineral permit does not confer a right of access to land subject to the permit. The permit holder must arrange land access with the owner and occupier of the land that is the subject of the permit before beginning any prospecting, exploration or mining for minerals on or in land (other than in the case of certain minimum impact activities). Access arrangements are binding on successors in title provided they are registered against affected land titles where the term is longer than six months.

As most of the tenements at the Reefton Project are situated over land administered by the DoC, the Company has entered into access arrangements to allow it to prospect, explore and mine. See "New Zealand — Regulation of Mining in New Zealand — Land Access".

Royalties to a maximum of 1% *ad valorem* or 5% of accounting profits, whichever is greater, are payable to the Crown annually. See "New Zealand - Regulation of Mining in New Zealand — Royalties".

Most of the Reefton Project tenements are also subject to an agreement between Royalco Resources Limited ("Royalco") and a subsidiary of the Company, under which a variable gross royalty is payable to Royalco. For the Globe Progress mine, the amount of royalty payable varies from 1,000 to 5,000 ounces of gold per year, according to the gold price at the time the royalty is due. Production from other resources in the Reefton Project attracts an annual royalty of between 1% and 3% of gold produced according to the gold price at the time the royalty is due. Once an aggregate of 1,000,000 ounces of gold is produced (including from the Globe Progress mine), the royalty reverts to 1.5% of annual gold production from all of the Reefton Project tenements.

The Globe Progress mine is fully permitted.

Environmental Matters

Given the high rainfall in the area of the Reefton Project area (approximately 2,340 mm average annual rainfall), waste rock stack and water management are the critical elements to successful environmental management for the Reefton Project site.

At times, there have been minor increased sediment loads in the Devils Creek catchment, certain of which have resulted in the Company paying nominal fines of NZ$750. The Company is taking steps to lessen the likelihood of future infringements.

The Company is in the process of implementing a program at the Reefton Project which is similar to the program in place at the Macraes Project governed by the Negotiated Greenhouse Agreement. See "The Macraes Project — Environmental Matters".

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Reefton Project is situated in hilly country, in the foothills of the Victoria Range. Topography is locally very steep and varies in elevation from 240 metres to over 1,000 metres above sea level. The area is strongly dissected by creeks and rivers. The region is primarily covered with regenerating indigenous beech forest. The Globe Progress mine is at about 550 metres above sea level in an area of highly dissected relief with dense beech forest re-growth.

With a population of approximately 1,000, Reefton is the rural service centre for a number of smaller settlements. The town has provided a services base for resource development activities for over 100 years. Reefton has a State Highway and a railway connection south to Greymouth (79 kilometres) and north to Westport (81 kilometres) and is connected to Christchurch (250 kilometres to the east) by Highway 7 via the Lewis Pass. A new access road to the site from State Highway 7 was completed in May 2006. A few side roads from the highways provide vehicle access to various parts of the goldfield and old mining access roads locally provide four wheel drive access to the major old mines. Commercial airlines provide regular services from the nearby regional centres of Westport and Hokitika to other main centres in New Zealand, including Christchurch. Heavy machinery access requires helicopter transport to some tenement areas. Local firms operate helicopter charter services, and fixed wing charter services also are available.

The local climate is wet and temperate, though moderated to some degree by the sheltering effect of the Paparoa Range to the west and the Victoria Range to the east. Annual rainfall ranges from about 1,990 mm at Reefton to 2,340 mm at the Globe Progress mine site, and to 2,800 mm at the Alexander River prospect in the southeast. Spring tends to be the wettest season and late summer/early autumn is typically the driest.

Average monthly mean temperatures at Reefton range from 5° Celsius in June/July to 17° Celsius in January/February. Reefton averages two days of snowfall per year while 10 to 15 days of snowfall are common at the more elevated mine site. Frosts can be severe with an average of 68 days of ground frost per year at Reefton and 115 days at the mine site.

History

Gold bearing quartz lodes containing high grade mineralization were discovered in the Reefton area in 1870. Further discoveries and mine developments over the next decade resulted in Reefton becoming a major goldfield. Gold production steadily declined from the 1920s and the last mine closed in 1951. Total recorded production from the Reefton goldfield was approximately two million ounces of gold.

The northern portion of the Company's current Reefton Project permit area was previously held by Lime and Marble Limited between 1970 and 1971, and subsequently by CRA Exploration Limited ("CRAE") between 1981 and 1990. Ground at Blackwater (the southern part of current permit area) was held by Carpentaria Exploration Company Limited between 1973 and 1976, and then by Samantha Exploration Limited between 1979 and 1980. CRAE took ownership with joint venture partner Golden Shamrock Mines Limited from 1981 to 1990. The permits were acquired by Macraes Mining Company Limited from CRAE in 1990 and subsequently became part of the Company's portfolio.

From 1983 to 1990, CRAE was a major explorer in the Reefton goldfield. CRAE conducted regional-scale stream sediment and soil geochemical sampling programs, undertook ground geophysics surveys and flew the goldfield with airborne magnetics/radiometrics. CRAE's work also included a photo-based interpretation of the Reefton mineralized corridor.

On a prospect scale, CRAE was responsible for the discovery of a disseminated mineralization halo at the Globe Progress deposit. CRAE drilled 52 diamond drill holes throughout the goldfield, of which 39 holes (6,716 metres) were completed at the Globe Progress deposit.

Geological Setting and Mineralization

Regional and Local Geology

The Reefton Project area is hosted by early Ordovician age Greenland Group metasedimentary rocks, part of the Buller Terrain. The Reefton Project area occupies an area in the foothills of the Victoria Range and is interpreted to be a fault-bound block bounded by uplifted Karamea granitoids to the east and the down-thrown Grey-Inangahua Depression (graben) to the west. The Greenland Group rocks of the Reefton Project therefore comprise a mid-level terrain between a Tertiary horst and graben.

Gold mineralization at the Reefton Project is consistent with typical "slate-belt" orogenic-type gold deposits. Most of the gold-bearing lodes at the Reefton Project, including all of the large deposits, are arranged along a linear structural belt which runs north-south through the Greenland Group sequence.

Deposit Geology

The following is an overview of the geology of the primary deposits, namely the Globe Progress deposit (including General Gordon), the Empress deposit, the Souvenir deposit and the Supreme deposit.

Globe Progress is the largest sulphide-associated deposit currently known in the Reefton Project. The deposit occurs within an arcuate shear zone which trends from a north-south orientation into an east-west strike, discordant to the regional structural grain. The Globe Progress Shear Zone has a strike length of approximately 1 kilometre and dips steeply at the surface but shallows at depth, forming a quarter bowl shape. The deposit has an identifiable alteration halo that extends more than 200 metres beyond the limits of economic mineralization.

The Globe Progress Shear changes to a north-south orientation at its eastern extremity and merges into a line of mineralized structures extending to the south through the General Gordon, Empress and Souvenir deposits. The relationship of the shears to structures further south at Inkerman and Supreme and to the north at Auld Creek and Crushington is not well understood.

The Globe Progress Shear is characterised by a 1 metre to 15 metres wide mineralized zone consisting of variable proportions of cataclasite, quartz vein, crushed/sheared quartz vein and crushed/sheared greywacke. The Oriental Shear to the south is characterised by a 1 metre to 5 metres wide mineralized zone consisting predominately of cataclasite, with minor quartz vein, crushed/sheared quartz vein and crushed/sheared greywacke.

The Empress deposit is located approximately 1 kilometre south of the Globe Progress open pit. Mineralization at the Empress deposit represents the southern continuation of the General Gordon Shear. The mineralization is developed as a high-grade plunging shoot that has a strike length of approximately 75 metres, and a down dip extent in excess of 150 metres.

The Souvenir deposit is located approximately 2.5 kilometres to the south of the Globe Progress open pit. The Souvenir Shear that hosts mineralization is interpreted as part of a dislocated shear system and therefore probably does not represent a strike continuation of the General Gordon/Empress Shear. The Souvenir Shear strikes north-northeast and dips 70° east and is 5 metres to 10 metres thick. The Souvenir shear has an on-surface strike length of 100 metres, with an average width of approximately 8 metres and a down dip plunge of greater than 200 metres.

At the Supreme deposit, approximately 3 kilometres south of the Globe Progress open pit, drilling has confirmed the presence of a mineralized structure similar to the Globe Progress deposit. Mineralization comprises a central core of gold-bearing quartz veins, locally containing visible gold, surrounded by a more extensive halo of refractory sulphide-associated gold mineralization. Three sub-parallel mineralized structures extend approximately 250 metres along strike and at least 220 metres down-dip with an average thickness of 12 metres and moderate dip to the south-east. Historical workings indicate that mineralization extends further down-dip and remains open at depth.

Mineralization

The Reefton Project has two dominant styles of gold mineralization. The first style, and historically most important, is native gold with minor sulphides in quartz veins (quartz lodes), while the second style comprises refractory gold within sulphides in sheared sediments and clay alteration zones. Where both styles occur together, quartz shoots exploited by the early miners occur within a tectonic melange of sulphidic clay, brecciated quartz and tectonised Greenland Group greywackes.

Sulphide-associated mineralization, such as at Globe Progress, is interpreted to have formed within longer-lived shear and cataclastic zones, which could have acted as effective fluid conduits and mixing zones. These shear zones appear to have two distinct mineralizing events: an early phase of brittle faulting with associated quartz veining and deposition of free gold, followed by brecciation and deposition of sulphides and gold during subsequent deformation.

Sulphide mineralization consequently seems to form an anastamosing halo around the remnant quartz shoots, with typically indistinct and gradational margins with the surrounding host rock. The shear zones are developed at high angles to the host rock fold structures, in structural orientations that apparently contributed to polycyclic mineralization, alteration and deformation events.

Exploration

Exploration conducted by the Company has included airborne geophysics, ground geophysical surveys, geochemical sampling and trenching over prospective parts of the goldfield in order to define targets for drilling. To date, drilling has primarily been directed at defining the Globe Progress deposit. Recently the exploration program has been extended to the drilling of the Oriental Shear Zone (General Gordon and Empress) and the down-plunge extensions of other prospects throughout the project area.

The Company is compiling and validating a geoscientific database, incorporating historical and current exploration data.

Drilling

Drilling has been primarily concentrated on defining the Globe Progress resource since the acquisition of the tenements from CRAE in 1990, although more effort is currently being undertaken on exploration targets. As at December 31, 2006, a total of 73,642 metres drilling (representing 20,765 metres RC percussion drilling and 52,877 metres of diamond drilling) in 679 holes (276 RC percussion holes and 403 diamond holes) have been completed on the Reefton Project. Of these holes, a total of 541 holes representing 55,282 metres have been drilled at the Globe Progress deposit.

As a result of the steepness and inaccessibility of the terrain, almost all of the drilling operations have been helicopter supported. As a consequence, diamond drilling forms a relatively large component of the total drilling. Other methods of drilling, such as RC percussion drilling, have only been used in areas with good access.

Sampling, Analysis and Security of Samples

Diamond drill core is routinely half cut through zones of mineralization using a diamond core saw. Precautions are taken where the core is clay-rich to prevent excessive loss from the sample. Core samples are immediately collected from the core trays and transferred to sequentially numbered sample bags and then transported to an analytical laboratory by a commercial courier.

RC percussion drill chip samples are bagged at the drill hole site, using either portable or rig-mounted riffle-splitter systems. An approximate 2kg to 5kg sub-sample is collected for submission to the assay laboratory. Samples are immediately transported to Reefton and are then shipped to the laboratory by commercial courier.

Based on the drill logs, no material drilling, sampling or recovery factors have been identified in the diamond core, except that poorer recoveries have been noted in the high clay zones.

The accuracy and reliability of RC percussion samples is lower than for the diamond drilling due to the inherent characteristics of this drilling technique. Where specific drilling, sampling or recovery factors have resulted in an assay bias, the bias has been addressed by removing certain drill hole samples from the resources estimates. Local twinning of RC percussion holes with diamond drilling has shown a generally good correlation with the logged geology and assays from RC percussion drill holes, although the RC percussion drilling is consistently higher grade.

Definition of sampling intervals for RC percussion drilling has generally been based on 1 metre intervals over the full depth of the drill hole. Definition of sampling intervals for diamond drilling is based on geological intervals or 1 metre intervals, within and beyond the margins of mineralized zones identified during logging. Grind samples have been taken from all unmineralized drill core and composited from 1 metre to 5 metre intervals. Due to their lower reliability, where anomalous mineralization is detected in grind samples, the zone is resampled at 1 metre intervals. Higher grade intervals within a lower grade intersection are characterised by more abundant sulphide mineralization and generally can be detected visually during core logging. The sample quality for diamond drilling is considered to be high where samples are halved diamond drill core.

Comparisons of the early Globe Progress/General Gordon RC drilling with diamond drilling twins have identified an apparent bias in favour of the RC percussion drilling. Of particular concern are a series of closely spaced, shallow (less than 60m) RC percussion drill holes drilled in 1993/1994 along the surface outcrop projection of the Globe Progress mineralization.

A review of the relevant drilling program highlighted the following sampling issues (which have been addressed by removing the affected drill holes from the mineral reserve and resource estimates for the project): (i) the 1993/1994 RC percussion holes were drilled using cross-over sub drilling technology which is known to be prone to sample recovery and contamination problems (subsequent drilling programs used face sampling hammer technology which is less prone to sample recovery issues); (ii) the drill logs record variable to poor recovery and many instances of the cross over sub blocking; (iii) approximately 10% of the 1993/1994 RC percussion samples were sampled from wet drill hole intervals (since 1997 the practice of sampling and assaying wet RC percussion drilling for use in resource estimation has been eliminated); and (iv) these holes were sampled by "spearing" the RC chips at three levels in the collection bag rather than the sample being riffle split (subsequent to this RC percussion drilling program, all RC percussion samples collected by the Company have been riffle split).

Mineral Resources and Mineral Reserves

Mineral Resources

Mineral resource estimates for the Reefton Project as at December 31, 2006 are shown in the following table.

Reefton Project Mineral Resources as at December 31, 2006

Resource Cut Off	Resource Area	Measured		Indicated		Measured & Indicated			Inferred Resource		
		Mt	Au g/t	Mt	Au g/t	Mt	Au g/t	Au Moz	Mt	Au g/t	Au Moz
0.8g/t	Globe Progress[1]	1.81	2.65	9.54	2.37	11.35	2.42	0.88	3.95	1.7	0.21
0.8g/t	Empress	—	—	1.27	1.67	1.27	1.67	0.07	0.14	1.6	0.01
0.8g/t	Souvenir	—	—	0.18	3.04	0.18	3.04	0.02	0.25	1.5	0.01
0.8g/t	Supreme	—	—	—	—	—	—	—	0.84	1.5	0.04
No Cut off	Blackwater	—	—	—	—	—	—	—	0.48	21.9	0.34
0.8g/t	**Total**	1.81	2.65	10.99	2.30	12.80	2.35	0.97	5.66	3.3	0.61

Note:

(1) Includes the General Gordon deposit.

Mineral Reserves

Mineral reserves for the Reefton Project as at December 31, 2006, based on a gold price of US$500 per ounce, are shown in the following table. The mineral reserves are included as part of the mineral resources set forth in the above table.

Reefton Project Mineral Reserves as at December 31, 2006

Reserve Cut Off	Reserve Area	Proven		Probable		Total Reserve (Proven & Probable)		
		Mt	Au g/t	Mt	Au g/t	Mt	Au g/t	Au Moz
0.8g/t	Globe Progress[1]	1.50	2.67	4.48	2.51	5.99	2.55	0.49
0.8g/t	Empress	—	—	0.35	2.03	0.35	2.03	0.02
0.8g/t	Souvenir	—	—	0.12	3.79	0.12	3.79	0.01
0.8g/t	**Total**	1.50	2.67	4.95	2.51	6.46	2.55	0.53

Note:

(1) Includes the General Gordon deposit.

The Reefton Project reserve tonnages and grades are based on Whittle 4X pit optimizations, using among other things projected costs, slope angles based on geotechnical studies and plant recoveries.

Mining Operations

The Globe Progress mining development plan is a conventional open pit operation based on contract mining. The strip ratio averages approximately 9:1 (waste:ore). Waste material will be deposited in nearby valleys, with some material being used to form retention dams for the storage of tailings. Ore production levels are targeted at approximately 1.0 Mtpa initially, increasing to 1.2 Mtpa in 2010, with total material movements averaging approximately 11 Mtpa. The mine grade is projected to average approximately 2.6 g/t Au. The Globe Progress pit will be mined in six cut-back stages, with further single stage satellite pits planned for General Gordon, Empress and Souvenir. Plant feed ore is defined as 1.2 g/t Au or higher, with low-grade material 0.8 g/t Au to 1.2 g/t Au stockpiled for treatment at the end of mining operations.

Stripping and mining operations commenced in July 2006, with ore being stockpiled for feed through the 1.0 Mtpa crushing, grinding and floatation plant, construction of which was completed in April 2007. The plant is a conventional jaw crusher, semi autogenous grinding ("SAG") mill and flotation system and water treatment plant.

The Reefton concentrator is expected to produce between 65,000 and 80,000 tonnes per annum of concentrate. The concentrate will be loaded into specially built shipping containers at the mine site, trucked to Reefton and loaded onto rail flat-cars for transport to Palmerston, from where the concentrate will be trucked to the Macraes site for processing.

Based on metallurgical testwork undertaken by the Company, the anticipated recovery from the Globe Progress sulphide ore is 88%, which data has been used for production planning. The Company has determined that average floatation performance of the Globe Progress sulphide ore should be considered as 91% recovery as a concentrate with an average grade of 34 g/t Au and 17% sulphide. Gold recovery is expected to be 97% from Reefton concentrate processed separately through the Macraes autoclave.

Operating Data

The Reefton Project derives its economic value from the production and sale of gold. The Globe Progress mine commenced production in 2007. The table below sets forth certain projected operating data for the Reefton Project to 2010:

	Reefton Project Operating Data					
	Actual		Projected			
	2005	2006	2007	2008	2009	2010
Tonnes processed (millions)	—	—	1.0	1.0	1.0	1.2
Gold produced (thousands of ounces)	—	—	58	82	59	93
Average gold grade (g/t)	—	—	2.45	2.96	2.17	2.81
Total cash cost (US$/oz)	—	—	406	252	420	240

Lower grade stockpiles are being processed at the Reefton Project during 2009 resulting in lower production that year. The Company is continuing to optimize mine design to achieve a more consistent output of ore over the life of mine.

Based on current reserves, the Reefton Project is expected to produce a total of approximately 455,000 ounces of gold at an average cash cost of US$316 per ounce over its mine life.

Economic Analysis

The projected net mine cash flows are shown net of operating costs, development capital, sustaining capital, reclamation costs, taxes, royalties, repayment of the external project debt and associated interest costs, but excluding exploration costs and any allowances for the potential to extend the mine life beyond current reserves.

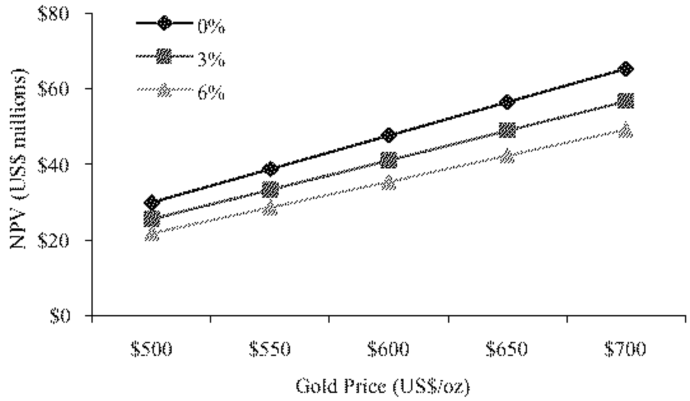
The table below sets forth the net mine cash flows, based on current reserves, projected to be generated from the Reefton Project. The projected net mine cash flows assume a gold price of US$620 per ounce in 2007 and US$500 per ounce in 2008 onward.

Reefton Project Net Mine Cash Flows (US$'000)

	2007	2008	2009	2010	2011	2012	2013	Total
Reefton Project	(21,654)	11,134	(642)	15,323	9,663	13,161	(408)	26,577

The forecast net mine cash flows from the Reefton Project are estimated to total approximately US$27 million. The following graph indicates the NPV sensitivity of the Reefton Project to gold prices and discount rates (of 0%, 3% and 6%):

NPV of Reefton Project Net Mine Cash Flows[(1)]



Note:

(1) Changes to gold price only applied in 2008 onward.

For every US$50 per ounce change in the gold price, the NPV of the Reefton Project at a 0% discount rate changes by approximately US$9 million. For every 10% change in the NZ$/US$ exchange rate, the NPV of the Reefton Project at a 0% discount rate changes by approximately US$3 million.

Payback

Based on a total initial fully-funded capital cost of US$41.3 million (which includes US$17.6 million in 2007 for balance of the capital development expenditure), the payback period for the project is 5.5 years based on a gold price of US$620 per ounce in 2007 and US$500 per ounce in 2008 and onward, and after taking into account the Company's current gold hedge positions, being net cash positive in 2012. Current reserves at Reefton (Globe Progress, General Gordon, Empress and Souvenir pits) are scheduled to be mined until 2013. The Company anticipates that during this period further reserves will be delineated.

Exploration Potential

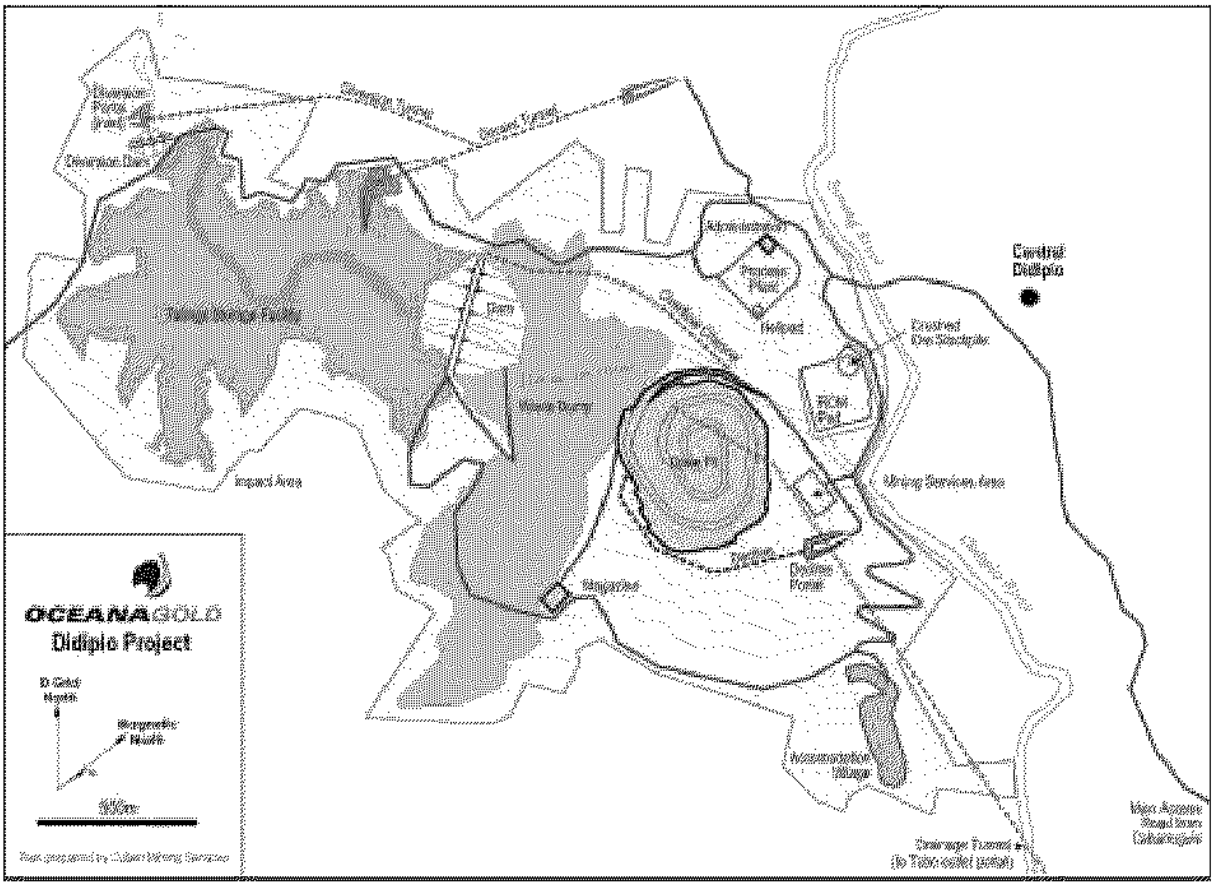
The areas along strike from the Globe Progress mine are characterised by extensive historical workings and are considered highly prospective for the discovery of near mine satellite deposits. These areas are subject to ongoing exploration by the Company.

The Didipio Gold-Copper Project

The Didipio Gold-Copper Project is held under an FTAA granted by the Philippines Government in 1994. The FTAA grants title, exploration and mining rights with a fixed fiscal regime. The Didipio Gold-Copper Project is in the initial stages of development, with most civil earth works anticipated to be completed in 2007 and infrastructure construction anticipated for completion in 2008. First production of gold and copper concentrate is targeted for the first half of 2009.

Property Description and Location

The Didipio Gold-Copper Project is located in the north of Luzon Island approximately 270 kilometres north-northeast of Manila, in the Philippines. The FTAA covers approximately 215km^2 located in the Provinces of Nueva Vizcaya and Quirino. The nearest significant town to the Didipio Gold-Copper Project is Cabarroguis located approximately 20 kilometres to the north and connected by paved road to Bayombong to the west. Portions of the property covered by the original FTAA have been relinquished under the terms of the FTAA, which generally requires 10% relinquishment per annum until 5,000 ha (or such larger area as the Government approves) remains. The proposed mining area comprises approximately 9.75 km^2 within the property area covered by the FTAA. A direct impact zone of approximately 3.25 km^2 is situated inside the proposed mining area.



Mineral Permits and Regulatory Matters

The FTAA was granted on the June 20, 1994 for a 25 year term and is renewable for a further 25 years. The FTAA carries a minimum expenditure commitment of US$50 million (which the Company has incurred) and sets forth the fiscal regime for development of the Didipio Gold-Copper Project.

In August 2004, the Company obtained the Environmental Compliance Certificate ("ECC") for the project. In March 2005, the Company submitted a Partial Declaration of Mining Feasibility ("PDMF") for approval by the DENR (as defined below). In conjunction with the PDMF, the Company submitted the Definitive Feasibility Study ("DFS") for the project. In October 2005 the PDMF was approved which provided, in effect, the permit to operate and develop the Didipio Gold-Copper Project. The permit to operate will be revoked if the operations on the project are suspended or stopped for a period of more than two years.

The PDMF approval allows for, among other things, open pit and underground workings, a tailings dam and impoundment, waste rock dumps, a mill plant, an explosives magazine, watersheds along the drainage tunnel alignment, a site of tunnel portal and a camp and working areas for the tunnelling crew. The DFS specifies the project mining methods, production rate, processing methods and other aspects of the mining operation. The ECC specifies the environmental management and protection requirements, including the submission of annual Environmental Program Enhancement Plans ("EPEPs"), as well as social development and community assistance programs.

The Company has met all the primary requirements to be fulfilled under the FTAA for a project with a throughput of 2.0 Mtpa, including all environmental approvals (represented by the ECC). However, based on the results of further optimization studies, the Company intends to increase the throughput of the Didipio Gold-Copper Project to 2.5 Mtpa. While the Environmental Management Bureau ("EMB") of the Department of Environment and Natural Resources ("DENR") could have required an amendment to the environmental approval for the project due to this increase in throughput and some associated changes in the tailings storage facility, based on discussions held by the Company between April and June 2007 with the EMB, the EMB has indicated that an amendment to the ECC is not required. Instead, the Company is required to submit an Environmental Performance Report and Management Plan ("EPRMP") covering the project variations. The Company and the EMB will agree on the scope of the EPRMP and the Company will then prepare and submit the EPRMP for approval. The Company believes that this process will be concluded within two months, and will not delay the development of the Didipio Gold-Copper Project. See "Risk Factors — The Company may experience delays to the construction of the Didipio Gold-Copper Project".

Acquisition of the necessary approvals and permits from the relevant government agencies has been a significant aspect of the development of the Didipio Gold-Copper Project. Securing the last permits and approvals required will not be possible until all design details have been finalized, allowing the various construction permits, and subsequent permits-to-operate, to be granted. The following is a list of the principal permits, approvals and agreements which are required to enable commencement of mining operations at the Didipio Gold-Copper Project:

- *Water Permits:* Applications for outstanding water permits have been submitted and are pending with the appropriate governmental and regulatory bodies.
- *Ordinary Course Construction Permits:* The Company is required to obtain certain ordinary course permits for the construction and operation of certain project infrastructure, including the construction of a tailings storage facility, waste treatment facility, pollution source equipment and pollution control equipment. The Company will not be able to obtain these permits until all design details have been finalized.
- *Land Surface Rights Acquisition:* The Company has acquired approximately 70% of the necessary land surface rights for the commencement of operations at the Didipio Gold-Copper Project. The Company is negotiating to acquire the remaining surface rights from affected landowners or, where the Company has been unable to reach a negotiated agreement, the Company has commenced legal proceedings to acquire the relevant surface rights.

The Company has an agreement (known as the "Addendum Agreement") with a Philippine claim owner syndicate (the "syndicate") which covers that portion of the FTAA previously included in a block of mineral claims held by the syndicate (the "area of interest"), including the PDMF area in its entirety. Under the Addendum Agreement, the syndicate will be entitled, once certain conditions have been met, to an 8% free carried interest in the operating vehicle that will be established to undertake the management, development, mining and processing of ores, and the marketing of products from, the area of interest following the satisfaction of certain conditions.

The free carried interest will entitle the syndicate to a proportionate share of any dividends declared from the net profits of the operating vehicle, but not until all costs of exploration and development have been recovered. The syndicate is also entitled to a 2% net smelter royalty on production from the area of interest.

A 0.6% net smelter royalty (which is capped at a total of A$13.5 million) is payable by the Company to the Malaysian Mining Corporation.

Under the terms of the FTAA, from the start of commercial production (which generally will be the start of mineral production sufficient to sustain viable economic operations) at the Didipio Gold-Copper Project, the Company will have a period of five years during which it can recover its pre-operating expenses and property expenditures from "net revenues" (as referred to below). If such expenses and expenditures are not recovered by the end of such five year period, the Company can recover the unrecovered portion as a depreciation allowance deductible from net revenues over the next three years. Upon the earlier of the Company recovering its pre-operating expenses and property expenditures or five years after the start of commercial production, the Company is required to pay the Government of the Republic of the Philippines 60% of the net revenue earned from the Didipio Gold-Copper Project. For the purposes of the FTAA, "net revenue" is generally the gross mining revenue from commercial production from mining operations, less deductions for, among other things, expenses relating to mining, processing, marketing and mineral exploration, consulting fees, depreciation of capital, and certain specified overheads. In addition, all taxes paid to the Government, including excise, customs, sales, corporate taxes (30%) and value added taxes, as well as the 2% net smelter royalty payments and any distribution made to the holder of the 8% free carried interest referred to above, are also deducted from the 60% of net revenues that are payable to the Government.

The FTAA requires the Company to divest 60% of its interest in the project (or such lesser percentage as may be imposed by law) to Filipino persons by the later of ten years after the recovery of pre-operating expenses and 20 years after the effective date of the FTAA, in which case the revenue sharing arrangement described above will cease to apply. However, as an alternative to such divestment, the Company may, at its option, enter into a mineral production sharing agreement with the Government of the Republic of the Philippines.

Under the FTAA, the Company must commence production of a sufficient quantity of minerals to sustain economically viable operations in accordance with its work plan. Failure to commence commercial production as outlined in the work plan may constitute a substantial breach of the FTAA potentially resulting in its termination.

The Philippines imposes a 12% Value Added Tax ("VAT") on the sale of goods and services conducted in the ordinary course of trade or business and on the importation of goods. The Company has received a tax ruling confirming its exemption from VAT from the time of approval of the Company's mining project feasibility study up to the end of the recovery period as defined in the FTAA. A similar application for the exemption from excise taxes is pending before the Bureau of Internal Revenue to confirm the Company's exemption from these taxes.

The Company also is qualified to import capital equipment, spare parts and accessories at zero duty from the date of its registration until June 9, 2009. However, under the Philippine Mining Act and its implementing rules and regulations, customs duties and fees on imported capital equipment are considered part of the government share which will not be collected from the Company from the time of approval of the DMF/ECC up to the end of the recovery period as defined in the FTAA.

An amended Environmental Impact Statement ("EIS") was completed on behalf of Climax in April 2004, which led to the issuance of the revised ECC on August 8, 2004. The revised ECC sets out the work requirements relating to environmental management and protection requirements, including the establishment of an environmental trust fund, environmental risk assessment and a mine decommissioning plan.

Environmental Matters

A five year social development and management program ("SDMP") was approved by DENR on February 8, 2005. The Company is required to allocate a minimum of 1% of the direct mining and milling costs annually to a SMDP once the project is operational.

The SDMP is intended to provide a sustained improvement in the living standards of the host and neighbouring communities by helping them to define, fund and implement development programs before commercial production at the Didipio Gold-Copper Project begins, during the life of the mine and after mine closure.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access to most parts of the Didipio Gold-Copper Project is from the north commencing at the national highway at Cordon and continuing along a concrete paved road to Cabarroguis, and thereafter by a gravel all-weather road passing through a concrete bridge over Debibi River. Nearer to the project area, the road is generally unpaved and difficult to use following normal rainfall periods. Roads in the area are generally of logging truck standard and four-wheel drive vehicles are required to gain access. There are no regional, local or all-weather roads connecting Didipio to the national highway, although Oceana intends to build appropriate roads to service the project. Oceana intends to construct a helipad site within the secured area at the processing plant.

The Didipio Gold-Copper Project experiences a tropical climate consisting of three main seasons: the south-west monsoonal season between June and September; the north-west monsoon season between October and January; and a transition period between February and May. At the project site, the mean annual rainfall is approximately 2,929 mm. The mean annual number of rainfall days at the project site is 181. The region generally is subject to the effects of two tropical cyclones a year. The mean annual temperature at the project site is approximately 23° Celsius.

The Didipio Gold-Copper Project area is bounded on the east by the Sierra Madre Range, on the west by the Luzon Central Cordillera range and on the south by the Caraballo mountains. The vegetative cover consists of grassland, brushland and low-density forest.

History

The Didipio area was first recognized as a gold province in the 1970s, when alluvial gold deposits were discovered in the region. There has been no large scale mining at the Didipio Gold-Copper Project to date and there are no records of production by artisan miners.

In May 1975, Victoria Consolidated Resources Corporation and Fil-Am Resources Inc. entered into an exploration agreement with a syndicate of claim owners who had title to an area covering the Didipio valley and undertook exploration activities, including a stream geochemistry program, between 1975 and 1977. Marcopper Mining Corporation investigated the region in 1984, and Benguet Corporation examined the Didipio area in September 1985. In April 1985, the property area was explored (which work included geological mapping, panning of stream-bed sediments and ridge and spur soil sampling) by a consultant geologist engaged by local claim owner Jorge Gonzales. Geophilippines Inc. investigated the Didipio area in September 1987 and made mining lease applications in November 1987. In 1989, Cyprus Philippines Corporation ("Cyprus") and subsequently Arimco NL (as Arimco Mining Corporation in the Philippines) ("AMC") entered into an agreement with Geophilippines Inc. and the local claim owner, Jorge Gonzales, to explore the Didipio area. Between April 1989 and December 1991, an exploration program was carried out that included the drilling of 16 diamond core holes into the Didipio ridge deposit. Although this work outlined the potential for a significant deposit, both companies assessed the probability of obtaining secure title to the area as being low. Subsequently, Climax acquired control of AMC (now Climax-Arimco Mining Corporation ("CAMC")) and the entire Cyprus-Arimco NL interest in the Didipio Gold-Copper Project. In 1996, the FTAA for the Didipio Gold-Copper Project was assigned from CAMC to Australasian Philippines Mining Incorporated ("APMI") (a subsidiary of Climax). By the time of ownership transfer to APMI, CAMC had drilled 94 drill holes for a total of 35,653 metres into the Didipio gold-copper deposit.

Geology and Mineralization

Regional and Local Geology

Regionally, the Didipio Gold-Copper Project geology comprises late Miocene age volcanic, volcaniclastic, intrusive and sedimentary rocks overlying a basement complex of pre-Tertiary age tonalite and schist.

The local geological setting consists of a north-north-west-trending, steeply (80° to 85°) east-dipping composite microdiorite intrusive, in contact with volcaniclastics of the Mamparang Formation. The area is also cross-cut by a north-north-west-trending regional magnetic lineament, which is possibly a geophysical expression of major strike-slip faulting. North to north-west trending strike-slip faults in the Luzon Cordillera area have been recognized as major controls on the emplacement and elongation of porphyry deposits and a similar structural control may have been important in the Didipio area.

Three major faults are located in the area. The Tatts Fault is a major grid north-south trending, steeply (80° to 85°) east-dipping fault passing through the centre of the deposit, which is regarded as a major structure controlling emplacement of the Quan Diorite and Bugoy Breccia, as well as being a possible major conduit for mineralization and alteration. No movement on this fault has yet been observed and although the fault is regarded as part of a regional lineament, it is not demonstrated to be a major plane of weakness.

The Biak Shear Zone is a major north-west-trending, steeply north-east-dipping fault, against which mineralization is displaced at the northern end of the deposit. This fault comprises a 30 metre to 35 metre wide zone of anastomosing chlorite-haematite shear planes and contains carbonate-sulphide veins, with remobilised gold-copper mineralization. The shear zone is hosted principally in Dark Diorite, which can be strongly carbonated. High grade mineralization associated with veining and brecciation appear to terminate against the Biak Shear, although low grade mineralization has been intersected in Tunja Diorite further to the north.

The Tudogs Fault is a less clearly defined than the Biak Shear Zone, particularly in shallower parts of the deposit. This fault is broadly parallel to the Biak Shear, striking north-west and dipping steeply. In places, it appears to form the southern limit of the high grade mineralization and is marked by brecciated or heavily fractured host rocks. No direction of movement has been established for this fault.

Deposit Geology

The primary deposit has been identified as an alkalic gold-copper porphyry system, roughly elliptical in shape at surface (450 metres long by 150 metres wide) and with a vertical pipe-like geometry that extends to at least 800 metres below the surface. The porphyry-style mineralization is closely associated with a zone of K-feldspar alteration, the extent of which is marked by the Didipio ridge, which is approximately 400 metres long, and rising steeply to about 100 metres above an area of river flats and undulating ground.

Chalcopyrite and gold (electrum), along with pyrite and magnetite, are the main metallic minerals in the deposit. Higher grade gold and copper mineralization is closely associated with the Quan Diorite and Bugoy Breccia, both of which are elongate in plan view along the north-south trending, steeply east-dipping Tatts Fault Zone.

Mineralization

Porphyry style gold-copper mineralization has been recorded over a strike length of approximately 450 metres, a width of up to 150 metres and to a vertical depth of greater than 800 metres. The tabular composite intrusive and associated alteration and mineralization strike grid north-south and dip steeply (80° to 85°) east. Higher grade gold and copper mineralization is closely associated with the Quan Diorite and Bugoy Breccia, both of which are elongate in plan view along the north-south trending, steeply east-dipping Tatts Fault Zone. This mineralization is surrounded by stockwork mineralization that extends as a steeply east-dipping ellipsoidal shaped body, 110 metres to 140 metres wide, from the surface to a depth of 500 metres. Below a depth of 500 metres, the mineralization is more tightly constrained forming a carapace around the Bufu Syenite, with extensions of higher grade mineralization continuing southwards along discrete structures. Higher gold-copper grades are also localised within the footwall (west) skarn, which is 5 metres to 15 metres wide, sub-vertical, open at depth and contains veintype mineralization over a strike length of 150 metres.

The deposit is oxidised from the surface to a depth of between 15 metres and 60 metres, averaging 30 metres. The oxide zone forms a blanket over the top of the deposit. A transition zone, 5 metres to 15 metres thick, is present between the oxide and sulphide zones over most of the deposit. This zone is imprecisely defined, with sulphides being observed near surface.

The highest gold and copper grades (up to 50 g/t Au and 5% Cu) occur in the QFC Zone and the Bugoy Breccia, in the area immediately surrounding the Leached Zone; within Skarn mineralization; Mixed Zones; and, less commonly, at contacts between altered and unaltered rocks. Visible gold is generally not common but has been detected in limited drill core.

Brecciation of the QFC at the top of the Leached Zone (Bugoy Breccia) is characterised by high gold-copper grades. The gold and copper may well have been remobilized and concentrated within the breccia matrix. Within the QFC Zone, highest grade mineralization is generally coincident with an overlap of Mixed Zone alteration. Where the Mixed Zone does not coincide with the QFC Zone (that is at depth), grades are typically low. The Mixed Zone is also notable in that it includes significant disseminated chalcopyrite-bornite-pyrite mineralization, a feature not common in other alteration zones. Very high grade gold-copper mineralization is also a feature of the Skarn Zone where it occurs typically as coarse (2 mm to 4 mm) disseminations of chalcopyrite-bornite-magnetite overprinting the calc-silicate matrix. Outside the QFC Zone, chalcopyrite and gold mineralization are generally lower-grade. Minor disseminated chalcopyrite may also occur with magnetite and chlorite as retrograde alteration of mafic grains. Locally, there is strong development of disseminated mineralization.

Exploration and Drilling

Since the merger with Climax no significant exploration work has been conducted on the property by the Company and no exploration work is planned for the Didipio Gold-Copper Project. However, an infill drilling program is underway at the project to improve the definition of the underground resource. All drilling at the project prior to the acquisition of Climax by Oceana Gold was performed by contractors, while most of the sample preparation was performed by Climax personnel at Cordon and assaying by Analabs.

All coordinate data since May 1994 have been generated on, or transferred to, a drill grid prepared by Surface-Tech Surveys of Perth, Australia, which has been accepted as the standard for the deposit. The drill hole database for the Didipio Gold-Copper Project comprises 94 holes totalling 35,653 metres, although only 77 diamond core holes totalling 33,229 metres were used for resource estimation. The holes excluded from resource estimation were either percussion holes drilled for geotechnical purposes or small diameter core holes with poor sample recovery.

To the extent possible, all drill holes have been surveyed down hole, generally at 50 metres to 100 metres intervals, using an Eastman survey camera. Down hole survey readings were examined for anomalous values related to local high concentrations of magnetite.

After retrieval from a drill hole, all drill core is colour photographed in both wet and dry state. Some core, particularly from early drill holes, was also re-photographed after splitting with a diamond saw. Later in the drilling program a digital camera was used to photograph the core.

On site, core logging and marking is carried out in several stages. Initial geological logging is carried out by the site geologist using logging sheets and/or notes to construct a brief geological log. Detailed geological logging is generally carried out after the core is split and sampled.

Sampling, Analysis and Sample Security

Drill holes are generally spaced on sections with 25 metres to 50 metres northerly separations and with vertical separations of 50 metres. This covers an approximate area of 300 metres along grid east by 600 metres along grid north. Down hole sample intervals are generally 2 metres or 3 metres.

From this drilling, 7,705 samples were used for resource estimation. Sample intervals were defined during the initial logging of core on site. Core was cut in half using a diamond saw either on site or at Climax's sample preparation facility at Cordon. Core has typically been sampled in intervals 2 metres or 3 metres under supervision of the site-geologist or sample preparation manager. After sampling, the remaining half core was stored for further technical and/or metallurgical purposes. In 1992, all drill core on site was moved and stored at CAMC's facilities at Cordon.

Core recovery data is available for 67 of the 77 core holes (87%) used for resource estimation. Recovery data is missing for a certain series of holes (9 holes), and there is incomplete data for a number of holes. Core recoveries were generally better than 95%, although in local areas of severe structural deformation recovery was as low as 50%. A review of core recoveries indicated that there was no strong relationship between core recovery and grade, so there appears to be no systematic bias in grade due to poor sample recovery. Therefore, sampling is considered representative.

Most samples (approximately 89%) were prepared by CAMC employees at a sample preparation facility maintained by CAMC. A large working area was kept relatively clean and dust free by means of an extraction system. The sample preparation and core storage areas were under the supervision of experienced local staff. Prepared samples were then shipped by air to Analabs in Perth, Western Australia for assay.

The standard gold assay procedure used by Analabs in Perth involved a 50g sample pulp fired with litharge and flux and the lead-silver button cupelled. This was followed by acid dissolution of the silver-gold prill, and gold content was measured by atomic absorption spectrometry ("AAS") to a 0.005ppm Au lower detection limit. Assay for gold in samples from certain holes were performed by Analabs in Manila, but this practice was discontinued in November, 1989. The same procedures were used by the Manila and Perth laboratories.

The standard procedures used by Analabs, Perth, for copper and silver assays utilized a perchloric acid digest then AAS finish to a 4ppm lower detection limit for copper and a 2ppm lower detection limit for silver.

Quality control and assurance measures employed at Didipio included standards (gold only), sample resplits, replicate analyses and inter-laboratory check assays. No copper standards or sample blanks were used. A set of gold standards was prepared from Didipio Gold-Copper Project core samples by Australian Geostandards Proprietary Limited to best represent the range of expected gold values at the Didipio Gold-Copper Project. Selected standard samples, of known gold content, were then submitted on average every 20 samples in series with the normal drill core samples and the results were checked against the known values. A total of 602 analyses for 52 different standards were available. Details of the certification of these standards were not examined. Duplicate sample splits were prepared in Cordon, under a separate sample number, and despatched to Analabs. This was carried out on average once every 20 samples after hammer milling to -1mm. A total of 343 duplicate samples were available, although only 186 were located for the Didipio Technical Report. These duplicate samples were sampled for both gold and copper using the same procedures as for the routine samples. Analabs carried out replicate assays for gold and copper on pulp splits received from CAMC at roughly one in 15 for gold and one in 150 for copper. The total number of replicates available is 849 for gold and 34 for copper. Check assays were performed by a number of different laboratories or companies for comparison with the original Analabs assays.

Mineral Resources and Mineral Reserves

Mineral Resources

The mineral resources for the Didipio Gold-Copper Project as at December 31, 2006 are set forth in the following table.

Didipio Gold-Copper Project Mineral Resources as at December 31, 2006

	Measured			Indicated			Measured & Indicated					Inferred		
	Mt	Au g/t	Cu%	Mt	Au g/t	Cu%	Mt	Au g/t	Au Moz	Cu%	Cu Mt	Mt	Au g/t	Cu%
Open Pit(1)	17.1	0.71	0.51	16.2	0.41	0.40	33.2	0.57	0.61	0.46	0.15	14.4	0.3	0.3
Underground(2)	17.6	2.06	0.46	13.1	0.94	0.40	30.7	1.58	1.56	0.44	0.14	6.7	0.7	0.3
Total	34.70	1.40	0.49	29.30	0.65	0.40	64.0	1.06	2.17	0.45	0.29	21.10	0.4	0.3

Notes:

(1) Above 2,550mRL at 0.4 g/t Au equiv. cut-off grade at a gold price of US$500/oz and copper price of US$1.90/lb.

(2) Below 2,550mRL at 1.0 g/t Au equiv. cut-off grade at a gold price of US$500/oz and copper price of US$1.90/lb.

Mineral Reserves

The following table shows the mineral reserves of the Didipio Gold-Copper Project as at December 31, 2006. The mineral reserves are included as part of the mineral resources set forth in the table above.

Didipio Gold-Copper Project Mineral Reserves as at December 31, 2006

	Proven			Probable			Total Reserve (Proven & Probable)				
Project	Mt	Au g/t	Cu%	Mt	Au g/t	Cu%	Mt	Au g/t	Au Moz	Cu%	Cu Mt
Open Pit(1)	9.92	0.88	0.66	4.99	0.49	0.54	14.91	0.75	0.36	0.62	0.09
Underground(2)	10.26	2.18	0.54	7.80	1.95	0.54	18.06	2.08	1.21	0.54	0.10
Total	20.18	1.54	0.60	12.79	1.38	0.54	32.98	1.48	1.57	0.58	0.19

Notes:

(1) The cut-off grade for open pit gold reserves is 0.56g/t Au equiv. cut-off at a gold price of US$500/oz and copper price of US$1.90/lb.

(2) The cut-off grade for open pit copper 1.0g/t Au equiv. cut-off at a gold price of US$500/oz and copper price of US$1.90/lb.

Proposed Mining Operations

The Didipio Gold-Copper Project is expected to support approximately four years of open pit mining (including pre-production) and nine years of underground mining, followed by two years of stockpile processing. The proposed 2.5 Mtpa processing plant is expected to average approximately 120,000 ounces of gold and 15,000 tonnes of copper concentrate per annum for the first 10 years of operations. See "The Didipio Gold-Copper Project — Mineral Permits and Regulatory Matters" and "Risk Factors — The Company may experience delays to the construction of the Didipio Gold-Copper Project".

Infrastructure

In connection with the development of the Didipio Gold-Copper Project, water will be sourced from drawdown bores sunk around the perimeter of the open pit. Power will be drawn from a substation on the national power grid. The power line will be constructed and owned by the Company. A high voltage substation will be constructed onsite with reticulation to smaller substations at various locations around the site.

Diesel storage tanks are expected to be situated adjacent to the mine equipment workshop. The fuel facility includes diesel transfer pumps, truck fuelling systems and bowsers for light vehicle refuelling.

Sewage from the project site will be pumped into holding tanks where it will be bacterially treated. It is anticipated that scrap metal and other refuse waste will be disposed of either to a local waste disposal facility or other appropriate location on site. Waste oils and lubricants will be recovered and disposed of to a suitable repository, possibly in Manila.

Port Irene, which is located on Casambalangan Bay at the north eastern tip of Luzon Island approximately 320 kilometres away, is the preferred location for shipping ore concentrate.

Open pit Mining

Almost 70% of the recoverable metal in the measured and indicated resource is more than 150 metres below the valley floor. Given the compact, vertical nature of the high grade core, the open pit designs tend towards cone shapes as depth increases and the incremental waste to ore ratio rises rapidly with depth. This is offset to some degree by increasing gold grade with depth but the rate of increase in total open pit mining cost per metre depth is faster than the total increase in metal value per metre depth. Apart from the ore almost at surface, the cost of mining the waste and ore by open pit is more expensive per recoverable equivalent ounce then underground mining of the ore, even including underground development costs. Accordingly, based on optimization input considerations, the final pit was designed to give 2.5 Mtpa of mill feed until the underground mine starts production.

Groundwater Management

Peak groundwater inflows to the pit of up to 13 to 15 million litres per day are expected during the wet season. The Company plans to keep the pit free of groundwater by installing a system of 10 advance dewatering bores prior to mining to depress the water table in the pit area by up to 30 metres below the pit floor. Most of the holes will be drilled to a 180 metre depth to depress the water table below the pit floor over the full life of the open pit.

The tunnel to be mined to drain the Biak Shear Zone down to RL2,270 for the underground mine is scheduled to be in place by the start of third year operations. This should provide nearly total groundwater drainage during mining of the lowest 75 metres to 100 metres of the open pit.

The main surface flow affecting the pit is the Dinauyan River which runs west to east along the valley in which the pit will be mined. The northern crest of the pit will cut across the main watercourse in the second year of open pit operations. The river has a near permanent flow.

Flow in the Dinauyan River will be dammed during construction when the tailings dam wall and the waste dump formed eastwards from the downstream face of the tailings dam wall are commenced. This wall is 600 metres west of the pit. The Dinauyan Valley west of the dam wall will be filled with tailings over the mine life and the tailings dam wall will reach a final height of over 60 metres. The tailings emplacement will have certain impacts on mine water management. The tailings dam wall, which will be buttressed by over 200 metres width of waste dump on the downstream side, will cause water entering the upper Dinauyan Valley to pond on top of the beached tailings. Over most of the mine life there will be substantial freeboard (10 metres to 20 metres) between the top of tailings and the dam crest so that a very large volume of water will be held for gradual pumping into the Surong River. The tailings are not expected to contain dangerous toxins and are expected to settle readily. As the tailings settle they should seal off part of the recharge to the Biak Shear Zone thus reducing the requirements for groundwater disposal through borehole dewatering and the drainage tunnel.

In order to limit the requirement to pump supernatant water over the dam wall into the Surong River during the mine life, a coffer dam and diversion tunnel is planned at the north western corner of the tailings dam basin. This diversion will collect rain run off from approximately 60% of the catchment area above the tailings dam. The 1.1 kilometre tunnel will discharge into the Surong River north of the mine area. Construction of the tunnel is planned for the first year of operations.

Apart from the Dinauyan River the other two potential sources of surface inflow to the pit are from the slopes immediately south of the pit and from the surface alluvial material east of the pit which is recharged from the Surong River. Flows off the slopes south of the pit will be collected in cut off drains and directed east to the Surong River. The Surong River immediately east of the mine will be diverted to the eastern side of the valley to make room for the main stockpile and crusher pad and a larger, lower level low grade stockpile. The river diversion and stockpile bases are expected to stop almost all water flow through the alluvials back into the mine area.

For the first six months of mining, the benches will open out to surface and will free drain. After that time most of the pit area will be below the surrounding ground level so that rain falling onto the pit area will need to pumped out. Once open pit mining goes below ground level it is estimated that a one in a 100 year storm event could deposit 60 to 70 million litres of water in the pit in a single day. The mining capital and operating costs allow for this volume in terms of pump and electric power capacity. Pit operations can still be maintained because the stages have approximately 30 metres vertical lag between them. The water will pool in the middle of the pit in the deeper stage. All mining can be diverted to the upper stage cut back while the lower stage is pumped out. The ore grade and low grade stockpiles will hold up to three years supply during the open pit life so it is expected that there will always be a source of ore for the process plant to cover interruptions to open pit mining.

Ground Support

Slope stability is a significant issue for the open pit. This is because the Biak Shear and the broken ground on the northern walls may be prone to rubble failures and the pit only has one ramp. Various measures are planned to mitigate the slope stability risk including, among other things, restricting all faces to a maximum height of 15 metres, increasing berm widths in and north of the Biak Shear Zone, flattening the face slopes and further widening the berms over the whole pit area above the base of total oxidation, and advance dewatering to keep the water table below the pit floor thereby reducing hydrostatic pressure in the walls. Since the pit will only be in operation for four years and it will be mined in two stages, the interim and final walls are open for shorter periods than the full mine life.

Waste Dumps

Waste rock mined during early stages of construction will be used to form the run of mine ("ROM") and low grade stockpile bases and the start of the tailings dam wall. From the start of the first year of open pit operations, part of the waste will be used to heighten the tailings dam wall and the remainder will be placed in a dump to be formed off the downstream (eastern) face of the tailings dam wall between the wall and the pit.

Since the underground mine will extend the mine life beyond the open pit phase, the tailings dam wall will be built much higher than required for the open pit ore only. By the end of the third year of operations, the wall will be 20 metres above the tailings beach level. The waste dump will provide a 250 metre wide buttress for the tailings dam wall.

Ore Stockpiles

During the first four years of operations, all the mill feed comes from the higher grade ore with lower grade ore stored on a low grade stockpile formed east of the ROM pad.

The open pit is sized to provide higher grade ore until the underground mine comes into full production in the fourth year of operations. Thereafter, ore from the underground mining operations will provide the full 2.5 Mtpa feed. Underground ore will not be segregated by grade and will be mostly direct dumped to the crusher without passing through a ROM pad stockpile.

By the ninth year, the underground mine production rates will start to fall as the stope lifts become smaller and the haul to surface becomes too high to maintain a 2.5 Mtpa trucking rate. The shortfall in mill feed will be made up by a small amount of remaining medium grade ore and by the large tonnage of low grade ore. Weathering tests conducted during 2006 indicate that the low grade ore will still be amenable to flotation even after several years on stockpile.

By the end of the twelfth year, most of the feed will be low grade ore until it becomes entirely low grade and the low grade stockpile is depleted at the end of the fourteenth year of operations.

The open pit has been designed and estimated on the basis of contract mining. The mining fleet is based around two 110 tonne excavators. Two excavators are used over most of the pit life until the base of the pit cone becomes too narrow for both machines to work side by side. Only one excavator is used for the last three months of the pit life. Mining will use 50 tonne haul trucks in either rigid body or articulated configuration. Truck fleet size increases with depth of the pit but is expected to vary from eight (four per excavator) to 14 over the pit life. Other mining fleet equipment will be used by the mining contractor, including mining, support and general earthworks items, and will vary through the pit life as the pit depth and waste to ore ratios vary.

Underground Mining

The underground is based around sub-level caving as the production mining method. Extraction levels are positioned every 20 metres vertically breaking the extraction resource into a series of 20 metre high lifts. The main decline and other permanent development openings are located outside a 70° cone of subsidence from all the production levels.

Development headings will be mined using conventional drill and blast development equipment and all waste and ore will be hauled out of the mine using a fleet of three 20 tonne loaders and up to nine 50 tonne trucks.

Production from the underground mining is scheduled at 2.5 Mtpa and first ore production from the underground mine is scheduled for the latter half of the third year of mining operations.

The Didipio deposit is intersected by the Biak Shear Zone over its full height. This shear zone is a major aquifer. Before underground production can commence it will be necessary to mine a 6.5 kilometre drainage tunnel to drain the Biak Shear. This will take approximately three and a half years prior to the commencement of construction of the process plant (the Company expects to commence construction in the third quarter of 2007). Another six months is estimated to be required for the shear to drain before production ore can be drawn from the sub level cave. An open pit mine will generate cash flow until the underground mine comes into production (the development of which will be undertaken concurrently with open pit mining).

The underground mine has been designed and estimated on the basis of owner operation. Fleet and manning numbers take into account operating conditions at other Filipino caving operations but some greater efficiencies have been applied to avoid the extremely large numbers of personnel commonly employed in Filipino underground mines.

Metallurgical Process Plant Design

The planned 2.5 Mtpa process plant for the Didipio Gold-Copper Project is a conventional plant for treating gold-copper ores. The plant comprises a primary open circuit crushing plant. Coarsely crushed material will discharge onto a coarse ore stockpile from which it will be reclaimed into a semi-autogenous grinding mill operating in open circuit. The SAG mill discharge will be pumped to a hydrocyclone for classification with the fines overflow sent to flotation; the coarse underflow will return to a closed circuit ball mill, with the ball mill discharge similarly pumped to the hydrocyclones for classification. A portion of the cyclone feed will be diverted to a sizing screen with all material less that 2 mm sent to a Falcon-type gravity concentrator while the coarse material returns to the ball mill. Concentrates will be treated to ultimately produce gold doré bars and copper concentrates. The tailings from the table and from the gravity concentrator will be returned to the grinding circuit.

Mine Closure

Following completion of the open pit mine in the third year, access to the pit will be restricted by fencing but the cut-off drains around the pit will be maintained to minimise surface water flow through the base of the open pit into the underground cave zone. All underground waste will be dumped back into the pit.

The major mine closure phase will occur at the completion of underground mining. At this time the tailings beach will have reached full capacity. The pit will become a permanent lake and sediment trap for water flowing over the tailings dam area. Overflows from the pit will be directed to the Surong River. The slight beach angle of the tailings will mean that the final tailings area will be partly covered by a shallow lake. Since there are no toxic chemicals in the tailings the rest of the surface area is available for revegetation or cultivation. A channel will be formed to direct the Dinauyan River flow across tailings to the waste dump overflow channel and this water will be available in the long term land use of the tailings beach surface.

Operating Data

The Didipio Gold-Copper Project will derive its economic value from the production and sale of gold and copper concentrate. The Didipio Gold-Copper Project is expected to commence production in the first half of 2009. The following table sets forth certain projected operating data regarding for the Didipio Gold-Copper Project through to 2010:

	Didipio Gold-Copper Project Operating Data(1)					
	Actual		Projected			
	2005	2006	2007	2008	2009	2010
Tonnes processed (millions)	—	—	—	—	2.3	2.5
Gold produced (thousands of ounces)	—	—	—	—	43	87
Average gold grade (g/t)	—	—	—	—	0.70	1.18
Copper concentrate produced (thousands of tonnes)	—	—	—	—	16.54	21.04
Average copper grade (%)	—	—	—	—	0.80	0.88
Total cash cost (US$/Au equiv. oz)(2)	—	—	—	—	330	263
Total cash cost (US$/oz) after copper credits(3)	—	—	—	—	(126)	(171)

Notes:

(1) Pre-production ounces in 2008 are not shown in the table.

(2) Au equiv. ounces calculated at US$500/oz Au and US$1.90/lb Cu.

(3) Copper credits calculated at US$1.90/lb.

Based on current reserves, the Didipio Gold-Copper Project is expected to produce a total of 1.5 million ounces of gold and 181,000 tonnes of copper at an average cash cost of US$250 per Au equiv. ounce or US$15 per ounce after copper credits over its mine life.

Economic Analysis

The Didipio Gold-Copper Project is expected to support approximately four years of open pit mining (including pre-production) and nine years of underground mining, followed by two years of stockpile processing. The proposed 2.5 Mtpa processing plant is expected to average approximately 120,000 ounces of gold and 15,000 tonnes of copper concentrate per annum for the first 10 years of operations. The following economic analysis is based on a 2.5 Mtpa processing facility.

Initial Capital Cost Estimate

The initial current capital cost estimate for the development of the Gold-Copper Project totals US$154.4 million and is summarized in the following table:

Item	US$M
Mining	
— open pit mining	21.9
— underground mining	0.6
— drainage tunnel	16.0
— water management	0.6
— indirect mining costs	0.8
Process Plant and Infrastructure	62.1
Infrastructure and Services	9.1
Accommodation Camp	5.3
Tailings Storage Facility	1.3
Subtotal Direct Costs	**117.7**
Owners Costs(1)	8.1
Indirect Costs(1)	16.8
Contingency(2)	11.8
Total Initial Capital(3)	**154.4**

Notes:

(1) The estimates of owner's costs includes estimates of the costs of first fills, spares and mobile equipment. Indirect costs include the costs of engineering, project management, temporary facilities, and APMI management, land acquisition and administration. The costs are based on durations in the currently proposed in the development schedule of the Didipio Gold-Copper Project which, if delayed, would likely increase these costs.

(2) As detailed process plant engineering has only just commenced, the contingency allowance is US$11.8 million. This level of contingency should cover the costs associated with normal design growth and other unforeseen events, excluding scope changes.

(3) An allowance of US$5.9 million has been made for working capital in the first year of operations in the financial model, which equates to approximately two months of operating costs in a typical year.

The capital cost estimate does not include any allowance for escalation during the construction period, although the construction period is relatively short.

Deferred Capital and Sustaining Capital

Ongoing deferred and sustaining capital expenditure is estimated at US$46.2 million, relating principally to ongoing capital expenditure for the underground mine, water diversion tunnels and the TSF. A further allowance is made in the financial model of US$5.2 million for closure costs. The deferred and sustaining capital cost figure includes:

- US$23.7 million spread over the first three years of operations for underground development;
- US$11.4 million over the first three years of operations for the drainage tunnel; and
- US$3.7 million in the first year of operations for completion of the diversion tunnel.

No sustaining capital allowances have been made for replacement of mechanical equipment, pipe work, electrical and instrumentation items over the life of the operation.

Operating Costs

The operating cost estimates have been developed based on the increase in the plant capacity from 2.0 Mtpa to 2.5 Mtpa. The unit rates used in the operating costs are based on current multiple vendor tendered pricing, scheduled rates, industry standard rates and historical Climax costs. Where tendered prices were not available, budget vendor pricing was sought and in several instances allowances were made based on other operations, recent studies and experience.

The average open pit operating cost from years one to three is US$4.59 per bcm, or US$1.80 per tonne for ore and waste.

The average operating cost for the sublevel cave operation from years four to thirteen is US$7.85 per tonne of ore made up of US$2.25 per tonne for ore development and US$5.60 per tonne for ore production and haulage.

Cash costs average US$250/oz over the life of mine before taking into account bi-product credits. Cash costs after bi-product credits over the life of mine are $15/oz.

The principal operating cost components are discussed below:

Power — Power will be imported from the national grid. The unit cost is based on the average gazetted price for Luzon and a line maintenance charge of US$200,000 per annum. The estimated unit cost for power in the process plant is US$2.73/t ore treated.

Reagents — Reagent costs were based on the consumptions as determined from the testwork and prices obtained from quotations. Import duties, VAT brokerage charges and handling charges have not been included.

Labour — An overall labour schedule has been developed and the individual labour costs have been based on information provided by Philex Mining. The average manning costs are equivalent to approximately US$1.55/t ore treated. Mining contractor labour has not been included in this category as it has been included in the mining contract. A fly-in/fly-out cost of US$1.2 million per year has been allowed to accommodate staff and expatriates who reside in the camp and who travel to and from their homes.

Maintenance Consumables — An allowance of 5% of capital costs has been used to develop maintenance costs, averaging US$0.60/t treated. Other consumable costs have been estimated with vendor input and estimated consumptions. An allowance of US$0.36/t treated has been added as a form of contingency. Overall maintenance costs have been estimated at US$1.36/t treated.

Other — A unit cost for the laboratory of US$6,000/month has been allowed. Mobile equipment maintenance has been estimated at US$2,000/month. An allowance of US$800,000 per annum has been allowed for insurance costs.

Environmental — Environmental costs have been included within the General and Administration category and average about US$66,000 per annum.

General and Administration — Fixed costs have been estimated and included within the various cost categories. The costs for Finance and Administration include an allowance for accommodation on site, camp costs, security and a management fee. An average annual general and administrative cost of US$3.4 million has been estimated in the PDP which calculates to US$1.36/t. No head office charges have been included although there is an allowance for a management fee which has not been defined.

There are a number of other costs that are incurred off-site. These include doré transport and concentrate handling, ocean freight and smelter charges. Smelter charges are estimated at US$82/t and a refining charge of US$0.082/lb of copper. A copper deduction of 1% Cu is applied with minimum payment of 96.5%. The gold deduction for concentrate is 0.9g/t Au with no payment for grades less than 1.0g/t. Gold payment is on a sliding scale but the expected payment for Didipio concentrates will be about 97.5% (for concentrate grades greater than 15g/t). Refining costs for gold in concentrate have been estimated at US$5.00/oz. Silver will be payable at grades greater than 30g/t and payment will be 90% with a silver refining charge of US$0.35/oz. The model assumes smelter participation at a copper price of US$0.90/lb copper, with a ± 10% price participation if the price is above or below the trigger price. Concentrate freight from site to the port is estimated at US$52.80 per wet tonne, including loading and unloading charges with the sea freight transport costs estimated at US$18/t concentrate with an insurance charge of 0.4% of the Gross Metal Value.

The overall accuracy of mining costs is considered ± 15%, although mine plans (and therefore costs) may change.

Cashflow Analysis

The projected net mine cash flows are shown net of operating costs, development capital, sustaining capital, reclamation costs, taxes, royalties, repayment of the external project debt and associated interest costs, but excluding exploration costs and any allowances for the potential to extend the mine life beyond current reserves.

At metal prices of US$500 per ounce of gold and US$1.90 per pound of copper, the Didipio Gold-Copper Project is projected to generate net cash flows of approximately US$360 million. The table below sets forth the net mine cash flows, based on current reserves, projected to be generated from the Didipio Gold-Copper Project:

Didipio Gold-Copper Project Net Mine Cash Flows (US$'000)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Didipio Gold-Copper Project	(100,000)	(51,901)	8,109	41,042	71,802	47,665	53,407	37,129	38,313	40,430	36,071	43,598	42,993	20,926	13,616	16,891	360,091

Based on the cashflows demonstrated above, the payback period for the project would be 4.65 years. As the cashflow analysis is based on 100% equity financing of the Didipio Gold-Copper Project, it does not have any imputed interest component.

Project Summary

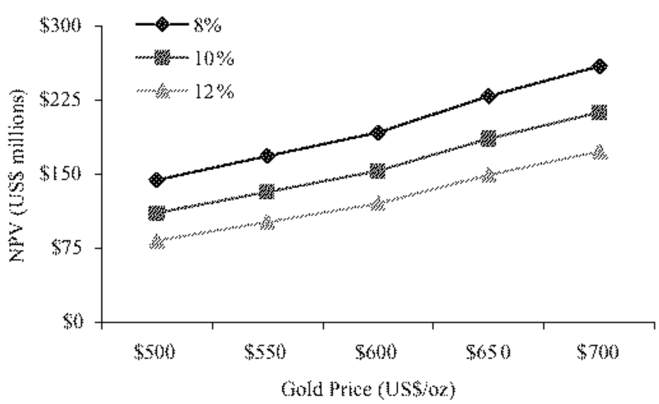
The following table provides a summary of the financial analysis for the Didipio Gold-Copper Project calculated at metal prices of US$500/oz Au and US$1.90/lb Cu (which were the commodity prices utilised to calculate reserves as at December 31, 2006).

Item	Unit	Total
After government share (includes tax)		
NPV at a discount rate of 10%	US$m	104.7
Internal rate of return	%	20.8
Payback period	years	4.65

Sensitivity Analysis

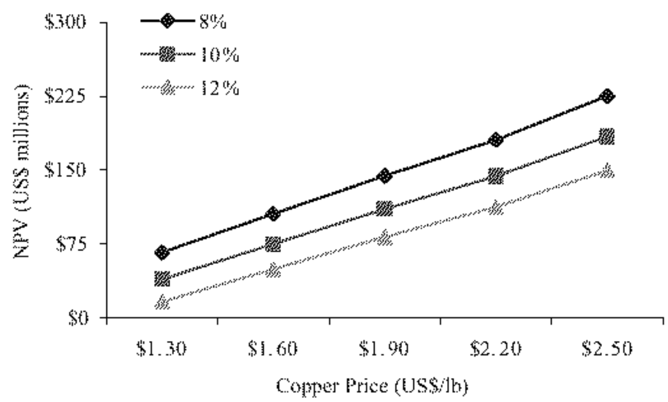
The following graphs indicate the NPV sensitivity of the Didipio Gold-Copper Project to gold prices, copper prices and discount rates (of 8%, 10% and 12%):

NPV of Didipio Gold-Copper Project Net Mine Cash Flows



For every US$50 per ounce change in the gold price, the NPV of the Didipio Gold-Copper Project at a 10% discount rate changes by approximately US$26 million.

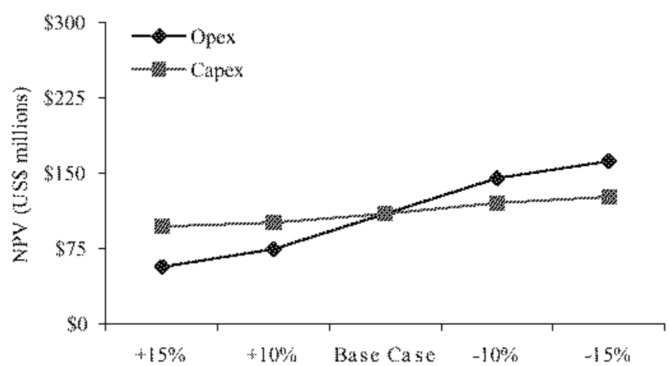
NPV of Didipio Gold-Copper Project Net Mine Cash Flows



For every US$0.30/lb change in the copper price, the NPV of the Didipio Gold-Copper Project at a 10% discount rate changes by approximately US$40 million.

The following graph sets forth the NPV sensitivity of the Didipio Gold-Copper Project to variations in the estimated capital costs ("Capex") and operating costs ("Opex") over the life of mine:

NPV of Didipio Gold-Copper Project Net Mine Cash Flows
(10% Discount Rate)



For every 10% change in life-of-mine capital costs, the NPV of the Didipio Gold-Copper Project at a 10% discount rate changes by approximately US$10 million. For every 10% change in life-of-mine operating costs, the NPV of the Didipio Gold-Copper Project at a 10% discount rate changes by approximately US$35 million.

Exploration Potential

The Didipio Gold-Copper Project area is considerably under-explored and the potential for discovery of additional gold and/or gold-copper mineralized systems that will contribute to the Didipio gold-copper mining and treatment operation is considered by the authors of the Didipio Technical Report to be high. Exploration of the FTAA over the last 15 years by Climax has resulted in identification of more than 25 known gold and gold-copper prospects that range from soil and rock-chip geochemical anomalies to more advanced drill targets.

Other Projects

Except as set out below, no mineral resources have been defined on any of the following properties.

In New Zealand, Oceana's main exploration property is Sams Creek, which consists of exploration on a near surface, mineralized, porphyritic granite dyke in the northwest region of New Zealand's South Island. Although only a small part of the dyke has been explored to date with diamond drilling, exploration results have been encouraging, with the resource remaining open at depth and along strike. The estimated inferred mineral resource at Sams Creek currently stands at

13.5 million tonnes at 1.8g/t Au for a total of 0.77 million ounces of gold at a 0.7g/t cut off. The Company is considering strategic alternatives with respect to Sams Creek.

In addition, Oceana has a portfolio of prospective exploration properties in the Philippines, including interests in two gold-copper porphyry exploration properties in Northern Luzon, and holds three exploration properties in the Surigao Peninsula area of northern Mindanao.

CONVERTIBLE NOTES

Oceana Gold has outstanding (i) 550 convertible notes issued to Barclays Bank plc (the "Barclays Convertible Notes"), (ii) 600 convertible notes issued to Ospraie Portfolio Ltd. and Ospraie Special Opportunities Master Holdings Ltd. (the "Ospraie Convertible Notes"), (iii) 100 convertible notes issued to MLP Investments (Cayman) Ltd. (the "Millenium Convertible Notes"), and (iv) 300 convertible notes issued to an affiliate of Goldman Sachs (Asia) Finance (the "Goldman Sachs Convertible Notes" and together with the Barclays Convertible Notes, the Ospraie Convertible Notes and the Millenium Convertible Notes, the "Convertible Notes").

The Barclays Convertible Notes have a face value of A$100,000, bear interest at 5.75% per annum payable semi-annually in arrears, are due for redemption at 109% of their principal amount in 2012 unless prior conversion into Oceana shares occurs at the option of noteholder. The Barclays Convertible Notes have a conversion price of A$4.2435 (subject to adjustment for certain specified events).

The Ospraie Convertible Notes, the Millennium Convertible Notes and the Goldman Sachs Convertible Notes have a face value of A$100,000 each, bear interest at 7.00% per annum payable semi-annually in arrears, are convertible into Oceana shares and are due for redemption in 2013 at a value equal to the sum of their principal amount plus the capitalised interest amount, unless prior conversion to ordinary shares at the option of noteholder. These notes have a conversion price of A$4.095 or, in the case of the Goldman Sachs Convertible Notes, A$4.30 (in each case subject to adjustment for certain specified events).

The terms of the Convertible Notes include adjustment provisions relating to, among other things, the issue of shares of Oceana from treasury. Generally, there will be an adjustment to the conversion price of the Convertible Notes if shares are issued at less than 95% of the then current market price. In addition, in the case of the Convertible Notes (other than the Barclays Convertible Notes), there will be an adjustment to the conversion price if shares are issued at less than 95% of the then current conversion price, where the shares are issued after June 19, 2007 or more than A$70 million is raised through the issue of the shares.

In each case of adjustment, if applicable, the current conversion price would be multiplied by the following fraction:

$$\frac{A + B}{A + C}$$

For the purposes of the above formula, "A" is the number shares on issue immediately preceding the date of announcement of the issue, "B" is the number of shares which the proceeds would purchase at the then current market price or, in the case of the Ospraie Convertible Notes, Millennium Convertible Notes and Goldman Sachs Convertible Notes, the current conversion price, and "C" is the number of shares actually issued.

The instruments governing the Convertible Notes were amended pursuant to the Reorganization. The amendments to these instruments provide for the Convertible Notes to be: (i) converted into Common Shares or CDIs (rather than Oceana Gold shares); and (ii) the conversion price to be increased by a factor of 5, to reflect the 5:1 capital consolidation effected under the Schemes.

HEDGING ACTIVITIES

The following discusses the Company's hedging activities for its New Zealand projects. At the Didipio Gold-Copper Project, no gold hedging arrangements have been implemented and the Company has no current intention of entering into such arrangements.

As at December 31, 2006, Oceana Gold had forward gold sales contracts over 374,037 ounces between 2007 and 2010 with an average contract price of NZ$773 (approximately US$545) per ounce. This represents approximately 28% of forecast gold production from all projects between 2007 and 2010.

In 2006, a series of put options were purchased to provide an average floor sale price of NZ$1,000 (approximately US$705) per ounce for 320,769 ounces to be produced from the Globe Progress project between 2007 and 2010. This was financed by the sale of call options which provide a cap of NZ$1,062 (approximately US$749) on the average sale price of 104,024 ounces to be produced from the Globe Progress mine in 2010.

Under Canadian GAAP, changes in the fair value of the hedge book must be brought to account. The fair value of the hedge book represents the difference between the current market gold price and the present value of the contract prices. The significant rise in the market gold price since the hedge contracts were put in place, has resulted in a mark to market net liability of approximately US$63.4 million on the forward sales contracts and a mark to market net asset of approximately US$4.1 million in relation to the put and call options as at December 31, 2006.

Oceana has no exposure to "leveraged" hedging instruments or margin call covenants.

The Company has no current intention of committing additional gold ounces from its New Zealand operations to the hedge book. These will be reviewed by the Board of Directors of Oceana from time to time as appropriate.

USE OF PROCEEDS

The net proceeds of the Offering are expected to be Cdn.$85,052,362.50 after payment of the Underwriters' fee but before deducting expenses of the Offering estimated to be Cdn.$3,460,000 and before giving effect to the exercise of the Over-Allotment Option. The following table provides an estimated breakdown of the proposed application of the net proceeds of the Offering (all figures are approximate):

Use	Amount (Cdn.$million)
Development, construction and start-up of the Didipio Gold-Copper Project . . .	74.2
General corporate and working capital purposes	7.4

While the Company intends to use the funds available to it as stated above, there may be circumstances where, for sound business reasons, a re-allocation of funds may be necessary or advisable.

The Company expects that the net proceeds of the Offering as set forth above, together with cash on hand, will result in the initial capital costs of the Didipio Gold-Copper Project being fully-funded.

NEW ZEALAND

Overview

New Zealand is located in the south-western Pacific Ocean and comprises two main islands and a number of smaller islands. The country extends more than 1600 kilometres. New Zealand has a population of about 4.1 million.

New Zealand is a country heavily dependent on trade, particularly in agricultural products, and a significant portion of the country's output is exported. Its principal export industries are agriculture, horticulture, fishing and forestry. Its major export partners are Australia, the United States, Japan, China and the United Kingdom. The currency is the New Zealand dollar. The Reserve Bank of New Zealand, established in 1933, exercises control over monetary circulation and credit, and is empowered to regulate foreign exchange.

Regulation of Mining in New Zealand

The Crown Minerals Act 1991 ("Crown Minerals Act") governs the prospecting, exploration, and mining of Crown-owned minerals in New Zealand. It came into force on October 1, 1991, and repealed the Mining Act 1971 ("Mining Act"). However, mining rights that were granted under the Mining Act continue to have effect, subject to certain transitional provisions of the Crown Minerals Act. In general, New Zealand mining legislation provides that:

- All gold, silver, petroleum and uranium in any land within New Zealand and all minerals in any Crown-owned land within New Zealand are the property of the Crown. Further, where land is alienated from the Crown, the minerals in that land are reserved to the Crown and remain "Crown-owned minerals".
- No Crown-owned minerals may be extracted from any land within New Zealand without an appropriate licence/permit issued by the Minister of Energy (the "Minister").
- Any licence/permit to extract Crown-owned minerals may be granted in respect of specified minerals and a specified area of land and may be subject to conditions imposed by the Minister.

- Every licence/permit holder is the owner of all minerals lawfully obtained in the course of activities authorised by the licence/permit.
- Activities carried out under a licence/permit are subject to compliance with all other applicable statutes (with the exception that licences granted under the Mining Act are not subject to certain aspects of the *Resource Management Act 1991* ("RMA").

The Mining Act 1971

The holder of a mining licence granted under the Mining Act receives exclusive rights to mine the minerals specified in the licence and to carry out certain related activities, for a fixed term of up to a maximum of 42 years. Pipeline licences may also be granted to the holders of mining licences for purposes directly connected with mining operations. The Minister may vary the licence conditions after consultation with interested parties in relation to licences, although objections to the variation may be lodged with the Planning Tribunal (now Environment Court). Licence holders are prohibited from assigning or transferring an interest in that licence without the Minister's prior written consent.

Royalties payable to the Crown are specified in certain licences, and the Minister may review royalties specified in any mining licence every five years. The Minister may forfeit a mining privilege if a holder of that privilege contravened or failed to comply with the conditions of the Mining Act or the licence.

Under the transitional provisions of the Crown Minerals Act, existing privileges under the Mining Act continue to have effect after the commencement of the Crown Minerals Act, subject to, among other things, the following:

- any consent required under the environmental legislation existing at the time the licence was granted must now be obtained under the RMA; and
- any new licence sought by the holder of an existing licence in relation to the same area must be applied for (and granted) under the Crown Minerals Act.

Oceana has been granted permits under the Mining Act in respect of the Macraes Project and the Reefton Project.

Crown Minerals Act 1991

The Crown Minerals Act, which repealed the Mining Act, provides for the three following types of mining permits:

Prospecting Permits: A prospecting permit remains in force for a period of up to two years and carries a right of renewal for up to another two years. A prospecting permit may be applied for only if no mineral deposits have been found on the land subject to the proposed permit during any previous work or prospecting. The activities permitted pursuant to such a permit are generally very low impact and include geological mapping, hand sampling and aerial surveying.

Exploration Permits: An exploration permit remains in force for a period of up to five years and carries a right of renewal for a further five years in relation to up to half of the area subject to the original permit. The activities permitted pursuant to an exploration permit may include drilling, bulk sampling and mine feasibility studies. Exploration permits are generally conditional on the permit holder making reasonable efforts to explore the permit area, making reasonable attempts to undertake a defined minimum work program and such additional conditions as may be imposed.

Mining Permits: A mining permit is granted to allow extraction of Crown-owned minerals from land. The nature and extent of the mineral deposits in the land must be accurately known prior to such a permit being granted. A mining permit may be issued for a maximum period of up to 40 years, depending upon the extent of mineral reserves in the land, the permit holder's resources and its work programs. The duration of a permit may only be extended if the permit holder satisfies the Minister that the discovery to which the permit relates cannot be economically depleted before the permit's expiration date. The Minister may require the permit holder to submit a work program for approval as a condition of the permit extension. Any such extension may only be for such period as the Minister considers reasonable to enable the economic depletion of the discovery. Mining permits are generally conditional on payment of a royalty to the Crown and on the permit holder making all reasonable efforts to undertake permitted activities pursuant to its work programs, undertaking mining and exploration operations in accordance with good exploration or mining practice, paying all prescribed fees and such additional conditions which may be imposed and which may vary from one permit to another.

A permit holder of any type may apply at any time to have its permit amended. Permits which are subject to an application for an extension of duration continue in force until the Minister makes a decision regarding such an application. The Minister may decline an application if the permit holder has, in the Minister's opinion, not substantially complied with the conditions of their permit.

Permit holders are prevented from assigning or transferring an interest in a permit without the prior consent of the Minister.

The Minister may revoke any permit granted under the Crown Minerals Act if the permit holder is contravening or not making reasonable efforts to comply with the Crown Minerals Act, its associated regulations and the conditions of their permit. In addition, the Minister may require a bond or monetary deposit as security for compliance with the conditions of the permit.

The existing Minerals Programme, which establishes the criteria to be applied in respect of the management of any Crown-owned mineral, is reviewed every 10 years. The existing Minerals Programme has been reviewed and a draft revised minerals programme was issued for comment in late 2005. The revised minerals programme contained a number of proposed amendments to the current policy, including changes to matters such as the method of the allocation of permits. The final form of the revised minerals programme, following industry comment, is still to be issued by the Minister. Accordingly, the effect that the revised programme will have on the Company's existing permits is uncertain.

Land Access

In the case of licences granted under the Mining Act over minerals contained in private land that has not been alienated from the Crown, generally written consent from the owner and occupier was required before a licence could be granted. With written consent or the land being declared open for mining, a licence could be granted, conferring with it the right to access the land.

Under the Crown Minerals Act, the situation changed. A permit does not confer access to the land over which the permit is granted. Instead a permit holder is required (with the exception of activities that are defined to be "minimum impact activities") to enter into a written access arrangement with the owner and occupier of the land before exercising the rights under the permit. In some instances, if the owner or occupier of land refuses access, an access arrangement may be determined by an arbitrator, but only if authorised to do so by Order in Council, the granting of which will be subject to public interest considerations.

Access arrangements are binding on successors in title provided they are registered against affected land titles, where the term is longer than six months. Such access arrangements are for specific terms that can be extended by the landowner on application for a variation of expiry date. The terms and conditions of an access arrangement can also be varied with the permission of the landowner.

Activities carried out below the surface of any land subject to a permit do not require an access arrangement if the activity will not or is not likely to cause any damage to the surface of the land or any loss or damage to the owner/occupier of the land, prejudicially effect the use and enjoyment of the land by the owner/occupier, or prejudicially effect any possible future use of the land surface.

Oceana has entered into access arrangements principally at the Reefton Project.

Royalties

Royalties are payable to the Crown annually in respect of all metallic, non-metallic, industrial rocks or building stones that are taken from the land pursuant to a mining permit issued under the Crown Minerals Act and which are sold, gifted, used in a production process to produce another substance, or extracted but unsold on surrender, expiry or revocation of the mining permit.

Royalties are calculated based on net sales revenue or accounting profits with specific details as to the basis of calculation. Payment of royalties is included as a condition of the permit. Royalties are generally calculated and payable at the following rates:

- no royalty is payable if net sales revenue from a permit is less than NZ$100,000 for an annual reporting period or averages less than NZ$8,333 per month if the annual reporting period for the permit is less than 12 months. Where the permit is part of a production unit, the thresholds will apply to net sales revenues from all permits in the production unit;
- a royalty of 1% *ad valorem* is payable if net sales revenue from a permit is between NZ$100,000 and NZ$1,000,000; or
- a royalty of either 1% *ad valorem* or 5% of the accounting profits, whichever is greater, if the net sales revenue from a permit is more than NZ$1,000,000.

Regulation of the Environment

Overview

The RMA is the legislation which controls the use and development of New Zealand's resources from an environmental perspective. It is an "effects based" regime with an emphasis on managing the environmental effects of activities on the environment. Generally, the RMA is administered by regional and district (or city) councils, although at a central government level, national environmental standards and policy statements (for matters of national significance) can be prepared by the Minister for the Environment.

In terms of the day to day administration of the RMA, a regional council has jurisdiction over matters such as the use and taking of water, discharges to air, land or water, and certain types of land use. A district or city council has jurisdiction over matters such as land uses, hazardous wastes, subdivision and historic places.

Regional and district (or city) councils are to prepare plans (and in the case of regional councils, policy statements) for those matters within their jurisdiction, including objectives, policies and rules to assist the council in carrying out its functions under the RMA.

Resource Consents

Rules in regional and district plans may classify activities as permitted, controlled, restricted discretionary, discretionary, non-complying or prohibited. No consents can be granted for prohibited activities and consents for non-complying activities are more difficult to obtain than discretionary activities. For restricted discretionary activities, the council's consideration of a resource consent application is limited to those matters over which it has expressly limited its discretion. Resource consents must be granted for controlled activities, but permitted activities are allowed without resource consent.

The term "resource consent" generally describes a number of different kinds of consents or permits including land use consents, subdivision consents, coastal permits, water permits, and discharge permits.

Resource consent applications are determined under the RMA by the relevant district and regional councils, taking into account environmental effects, the provisions of the relevant planning documents and the purpose and principles of the RMA. Resource consents are usually made subject to a variety of conditions to ensure that the adverse effects of the activity are avoided, remedied or mitigated.

Resource Consent Application Process

The RMA places a strong emphasis on public participation. Applications for mine development will usually be publicly notified, although applications for a resource consent for ancillary matters that have minor adverse environmental effects may be non-notified.

If the application is publicly notified, any person may make a submission at the hearing of the application regardless of whether that person (or group) has a direct interest in the application (e.g., environmental groups). An application may also, in specific circumstances, be notified in a limited manner to only those persons that the council considers potentially affected.

Whether the application is granted will depend upon consideration of various matters, including the purpose and principles of the RMA (broadly stated as the sustainable management of natural and physical resources), any actual or potential effects on the environment, and relevant plans or policy statements and the classification of the activity in the plans.

A council may grant an application for resource consent, may decline it or may grant it subject to conditions. There is a right of appeal to the Environment Court from a council's decision by the applicant for the resource consent or any submitters to the application.

A council may include a review condition in a resource consent which would allow the consent to be reviewed in particular circumstances for specific purposes. Review conditions are common in longer term consents. If a resource consent contains review conditions, council has the discretion to exercise the power to review. A council will generally not exercise the power to review unless there are significant unforeseen environmental effects occurring.

As certain consents have a limited duration, a new consent will be required to replace the one that has (or is due to) expire. There is no automatic right of renewal under the RMA. Instead, the consent holder is to re-apply for the resource consent before it expires. A consent holder can continue to operate under its original consent while any appeals against its replacement consent are determined.

A resource consent may also lapse if it is not used within 5 years after the date it commenced (unless a different lapse date is specified in the consent). Generally a resource consent can be transferred, however the requirements differ depending on the type of resource consent that is being sought to be transferred. In addition, the RMA provides for a number of "tools" (including enforcement orders, abatement notices, penalties, fines and imprisonment in serious cases) to deal with the enforcement of the duties and restrictions as set out in the RMA. The RMA provides that liability is not limited to the party that actually commits the offence, and can extend to the offender, the landowner, land occupier, and person in the management of a party convicted of an offence, although the RMA provides certain limited defences.

Taxation

The taxation rules principally relevant to foreign-owned mineral mining companies operating in New Zealand are as follows:

- *Income Tax:* Companies (including New Zealand subsidiaries of foreign companies) and other business taxpayers are taxed on their net income after allowable deductions for interest, depreciation and other operating expenses. The current company tax rate is 33%.
- *Withholding Tax:* Dividends, interest and royalties paid by New Zealand resident companies to non-residents are subject to non-resident withholding tax ("NRWT"). The rate of NRWT is 30% in respect of dividends (with certain exceptions) and 15% in respect of interest and royalties. NRWT is reduced by application of most of New Zealand's double taxation agreements (which include agreements with Australia, Canada and the United States) generally to 15% in respect of dividends and 10% in respect of interest and royalties (although in the case of the Canada double taxation agreement the royalty rate is 15%). In addition, NRWT on dividends and interest can in certain limited circumstances be reduced or eliminated by the foreign investor tax credit and approved issuer levy regimes respectively. It should be noted that the term "dividend" is widely defined for New Zealand tax purposes and includes, for the proposes of NRWT, a distribution of capital gain amount of a New Zealand company to a related, non-resident corporation shareholder. Various withholdings are required from certain other payments.
- *Goods and Services Tax ("GST"):* GST is a domestic value-added tax. It is charged on business transactions and on imports. The current rate of GST taxation is 12.5% although certain transactions are zero-rated.

While mining companies are taxed in the same way and at the same tax rate as other companies, New Zealand income tax law has special concessionary provisions relating in particular to deductibility of mineral mining expenditure and mineral mining loss carry forward. In particular:

- The tax rules in New Zealand allow mining companies to deduct their exploration expenditure and any expenditure incurred in the development of a mining licence immediately. Thus, certain capital expenditures which, in the absence of concessionary treatment, would likely be capitalised and depreciated, may be deducted immediately for income tax purposes, although there exists a limitation for deductions from non-mining income to the extent that any mining income deducted from the non-mining income should be reduced by one-third. Additionally, excluded from the deduction rules is expenditure on an office building that is not situate at or adjacent to the site of the company's mining operations. Also excluded is expenditure incurred on a building or facility provided for the purpose of deriving income.
- Mineral mining companies are also allowed to deduct in their current year income tax return, current year income appropriated for application as mining exploration or development expenditure in the following two years. The appropriate amounts are included as income in the following year, but, the mining company can maintain its deferral if it continues to budget for further exploration and development work.
- There is a concession for carrying tax losses forward for offset against future mining income which in certain circumstances overrides the general rule that companies are only permitted to carry forward losses if they maintain 49% continuity of shareholding.
- Subject to certain limitations, a holding company of a mining company can claim a deduction for principal written off in respect of loans made to the mining company for funding its exploratory activities, although the deduction may not exceed the lesser of 50% of the net income of the holding company for the tax year the deduction is claimed or the holding company's proportionate share if the operating company's total outgoings on exploration as reduced by a similar deduction allowed in a previous tax year. A deduction for interest written off may also be available.

Interest incurred by a New Zealand company (including a mineral mining company) is generally automatically deductible, but under New Zealand's thin capitalisation regime a foreign-controlled company is denied a deduction for interest to the extent that its ratio of debt to assets exceeds 75%, and 110% of the world-wide debt to asset ratio of its world-wide group.

New Zealand also has a comprehensive transfer pricing regime dealing with cross-border transactions between associated parties.

PHILIPPINES

Overview

The Philippines is an archipelago consisting of 7,107 islands with a total land area of approximately 300,000 square kilometres. The islands comprising the Philippine archipelago are grouped into three geographic regions: Luzon in the north, Visayas in the center and Mindanao in the south. The country has a population of approximately 86 million.

The Philippines is a democratic republic. The current constitution of the Philippines took effect in 1987. The head of state and chief executive is the President, who is elected by popular vote for a non-renewable term of six years.

The services sector is the country's most significant sector economically, with manufacturing and agriculture, forestry and fishing also being significant. The country's official currency is the Philippine peso ("PhP").

Foreign investments need not be registered with the Bangko Sentral ng Pilipinas, the Philippine central monetary authority, unless the foreign exchange needed to service capital repatriation and dividend or interest remittance will be purchased from the Philippine banking system. With the approval of the President, the Bangko Sentral ng Pilipinas has the power to restrict the availability of foreign exchange in times of an exchange crisis or national emergency.

The Philippines has numerous deposits of metallic and mineral ores, including gold, copper, silver, chromium, lead and nickel. In late 2004, the Supreme Court ruled that the provisions of the *Philippine Mining Act 1995* (the "PMA") permitting and regulating foreign ownership of companies engaged in large-scale mining activities were constitutional. This decision facilitated an improved investment climate for foreign investors in the mining sector.

Regulation of Mining

The Constitution

The constitution of the Philippines (the "Constitution") provides that all lands of the public domain, waters, minerals, coal, petroleum and other mineral oils, all sources of potential energy, fisheries, forests or timber, wildlife, flora and fauna and other natural resources are owned by the State. The Constitution gives the State full control and supervision over the exploration, development and utilization of natural resources.

In exercising its powers with respect to the development and utilization of natural resources, the State may either directly undertake them, or enter into production sharing agreements, co-production agreements and joint venture agreements with Philippines nationals, corporations, or associations at least 60% of whose capital is owned by such citizens. The Constitution authorizes the President of the Philippines to enter into agreements with up to 100% foreign-owned corporations involving either technical or financial assistance for large-scale exploration, development and utilization of mineral resources.

In 1995, to implement the provisions of the Constitution related to mining, the Philippine Congress enacted the PMA which governs the conduct of mining activities in the Philippines.

Forms of Mining Tenure

Mining Act

The PMA, which currently provides the legal and regulatory framework for mining activity in the Philippines, instituted the system of exploration permits, mineral agreements, and financial or technical assistance agreements (known as FTAAs). The Mining and Geosciences Bureau ("MGB"), a government bureau under the DENR, administers the provisions of the PMA.

Tenure under the PMA

Under the PMA, the Government may grant exploration permits to, or enter into various agreements with, a "qualified person". A "qualified person" is defined as either (i) a citizen of the Philippines with capacity to contract, or (ii) a corporation, partnership, association or cooperative organized or authorized for the purpose of engaging in mining, with technical and financial capability to undertake mineral resources development, and duly registered in accordance with Philippine law, whose capital is at least 60% owned by citizens of the Philippines, provided that a legally organized foreign-owned corporation (a corporation that has more than 40% foreign ownership), shall be deemed to be a qualified person for purposes of being granted an exploration permit, FTAA or mineral processing permit. A person qualified for the grant of an exploration permit, FTAA or mineral agreement must have the financial and technical capability to undertake the submitted exploration/development/utilization work program under the exploration permit, FTAA or mineral agreement. As a mandatory requirement in the acceptance of a mining application, the mining applicant for an exploration permit, FTAA or mineral agreement shall be required to have a minimum authorized capital stock of PhP10 million and a minimum paid-up capital of PhP2.5 million as proof of its financial capability. FTAA applicants are required to have a minimum authorized capital stock of US$4 million or its Philippine Peso equivalent, after approval of the FTAA by the President and prior to registration of the FTAA.

The PMA provides for the following methods of acquiring exploration and exploitation rights:

(a) **Exploration permit ("EP").** An EP grants the permit holder the right to enter, occupy and explore for minerals in a specified area. An EP is valid for a period of two years, subject to renewal for periods of two years, but cannot exceed a total of four years for non-metallic mineral exploration and six years for metallic mineral exploration permit.

(b) **Mineral agreement.** A mineral agreement grants the contractor the exclusive right to conduct mining operations and to extract all mineral resources found in the contract area. It has a term not exceeding 25 years and is renewable for up to another 25 years, subject to certain terms and conditions. There are three types of mineral agreements:

- *Mineral production sharing agreement* ("MPSA") — an agreement pursuant to which the Government grants to the contractor the exclusive right to conduct mining operations within a contract area and shares in the gross output from the operations. The contractor under an MPSA is required to provide all the necessary financing, technology, management and personnel. Upon expiration of the MPSA, the Government may itself, or through a contractor, operate the mine.

- *Co-production agreement* — a co-production agreement is similar to an MPSA except that the Government makes an agreed contribution to the mining operations conducted by the contractor.

- *Joint venture agreement* — an agreement where a joint-venture company is organized by the Government and the contractor, with both parties having equity shares, and the joint venture company is granted the exclusive right to conduct mining operations within a contract area. Aside from earnings in equity, the Government is entitled to a share in the gross outputs.

(c) **FTAA.** An FTAA is a contract between a qualified person and the Government through the President of the Republic of Philippines, involving financial or technical assistance for large-scale exploration, development, and utilization of mineral resources. "Large scale" is defined as a project requiring an investment commitment of at least US$50,000,000 for infrastructure and development of the project. The FTAA is valid for a term not to exceed 25 years, and is renewable for another term of no more than 25 years.

An EP or a mineral agreement may be assigned to another qualified person subject to the approval of the Secretary of DENR upon the recommendation of the Director of MGB. An FTAA may be assigned to another qualified person subject to the approval of the President of the Philippines upon recommendation of the Secretary of DENR and the Director of MGB.

The contractor is allowed to convert its current mineral agreement into (a) any other form of mineral agreement, or (b) an FTAA covering the remaining period of the original agreement subject to the prior approval of the Secretary of DENR

Under the PMA, a mining permit holder or contractor under an EP, mineral agreement or FTAA must relinquish area, on an annual basis, such that, following the exploration stage, unless otherwise approved, the final mining area is generally limited to 5,000 hectares for metals and 2,000 hectares for non-metals.

No mining rights located within ancestral lands of indigenous cultural communities under a claim of time immemorial possession may be granted, except with the prior consent of such communities and a certification from the National Commission on Indigenous Peoples. The holder of the mining rights must pay a negotiated royalty to the affected communities of not less than 1% of the gross revenue from sales of mineral products extracted from the lands.

The holder of a mineral agreement or FTAA is also required to assist in the development of the local communities and allot annually a minimum of 1% of its direct milling and mining costs for such purposes. All applicants for EPs, mineral agreements and FTAAs are required to obtain the support of local government councils. Prior approval or endorsements by any two of the concerned local government councils are required in support of mining applications intended for development and/or utilization purposes. In the case of mining applications intended for exploration, proof of consultation and a project presentation to any two of the concerned local government councils are required.

The PMA grants the contractor certain easement rights to enter and occupy lands owned, occupied or leased by other persons for purposes of conducting mining operations or installing or building structures required for such operations, upon payment of just compensation and subject to compliance with certain requirements under the PMA.

Under the PMA, the Government's share in an MPSA consists of the excise tax on mineral products. The Government's share in co-production and joint venture agreements will be negotiated by the Government and the contractor. The Government's share in an FTAA consists of, among other things, the following: the contractor's corporate income tax; excise tax; special allowance; withholding tax due from the contractor's foreign stockholders arising from dividend or interest payments to the said foreign stockholders, in case of a foreign national; and, all such other taxes, duties and fees as provided for under existing laws. The collection of the Government's share generally commences after the contractor has fully recovered its pre-operating expenses, including all exploration and development expenditures.

The contractor must pay the MGB a royalty which shall not be less than 5% of the market value of the gross output of the minerals/mineral products extracted or produced from the mineral reservations exclusive of all other taxes. A 10% share of the royalty and 10% of other revenues such as administrative, clearance, exploration and other related fees to be derived by the Government from the exploration, development and utilization of the mineral resources within the mineral reservations will accrue to the MGB in trust, to be allotted for special projects and other administrative expenses related to the exploration, development and environmental management of minerals in Government mineral reservations.

In addition, each permit holder and contractor is required to pay an annual occupation fee to the local government where the onshore mining area is located or to MGB for offshore areas.

A mineral processing permit is required to process minerals, except when an approved work program under an MPSA already includes such processing. Likewise, an ore transport permit is required to transport mineral products.

Five years before the final decommissioning of a contract area, the holder of a mineral agreement or FTAA must submit final rehabilitation and/or decommissioning plans, including details of its financial requirements up to post-decommissioning over a 10-year period for monitoring purposes.

Environmental Regulation

DENR is the government agency primarily responsible for implementing the environmental policy of the government.

Environmental Impact Statement System and Environmental Compliance Certificates

The environmental impact statement system in force in the Philippines classifies projects and areas on the basis of the extent to which they are environmentally critical (being those which have high potential for negative impact to the environment). A person is prohibited from operating any project which is classified as environmentally critical or located within an environmentally critical area without first obtaining an environmental compliance certificate from the DENR. An environmental compliance certificate certifies that, in the DENR's view, the proposed project will not cause a significant negative environmental impact and that the applicant has complied with all the requirements of the environmental impact statement system.

The PMA specifically requires an environmental compliance certificate to be obtained based on an environmental impact assessment and procedure, except during the exploration period. It also requires the submission of an environmental work program, environmental protection and enhancement program (including on an annual basis, as described below).

Environmental compliance certificates set out requirements on mining activities, including the development of strategies to mitigate or rehabilitate environmental impacts, the creation of a social development and management program, the monitoring and compliance with air and water quality standards and noise levels and the establishment of specific contingent liability and rehabilitation funds. Such funds are deposited in a Government depository bank to be used for (i) physical and social rehabilitation of areas and communities affected by mining activities and for research on the social, technical and preventive aspects of rehabilitation; (ii) compensation for any damages caused by mining operations; and (iii) the implementation of a project's final mine rehabilitation and decommissioning plan.

Environmental Programs

As referred to above, the PMA requires the submission of an environmental work program and an environmental protection and enhancement program (including on an annual basis).

An environmental work program refers to the comprehensive and strategic environmental management plan to achieve the environmental management objectives, criteria and commitments including protection and rehabilitation of the disturbed environment during the exploration period. Applicants for EPs, as well as those for Mineral Agreements and FTAAs, which will undertake exploration activities, must submit an environmental work program to the MGB for areas within declared mineral reservations or to the concerned MGB Regional Office(s) for areas outside declared mineral reservations. The environmental work program must describe the expected and considered acceptable impacts of the proposed exploration activities, and providing the corresponding environmental impact control and rehabilitation activities proposed during the exploration period including the costs to enable sufficient financial resources to be allocated to meet the environmental and rehabilitation commitments.

An environmental protection and enhancement program is a comprehensive and strategic environmental management plan for the life of the mining project which must provide a description of the expected and considered acceptable impacts and the corresponding environmental protection and enhancement strategies based on best practices in environmental management in mining. It covers the environmental programs necessary for the development and mining of the deposits in the approved contract area for a period of 25 years. In addition, each year an annual an environmental protection and enhancement program must be prepared based on the approved an environmental protection and enhancement program and must be implemented during the year for which it is submitted.

Additional Environmental Legislation

The Philippines also has a comprehensive set of environmental laws, regulations, decrees and codes of general application. In the course of its business, Oceana is required to comply with a number of such laws relating to, among other things: (i) the protection of fresh and marine water and the discharge of waste and other harmful substances therein from land or water; (ii) the safeguarding of domestic and municipal water supplies; (iii) erosion control; (iv) the protection of forests and regulations regarding tree cutting; (v) the protection of wildlife and restoration of the natural environment affected by industrial activities; (vi) the prevention of air pollution, including from dust generated by mining activities; and (vii) the handling, use, transportation and disposal of toxic substances.

Taxation

Under the Philippine *National Internal Revenue Code of 1997* (the "Tax Code"), a corporation organized under Philippines law, and corporations which are not organized under Philippine laws but are conducting mining operations in the Philippines are subject to:

- **Corporate income tax:** regular corporate income tax of 35% of its taxable net income (gross income less allowable deductions) from all sources, within and outside the Philippines. This rate is to be reduced to 30% by January 1, 2009. A minimum corporate income tax of 2% of gross income is imposed if the regular corporate income tax is lower than the minimum corporate income tax. Any excess of the minimum corporate income tax imposed over the regular corporate income tax that would otherwise have been imposed may be carried forward and credited against regular corporate income tax for three years.
- **Excise tax:** a corporation that carries out mining activities is required to pay an excise tax of 2% of gross revenue from sales of ore from its mines.
- **Value-added tax ("VAT"):** a 12% VAT is imposed on the gross selling price of goods sold domestically, including minerals. No VAT is payable on export sales of minerals and the exporter has the right to apply for a

credit or refund of any VAT paid in the course of its business on the importation of goods or the local purchase of goods or services, including the lease or use of property from a VAT-registered person.

- **Withholding tax:** dividend payments to a non-resident foreign corporation not engaged in trade or business in the Philippines are generally subject to a 35% withholding tax. Effective January 1, 2009, the final withholding tax rate on dividends paid to non-resident foreign corporations not engaged in trade or business in the Philippines will be reduced to 30%. Under the Tax Code, the withholding income tax rate on dividends may be reduced to 15% if either of the following conditions is present: (i) the country in which the non-resident foreign corporation is domiciled allows a credit against the tax due from the non-resident foreign corporation's taxes deemed to have been paid in the Philippines, equivalent to at least 20%; or (ii) the country in which the non-resident foreign corporation is domiciled does not impose any income tax on dividends received from the Philippine corporation. Effective January 1, 2009, the credit against the tax due in (i) above shall be equivalent to 15%, which represents the difference between the regular income tax of 30% and the fifteen percent 15% tax on dividends. The income withholding tax rate on dividends may also be reduced under Philippine tax treaties with countries where the non-resident foreign corporation is domiciled.

In addition, a province or city may levy an annual ad valorem tax on real property such as land, building, machinery and other improvements based on the property's assessed value. Real property tax rates vary, depending on the location of the property. In provinces, real property tax rates do not exceed 1% of the property's assessed value. An additional special education fund levy of 1% of the property's assessed value is imposed annually.

Operating mining companies are subject to a semi-annual wastes and tailings fees (as described below). As well, holders of mineral agreements, FTAAs and exploration permits are subject to certain annual occupation fees.

Incentives under the Omnibus Investments Code and the PMA

A company may register with the Board of Investments ("BOI") or with the Philippine Economic Zone Authority ("PEZA") and other investment promotion agencies to avail itself of incentives. The Omnibus Investment Code, through tax exemption and other benefits, encourages investments in preferred areas of economic activity specified in the BOI's Investment Priorities Plan. The 2006 Investment Priorities Plan listed mining activities as mandatory activities.

The incentives under the Omnibus Investment Code are generally available only to citizens of the Philippines or domestic corporations owned and controlled by Philippine nationals. However, the nationality requirement is waived if the applicant will either export at least 70% of its total production or engage in a pioneer project, subject to certain conditions that may be imposed by BOI. A pioneer project refers to either the manufacturing of goods that have not been heretofore produced in the Philippines on a commercial scale, or employs a technology, formula, process or production scheme that has not been tried in the Philippines. However, when the BOI waives the nationality requirement, the applicant should attain the status of a Philippine national (generally a corporation having at least 60% of its voting capital stock issued and outstanding and being owned and held by Philippine citizens) within 30 years from the date of its registration or such longer periods as may be determined by BOI. However, a registered enterprise exporting 100% of its production need not comply with this divestment requirement.

Qualified registered companies with BOI and PEZA are entitled to certain tax and non-tax incentives under the Omnibus Investment Code. The tax incentives include: (i) an income tax holiday of six years for pioneer firms, four years for non-pioneer firms, and three years for expanding firms, from commencement of commercial operations; (ii) tax credits for taxes and duties on supplies, raw materials and semi-manufactured products used in the manufacture, processing or production of its export products, exported directly or indirectly by the registered company; and (iii) exemption from wharfage dues and any export tax, duty, impost and fee. Other non-tax incentives include an allowance for additional deduction for labour expense, simplification of customs procedure, unrestricted use of consigned equipment, employment of foreign nationals, and access to bonded manufacturing/training warehouse system.

PMA Incentives

The PMA provides income tax incentives to persons holding mineral agreements or FTAAs, as follows:

- Carry-forward of losses — A net operating loss without the benefit of accelerated depreciation incurred in any of the first 10 years of operations may be carried over as a deduction from taxable income for the five years immediately following the year of such loss.
- Accelerated depreciation — Fixed assets may be depreciated (i) at up to twice the normal rate of depreciation if the expected life of the asset is 10 years or less, or (ii) over any period between five years and the expected life of

the asset if such expected life is more than 10 years, and in each case the depreciation thereon is deductible from taxable income.

Also, under the PMA, contractors under mineral agreements are given the following investment guarantees:

- Repatriation of Investments — the right to repatriate the entire proceeds of the liquidation of the foreign investment in the currency in which the investment was originally made and at the exchange rate prevailing at the time of repatriation;
- Remittance of Earnings — the right to remit earnings from the investment in the currency in which the foreign investment was originally made and at the exchange rate prevailing at the time of remittance;
- Foreign Loans and Contracts — the right to remit at the exchange rate prevailing at the time of remittance such sums as may be necessary to meet the payments of interest and principal on foreign loans and foreign obligations arising from FTAAs;
- Freedom from Expropriation — the right to be free from expropriation by the government of the property represented by investments or loans, or of the property of the enterprise except for public use or in the interest of national welfare or defence and upon payment of just compensation. In such cases, foreign investors or enterprises shall have the right to remit sums received as compensation for the expropriated property in the currency in which the investment was originally made and at the exchange rate prevailing at the time of remittance; and
- Requisition of Investment — the right to be free from requisition of the property represented by the investment or of the property of the enterprises except in case of war or national emergency and only for the duration thereof. Just compensation shall be determined and paid either at the time or immediately after cessation of the state of war or national emergency. Payments received as compensation for the requisitioned property may be remitted in the currency in which the investments were originally made and at the exchange rate prevailing at the time of remittance.

SELECTED FINANCIAL INFORMATION

The summary presented below sets out selected consolidated financial information of Oceana Gold for the periods, and as at the dates, indicated and is derived from, and should be read in conjunction with, the historical consolidated financial statements of Oceana Gold and the notes thereto, "Consolidated Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus. All of the financial information presented below is based on the Oceana Gold financial statements, prepared in accordance with Canadian GAAP.

	Financial Year ended December 31,		
	2006	2005	2004
	(thousands of US dollars)		
Statement of Earnings/(Loss)			
Net earnings/(loss)	(23,427)	(18,617)	17,883
Balance Sheet			
Cash and cash equivalents	80,025	34,816	
Total assets	623,729	240,984	
Working capital	29,526	21,797	
Long term debt	140,652	58,674	
Shareholder's equity	289,160	110,444	

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information in this section is derived from the historical financial statements of Oceana Gold and the notes thereto appearing in this prospectus. Oceana Gold's financial statements are prepared in accordance with Canadian GAAP. Readers are urged to review the historical and pro forma financial statements of Oceana, Oceana Gold and Climax and the notes thereto beginning at page F-1. References to years in this section are to financial years not calendar years unless otherwise stated.

Certain statements in the following Management's Discussion and Analysis of Financial Condition and Results of Operations are forward-looking. Readers are cautioned to review the section titled "Cautionary Statements Regarding Forward-Looking Information."

This information is presented as at April 20, 2007. All amounts in this discussion are expressed in U.S. dollars, unless identified otherwise.

Highlights for the Year

- The acquisition of Climax was completed on November 6, 2006.
- Oceana Gold recorded an underlying loss after tax (excluding unrealized hedge losses) of $1.5 million.
- Cash flow from operations increased by $22.1 million to $16.0 million, representing an increase of 5.6 cents per weighted average number of Oceana Gold shares outstanding at year end.
- Significant diversification of Oceana Gold's shareholding was achieved as a result of major shareholder GRD Limited selling its 56% shareholding in Oceana Gold.
- $111 million of committed financing was raised to fund project developments in the Philippines and New Zealand, comprising $79 million in Convertible Notes announced during the year and a $32 million term debt facility.
- Achieved the 2006 gold sales target of 180,000 ounces, an increase of 6% over 2005.
- Completed hedge book restructure in May 2006 and delivered a 13% increase on the average gold price received.
- Achieved a 2% cash cost per ounce improvement to $404 per ounce.
- The combination of a higher gold price received and lower cash operating costs delivered a 173% increase in cash operating margin to $123 per ounce sold.
- Started commissioning the process plant at the Globe Progress gold mine at the Reefton Project in December 2006.

Selected Financial Information

The table below sets forth selected financial data relating to the Oceana Gold's years ended December 31, 2006, December 31, 2005 and December 31, 2004 and balance sheet data as at December 31, 2006 and December 31, 2005.

Period Ended	December 31 2006 $'000	December 31 2005 $'000	December 31 2004 $'000
Gold sales	94,750	77,778	84,745
Cost of sales, excluding depreciation and amortization	(72,684)	(70,102)	(63,918)
Depreciation and amortization	(14,031)	(13,471)	(11,597)
Other expenses	(6,212)	(10,934)	(5,057)
Other income	2,766	1,118	2,005
Interest expense	(6,594)	(2,976)	(3,764)
Profit/(loss) before income tax and unrealized gain/(loss) on hedges	(2,005)	(18,587)	2,414
Profit/(loss) after income tax and before unrealized gain/(loss) on hedges	(1,476)	(12,655)	1,945
Release from OCI of deferred unrealized loss on designated hedges	(27,684)	—	—
Gain/(loss) on fair value of undesignated hedges	(5,079)	(8,899)	23,788
Tax on unrealized gain/(loss) on hedges	10,812	2,937	(7,850)
Profit/(loss) after income tax	(23,427)	(18,617)	17,883
Basic earnings/(loss) per share (cents)	(5.77)	(5.17)	5.11
Diluted earnings/(loss per share (cents)	(5.77)	(5.17)	5.10
BALANCE SHEET			
Total Assets	623,729	240,984	
Total Liabilities	334,569	130,540	
Shareholders' equity	289,160	110,444	

Results of Operations

Sales Revenue

Twelve months ended December 31, 2006 versus twelve months ended December 31, 2005

- Gold sales revenue for the 2006 year improved 22% compared to 2005 due to the combination of improved sales volumes and an increased gold price received. The completion of the hedge book restructure in May 2006 has enabled Oceana Gold to increase its exposure to the strong gold market.
- During the 2006 year, 41% of gold sales were made at spot prices, with the balance delivered into forward sales contracts. This was a higher percentage of spot sales than in 2005 as a result of the hedge book restructure during the year. This, combined with the higher spot price, resulted in an average gold price of $526 per ounce received during the year, an increase of 15% on the $458 per ounce achieved in 2005.
- In the 2006 year, a series of put options were purchased to provide an average floor sale price of NZ$1,000 (approximately $705) per ounce for 320,769 ounces to be produced from the Globe Progress mine between 2007 and 2010. This was financed by the sale of call options which provided a cap of NZ$1,062 (approximately $749) on the average sale price of 104,024 ounces to be produced from the Globe Progress mine in 2010.

Twelve months ended December 31, 2005 versus twelve months ended December 31, 2004

- Gold sales revenue for the 2005 year decreased by 8% compared to 2004 due to the combination of lower production resulting in lower ounces sold offset by a higher gold price.

Unrealized hedge losses

Twelve months ended December 31, 2006 versus twelve months ended December 31, 2005

- The impact of hedge accounting requirements upon reported results is significant and can mask the underlying operating performance and profitability. In 2006 the unrealized hedge losses recorded in the Statement of Earnings were $27.7 million.
- The unrealized hedge gains or losses required to be brought to account do not represent a realized gain or loss incurred by Oceana Gold and therefore have no influence upon the cash revenue generated in the period, nor does the accounting for unrealized hedges reflect their real value in terms of locking in a future price that exceeds the cost of production, or the value of this approach as a prudent approach to risk management.

Twelve months ended December 31, 2005 versus twelve months ended December 31, 2004

- In 2004, there was a significant gain recognized of $19 million as a result of the outstanding hedge book being closed out in September 2004. This gain was fully recognized in the 2004 year. Removing the impact of this gain, the losses on undesignated hedges is relatively consistent with 2005 and 2006.
- There were no outstanding designated hedges in place at the end of 2004.

Operating costs

Twelve months ended December 31, 2006 versus twelve months ended December 31, 2005

- Continued cost management initiatives and processing efficiency improvements delivered reductions of 9% in cash operating costs per tonne milled and 2% in cash operating costs per gold ounce sold compared to 2005.
- The combination of a higher gold price received and lower cash operating costs delivered a 173% increase in cash operating margin to $123 per ounce sold.
- This increase together with higher sales volumes produced an underlying loss after tax (excluding unrealized hedge losses) of $1.5 million.
- Non-cash costs have decreased by 1% compared to 2005 as a result of higher a higher amortization charge for 2006, which was driven by increased production.

Twelve months ended December 31, 2005 versus twelve months ended December 31, 2004

- The average unit cash cost of gold sold for 2005 increased when compared with 2004. This was attributable to lower ounce production from mining low grade mineralized stock-work material during the first half of 2005 compounded by higher fuel and power costs. Due to the implementation of cost improvement and efficiency programs mid year, the average unit operating cost per tonne for the second half of 2005 was marginally better than for the equivalent period in 2004.
- Non-cash costs have increased due to a higher amortization charge in 2005, when compared to 2004.

Financial Statistics	December 31 2006	December 31 2005	December 31 2004
Gold Sales (Ounces)	180,035	169,681	185,175
Average Price Received (US$ per ounce)	526	458	458
Total Cash Operating Cost (US$ per ounce)	404	413	345
Non-Cash Cost (US$ per ounce)	78	79	63
Gross Cash Operating Margin (US$ per ounce)	123	45	112

Operating Statistics	December 31 2006	December 31 2005	December 31 2004
Gold Produced (ounces)	182,288	170,019	184,541
Gold Sold (ounces)	180,035	169,681	185,175
Ore Mined Grade (grams/tonne)	1.23	1.29	1.49
Total Ore Mined (tonnes) > 0.5g/t (ex-pit)	5,678,195	4,648,903	4,297,781
Mill Feed (dry milled tonnes)	5,513,634	4,989,306	5,042,969
Mill Feed Grade (grams/tonne)	1.24	1.27	1.36
Recovery (%)	82.5	83.4	82.9

Discussion of Cash Flows

Cash flows from	December 31 2006 $'000	December 31 2005 $'000	December 31 2004 $'000
Operating Activities	16,048	(6,095)	30,288
Financing Activities	74,405	36,783	(11,424)
Investing Activities	(49,526)	(16,095)	(14,604)

Twelve months ended December 31, 2006 versus twelve months ended December 31, 2005

Operating Activities

- Cash inflows from operating activities was higher in 2006 than 2005 as a result of higher receipts from customers due to a higher number of gold ounces sold and a higher average price received compared to 2005, and a reduction in cash operating costs.

Financing Activities

- Cash inflows from financing activities generated a net inflow of $74.4 million (2005: $36.8 million).
- This was principally as a result of the following Convertible Notes issuances;
  - On February 10, 2006 Barclay's exercised its option to purchase an additional A$10 million of Convertible Notes at a 5.75% coupon rate.
  - On December 22, 2006, a further A$60 million of Convertible Notes were issued to investment funds advised by Ospraie Advisors L.P. and Ospraie Management LLC. In addition, A$10 million of Convertible Notes were issued to an affiliate of Millenium Partners L.P. Both sets of notes have a coupon rate of 7%.
- A further $10.1 million was sourced from the drawdown of the term debt facility. This NZ$45 million facility will complete the funding requirements of the Frasers underground mine development in New Zealand.
- Finance lease facilities were also a source of financing in 2006, providing a net inflow of $6.4 million, primarily used for the acquisition of mobile mining equipment.
- In addition, Oceana Gold announced that an agreement had been reached with Goldman Sachs Asia Finance to subscribe for A$30 million in Convertible Notes, subject to approval by Oceana Gold's shareholders. This was subsequently obtained at a meeting of shareholders on March 14, 2007.

Investing Activities

- Cash flows used in investing activities are principally for the construction and development of the Globe Progress mine at the Reefton Project and the Frasers underground mine at the Macraes Project totalling $35.5 million.
- Additionally, $13.1 million was spent upgrading and adding to the mining fleet at both the Macraes and Globe Progress mines.
- Expenditures were also incurred on the Didipio Gold-Copper Project and on sustaining capital works at the Macraes Project.

Twelve months ended December 31, 2005 versus twelve months ended December 31, 2004

Operating Activities

- Operating cash flows decreased by 120% in 2005 when compared with 2004, largely due to the recognition of a $19 million gain on the close out of the hedge book in 2004. This was a one-off transaction and as such 2005 does not have an equivalent cash inflow.
- Lower revenues and higher cash costs in 2005 as discussed earlier also contributed to the reduction in operating cash flows.

Financing Activities

- The significant increase in financing cash flows is due to the issue of Convertible Notes in 2005 of $33 million, however in 2004, there was no issue of a similar financing instrument.
- In addition, there was a repayment of outstanding borrowings in 2004 of $24.8 million through the use of excess cash received through the close out of the hedge book (refer to operating activities above).
- Further contributing to the outflow position in 2004, was the repayment of environmental bonds of $15.9 million in 2004 which was not required in 2005.
- This was offset by proceeds from the issue of Oceana Gold shares for proceeds of $36.9 million.

Investing Activities

- No significant changes in investing activities occurred between 2005 and 2004.

Discussion of Financial Position and Liquidity

Funding and capital requirements

The Company expects to continue to fund its planned growth and development through a combination of cash flow from operations (including sales through derivative instruments) and from various financing facilities. The projected net mine cash flows with respect to the three major projects are as set out under "Mining Projects". Certain fluctuations need to be expected with respect to such cash flows, in particular depending upon the influence of the events listed in "Risk Factors".

The Company's principal requirements for cash over the next twelve months will be for capital expenditures at its three major projects. Major capital expenditures for the calendar year 2007 are forecast for the Macraes Project (which is fully-funded) to be approximately US$32 million, for the Reefton Project (which is fully-funded) to be approximately US$31 million and for the Didipio Gold-Copper Project to be approximately US$100 million. The Company expects that the net proceeds of the Offering, together with cash on hand, will result in the initial capital costs of the Didipio Gold-Copper Project being fully-funded.

Assets	December 31 2006 \$'000	December 31 2005 \$'000
Cash and cash equivalents	80,025	34,816
Current portion of future tax assets	22,894	6,058
Other current assets (excl. derivatives)	13,494	16,743
Property plant and equipment	155,032	112,213
Mining assets	316,338	52,891
Current & non-current derivatives	14,468	—
Other non-current assets	21,478	18,263
Total assets	**623,729**	**240,984**
Liabilities		
Current & non current derivatives	73,978	24,999
Other current liabilities (excl. derivatives and long-term debt)	16,250	15,057
Current & non-current long term debt	141,609	64,824
Future income tax liabilities	90,763	18,207
Other non-current liabilities (excl. derivatives)	11,969	7,453
Total liabilities	**334,569**	**130,540**
Shareholders' equity	**289,160**	**110,444**
Outstanding number of shares	663,802	360,000

Twelve months as at December 31, 2006 versus twelve months as at December 31, 2005

Cash and Cash equivalents

- Cash and cash equivalents increased as a result of increased operating cash flows through improved gold sale revenues and the issue of A\$80 million in convertible notes.
- Cash was consumed primarily on further construction and development of the Globe Progress and Frasers underground mines, as well as the continued operation of the Macraes mine.

Current portion of future tax assets

- Represents deferred tax position associated with the revaluation to fair value of the current portion of open derivative contracts.

Other Current assets (excluding derivatives)

- Decrease in other current assets is as a result of offset by the timing of payments made by debtors in comparison to prior year.
- Value of inventory on hand is consistent with 2005.

Property Plant and Equipment

- Increase as a result of capital expenditure attributable to the development activities at the Globe Progress open pit mine and the Frasers underground mine.
- Additional capital expenditure was also incurred at the Macraes open pit mine on mine sustaining activities, as well as \$13.1 million upgrading of the mining fleet.

Mining assets

- Increase in mining assets is primarily due to the acquisition of assets related to the Didipio Gold-Copper Project and other exploration projects as a result of the transaction with Climax on November 6, 2006.
- Further mine development costs also incurred on the Globe Progress open pit and Frasers underground mines.

Current and non-current derivative assets

- Relates to the fair value of gold put options entered into during 2006, establishing a floor price on a portion of forecast gold production between 2007 and 2010.
- Refer the section titled "Hedging" in the prospectus for further details of derivative assets.

Other non-current assets

- Relates to an increase in ore inventories held in long-term stockpile.

Current and non-current derivative liabilities

- Relates to unrealized losses as a result of movements in the fair value of derivative instruments used to manage the risk of adverse movements in gold prices and foreign exchange rates.
- Primary instruments are undesignated forward gold sales contracts for over 374,037 ounces (2005: 480,000 ounces) and forward currency contracts.
- Gold call options on 104,024 ounces of forecast 2010 production have been entered to fund the put options.

A summary of Oceana Gold's derivatives is set out below:

	December 31 2006 $'000	December 31 2005 $'000
Current Assets		
Gold put options	4,298	—
Non Current Assets		
Gold put options	10,170	—
Current Liabilities		
Gold forward sales contracts	63,374	14,613
Gold call options	10,322	—
Forward currency contracts	282	—
	73,978	14,613
Non Current Liabilities		
Gold forward sales contracts	—	10,386

Other current liabilities

- Balance primarily comprised of trade and other payables, which have increased slightly compared to 2005 due to timing of payments.

Long term debt

- The increase in long term debt is as a result of the Convertible Notes issued during the period. On February 10, 2006 Barclay's purchased an additional A$10 million of Convertible Notes at a 5.75% coupon rate. On December 22, 2006 a further A$60 million of Convertible Notes were issued to investments funds advised by Ospraie Advisors L.P. and Ospraie Management LLC and A$10 million of Convertible Notes were issued to an affiliate of Millenium Partners L.P. Both sets of notes have a coupon rate of 7%.
- See "Discussion of Cash Flows" above for further discussion on the cash flow impacts of the above movements in long term debt.
- In addition, finance leases relating to property, plant and equipment have increased to $44.8 million compared to $35.4 million as at December 31, 2005 and the term debt facility has been drawn to $10.6 million (2005: nil).

Future income tax liabilities

- Increase in future income tax liabilities primarily due to a $65.1 million increase associated with the acquisition of assets from Climax.

Other non-current liabilities (excluding derivatives)

- Increase relates to a long term loan acquired as part of the acquisition of Climax payable when commercial production of the Didipio Gold-Copper Project commences.

Contractual Obligations

Oceana Gold's contractual obligations as at December 31, 2006 are as follows:

	Payments due by period as at December 31, 2006				
Contractual Obligations	$'000 Total	$'000 Less than 1 year	$'000 1 - 4 years	$'000 4 - 5 years	$'000 After 5 years
Finance leases	44,755	957	20,742	18,903	4,153
Long term debt	96,854	—	10,569	—	86,285
Operating leases	3,366	2,921	445	—	—
Employee Entitlements	1,631	1,550	81	—	—
Capital commitments	30,954	25,287	5,667	—	—
Derivative liabilities	73,978	6,436	67,542	—	—
Total Contractual Obligations	251,538	37,151	105,046	18,903	90,438

Shareholders' Equity

- Shareholders' equity of Oceana Gold has increased to $289.2 million as at December 31, 2006 (December 31, 2005: $110.4 million) arising primarily as a result of 303,221,896 ordinary shares of Oceana Gold with a value of $168.2 million issued as consideration for the acquisition of Climax.

Acquisition of Climax Mining Ltd Assets

On November 6, 2006 Oceana Gold completed an acquisition of Climax by way of a scheme of arrangement. Upon completion of the acquisition Oceana Gold acquired 100% of the voting shares of Climax, a listed public company based in Australia engaged in minerals exploration, pre-development of the Didipio Gold-Copper Project in the Philippines and investment.

The total cost of the asset acquisition was $187.1 million and comprised of the issue of equity instruments and the payment of costs directly attributable to the asset acquisition. Oceana Gold issued 303,221,896 ordinary shares with a fair value of A$0.72 cents each, based on the quoted price of Oceana Gold on the date of exchange, and issued 151,609,515 options to acquire shares in Oceana Gold, with a fair value of A$0.155 each.

The most significant assets acquired through the merger with Climax are the Didipio Gold-Copper Project, located in the Philippines, and a portfolio of prospective exploration targets within the Philippines.

Outlook

See the "Business of the Company" section of the prospectus for details on the outlook for Oceana Gold.

Development work continues on the Frasers underground mine development to increase Macraes Project production to an average of approximately 200,000 ounces per annum. Three development drives are now in the ore body and initial stope mining is progressing. Dry commissioning of the Globe Progress mine at the Reefton Project commenced in December 2006. Mining activity remains on schedule and the first concentrate was shipped during the first quarter of 2007.

Development activities continue at the Didipio Gold-Copper Project. Orders have been placed for long lead items related to the project and the contract for Engineering, Procurement and Construction Management (EPCM) services has been awarded to Ausenco Limited. The EPCM contract includes the following major components:

- The engineering for the 2.5 million tonne per annum gold/copper flotation plant, including associated infrastructure, crushing and grinding circuits, site roads, site preparation earthworks and other facilities;
- Procurement services for major equipment packages and materials required for construction; and
- Construction management of the processing plant and site infrastructure.

The Didipio Gold-Copper Project will process sulphide ore at the project site, producing gold and copper concentrate for shipment to a smelter for final processing. Production is scheduled to commence in the first half of 2009.

Exploration activities continue within the Macraes and Reefton projects. Infill drilling at the Frasers underground extension has commenced at Macraes where previous drilling has demonstrated significantly higher grade hangingwall mineralization. At the Reefton Project, an exploration diamond drilling program will continue testing near-mine targets potentially capable of hosting satellite deposits for the new Globe Progress mine. Oceana Gold has completed a review of the Philippines exploration tenements acquired as part of the acquisition of Climax and design of an exploration program for Philippines tenements for 2007 is currently in progress.

Critical Accounting Estimates and Accounting Policies

The accounting policies that involve significant management judgement and estimates are discussed in this section. For a complete list of the significant accounting policies, reference should be made to note 1 of the 2006 audited consolidated financial statements.

Exploration and Evaluation Expenditure

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

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

Accumulated costs in relation to an abandoned area are written off to the Statement of Earnings/(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 or Under Development

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

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

Asset Retirement Obligations

Oceana Gold recognizes the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development and/or normal use of the assets. Oceana Gold concurrently recognizes a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the life of the asset. The key assumptions on which the fair value of the asset retirement obligations are based include the estimated future cash flow, the timing of those cash flows and the credit-adjusted risk-free rate or rates on which the estimated cash flows have been discounted. Subsequent to the initial measurement the liability is accreted over time through periodic charges to earnings. The amount of the liability if subject to re-measurement at each reporting period if there has been a change to certain of the key assumptions.

Asset Impairment Evaluations

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

Estimates, Risks and Uncertainties

This section should be read with reference with the risk factors disclosed in the prospectus.

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

Stock Option Pricing Model

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

Foreign Currency Translation

The consolidated financial statements of Oceana Gold are expressed in United States dollars. The financial statements of Oceana Gold have been translated to US$ using the current rate method described below.

The presentation of the balance sheet in US$ has been performed using the exchange rates of US$ equaling A$1.3697 and 1.2669 being the closing exchange rates at December 31, 2005 and 2006 respectively. The average exchange rates of US$ equaling A$1.3567, 1.3109, 1.3269, were used, where relevant for the translation of profit and loss and cash flow amounts shown for the periods ended December 31, 2004, 2005 and 2006, respectively.

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

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

Changes in Accounting Policies Including Initial Adoption

Financial instruments

In April 2005, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") issued three new accounting standards dealing with the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income, together with many consequential amendments throughout the CICA Handbook. These new standards have been applied as of the beginning of the period commencing January 1, 2005. A summary of the impact has been disclosed below:

(i) Financial Instruments — Recognition and Measurement, Section 3855

This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented.

Oceana Gold's cash equivalents, temporary investments and investments in marketable securities have been classified as available-for-sale and are recorded at fair value on the balance sheet. Changes in the fair value of these instruments will be reflected in other comprehensive income and included in shareholders' equity on the balance sheet. Under Section 3855, all derivatives are recorded on the balance sheet at fair value. Mark-to-market adjustments on these instruments are included in net income, unless the instruments are designated as part of a cash flow hedge relationship. All other financial instruments are recorded at cost or amortized cost, subject to impairment reviews. Transaction costs incurred to acquire financial instruments are included in the underlying balance.

(ii) Hedges, Section 3865

This standard is applicable when Oceana Gold chooses to designate a hedging relationship for accounting purposes. It builds on the existing AcG—13, "Hedging Relationships", and Section 1650, "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Hedge accounting is applied where the specific criteria under Section 3865 are met. Refer to note 2 for Oceana Gold's accounting policy applied effective January 1, 2005 with regard to hedge accounting.

(iii) Comprehensive Income, Section 1530

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes hedging gains and losses on certain investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realized.

Variable interest entities

At the beginning of fiscal year 2005, Oceana Gold adopted prospectively the new accounting guideline on the consolidation of variable interest entities (VIEs), legal entities that are not controlled by shareholders with voting rights. The guideline provides guidance for determining when an entity must include the assets, liabilities and results of activities of such an entity and applies to annual and interim periods beginning on or after November 1, 2004. The application of this guideline did not have an impact on Oceana Gold's financial statements for the years ended December 31, 2005 or December 31, 2006.

Transactions with Related Parties

The following table provides the total amount of transactions which have been entered into with related parties for 2006:

Related party	Sales to related parties $'000	Purchases from related parties $'000	Amounts owed by related parties $'000	Amounts owed to related parties $'000
GRD Limited(i)	—	50	—	—
Minproc(ii)	—	1,021	—	—
Churchill Capital(iii)	—	139	—	—

Notes:

(i) GRD Limited was a shareholder and related entity until May 18, 2006 when GRD Limited sold their remaining interest in Oceana Gold.

(ii) Minproc, a director-related entity, provide engineering, consulting and construction services to Oceana Gold.

(iii) Churchill Capital, a director-related entity performed gold handling services as Oceana's gold agent.

Sales to and purchases from related parties have been recognized at the exchange amount.

Outstanding balances at year-end are unsecured and settlement occurs in cash.

Financial Instruments and Other Instruments

Financial Risk Management Policies and Objectives

Financial exposures arise in the normal course of Oceana Gold's business operations, including commodity price risk, foreign exchange risk and liquidity risk as well as credit risk associated with trade and financial counterparties. The policy for managing each of these risks is reviewed and agreed by the Oceana Gold board, and are summarized below.

Oceana Gold has a risk management program to manage its financial exposures that includes, but is not limited to, derivative product programs with three banking institutions. The term "derivative" has been adopted to encompass all financial instruments that are not directly traded in the primary physical market. Oceana Gold does not enter into trade financial instruments, including derivative financial instruments, for trade or speculative purposes.

Oceana Gold faces operational risk associated with the financial transactions conducted but seeks to manage this risk by having established operating policies and procedures. These policies and procedures are set by Oceana Gold's board.

Gold Price and Foreign Exchange Risk

International markets determine the price of gold in US dollars on a daily basis.

A portion of metal prices and exchange rates are fixed using forward sale contracts and options. Derivative financial instruments are matched with future metal production or revenues denominated in US dollars.

The forward sales program is managed in accordance with policies approved by the Oceana Gold board. Performance under these policies is regularly reported to Oceana Gold's board.

During the year the gold forward sale contracts were restructured so that 423,000 ounces that were previously contracted for sale through 2006 and 2007 at an average price of NZ$710 per ounce were contracted for sale through to 2010 at an average price of NZ$773 per ounce.

OGNZL has a hedging facility for 694,806 ounces at December 31, 2006. The security for this facility consists of:

(i) share mortgages over Oceana Gold's interests in OGNZL;

(ii) a general security deed creating a security interest over all the present and future property of OGNZL;

(iii) first registered fixed and floating charges over all OGNZL assets and undertakings and registered mortgages over the relevant mining tenements and material land; and

(iv) interests in forward sales contracts held by Oceana Gold Management Pty Ltd (refer below), supported by a guarantee by Oceana Gold of the obligations of OGNZL.

The following summarizes the gold forward obligations of Oceana Gold at December 31, 2006:

	Total December 31 2006	Maturity 2007	Maturity 2008	Maturity 2009	Maturity 2010
Gold fixed forward sales					
Ounces	374,037	54,249	113,712	106,236	99,840
Weighted average NZ$/oz	773.01	773.01	773.01	773.01	773.01
Present value NZ$/oz	664.04	743.63	690.61	648.61	606.96

The net return if all the bullion forward contracts guaranteed by Oceana Gold were to be delivered as compared to the market value of these obligations at December 31, 2006 was $63.374 million deficit. None of the forward contracts are considered to be specific hedges of the future gold production of Oceana Gold and consequently movements in their fair value or mark to market position since the restructure have been reflected in the statement of earnings/(loss).

During the period a subsidiary of Oceana Gold also entered into a series of put option contracts to sell 320,769 ounces of gold at a minimum price of NZ$1,000 per ounce between 2007 and 2010. At the same time a series of call options were sold whereby Oceana Gold is obliged to sell 104,024 ounces of gold at a maximum price of NZ$1,062 in 2010 if called upon to do so by the counterparty to the contracts.

The following summarizes the gold option contracts of Oceana Gold at December 31, 2006:

	Total December 31 2006	Maturity 2007	Maturity 2008	Maturity 2009	Maturity 2010
Metal Commitments					
Gold Put options					
Ounces	320,769	72,231	81,042	85,416	82,080
Weighted average NZ$/oz	1,000.33	1,000.33	1,000.33	1,000.33	1,000.33
Present value NZ$/oz.	865.92	962.99	894.01	835.79	784.13
Gold Call Options					
Ounces	104,024				104,024
Weighted average NZ$/oz	1,062.30				1,062.30
Present value NZ$/oz.	832.69				832.69

The net return if all the bullion option contracts guaranteed by Oceana Gold were to be delivered as compared to the market value of these obligations at December 31, 2006 was a $4.146 million surplus. The gold put options have been treated as a specific hedge and consequently movements in their intrinsic value since inception have been reflected directly in equity. Movements in the time value of the options have been reflected in the statement of earnings/(loss).

The gold call options have not been accounted for as a specific hedge and consequently movements in the fair value or mark to market position since inception have been reflected in the statement of earnings/(loss). Oceana Gold has in place the following forward currency contracts to protect certain specific payment commitments.

	December 31 2006 $'000	Weighted average exchange rate 2006
Currency Commitments		
Buy $US	2,746	0.6329
Sell $NZ	4,339	0.6329

The above has a maturity date of less than 12 months. The hedge contracts have not been accounted for as a specific hedge and consequently movements in the fair value or mark to market position since inception have been reflected in the statement of earnings/(loss). The net surplus value of the hedge contract, compared to the spot prices prevailing at December 31, 2006, was $0.282 million.

A summary of Oceana Gold's derivatives is set out above.

The net gain recognized in the statement of earnings/(loss) relating to the amount of gains and losses reclassified to net income as a result of the discontinuance of cash flow hedges because it is probable that the original anticipated transactions will not occur by the end of the originally specified time period is $0.9 million.

The net gains and losses recognized in the statement of earnings/(loss) relating to contracts not designated as specific hedges have been disclosed above.

Interest Rate Risk

Objective

Oceana Gold's approach to managing the risk of adverse changes in interest rates is to manage the identified net exposure through variable and fixed rate arrangements or financial derivatives.

Policy

Oceana Gold policy is to manage interest rate risk in a cost efficient manner having regard to the net interest rate exposure after offsetting interest bearing financial assets with interest accruing financial liabilities.

Oceana Gold's exposure to interest rate risk, and the effective weighted average interest rate for classes of financial assets and financial liabilities, both recognized and unrecognized at the reporting date, is set out below:

Year ended December 31 2006	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000	5 + years $'000	Total $'000	Weighted Average effective interest rate %
Fixed rate								
Financial Assets								
Short-term Deposits	8,595	—	—	—	—	—	8,595	6.33%
Financial Liabilities								
Project Debt facility	—	10,569	—	—	—	—	10,569	10.25%
Convertible Notes	—	—	—	—	—	86,285	86,285	9.68%
	8,595	10,569	—	—	—	86,285	105,449	
Floating rate								
Financial Assets								
Cash	71,430	—	—	—	—	—	71,430	5.55%
Receivables	2,488	—	—	—	—	—	2,488	
	73,918	—	—	—	—	—	73,918	
Financial Liabilities								
Trade payables	14,700	—	—	—	—	—	14,700	
Finance Leases	957	6,232	6,888	7,622	18,903	4,153	44,755	9.44%
	15,657	6,232	6,888	7,622	18,903	4,153	59,455	

Credit Risk

Oceana Gold's operations and its exposure to commodity and currency forward sales transactions create credit risk.

Oceana Gold has in place policies for the management of credit exposures, which include Oceana Gold board approval of all counterparties. The policies establish limits and methodology for measuring and reporting credit exposures to commercial counterparties.

Maximum credit risk of financial assets is the carrying amounts recorded in the balance sheet.

Oceana Gold is not materially exposed to any individual customer or other third party.

Financial instruments that potentially subject Oceana Gold to concentrations of credit risk consist principally of cash deposits. Oceana Gold places its cash deposits with high credit-quality financial institutions and limits the amount of credit exposure to any one financial institution. These cash deposits all mature within twelve months and attract a rate of interest at normal short-term money market rates.

Liquidity Risk

Objective

Oceana Gold's approach to managing liquidity risk is to ensure cost effective continuity in funding and trading liquidity. Funding liquidity is maintained through the use of bank project loans, convertible bonds, finance leases and operating leases. Trading liquidity is maintained by an effective spread between the counterparties with which Oceana Gold enters into derivative instruments.

Policy

Oceana Gold's funding liquidity risk policy is to source debt or equity funding appropriate to the use of funds. Examples include equipment leases to finance the mining fleet and the convertible bond issue to finance the development of new mines. Trading risk policy is to ensure derivative transactions are secured and spread between at least two secured counterparties acknowledging both volume and tenure of the derivative to reduce the risk of trading liquidity arising as a result of the inability to close down existing derivative positions, or hedge underlying risks incurred in normal operations.

Subsequent Events

On March 14, 2007 Oceana Gold held an Extraordinary General Meeting of its shareholders. At this meeting shareholders approved the December 2006 issue of $47.36 million (A$60 million) in Convertible Notes to investment funds advised by Ospraie Advisors L.P. and Ospraie Management LLC and $7.89 million (A$10 million) in Convertible Notes to an affiliate of Millenium Partners L.P. In addition shareholders approved the proposed issue of $23.68 million (A$30 million) in convertible notes to Goldman Sachs (Asia) Finance (GSAF) or a nominee of GSAF.

DIVIDEND POLICY

There are no restrictions in Oceana's constating documents that would restrict or prevent Oceana from paying dividends. However, it is not contemplated that any dividends will be paid on any shares of Oceana in the immediate future, as it is anticipated that all available funds will be reinvested in Oceana to finance the growth of its business. Any decision to pay dividends on Common Shares in the future will be made by the Board on the basis of the earnings, financial requirements and other conditions existing at such time.

DESCRIPTION OF SHARE CAPITAL

Oceana is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series. As of June 25, 2007 there was one Common Share issued and outstanding. After giving effect to the Reorganization and the Offering, as at the closing of the Offering there is expected to be 158,574,849 Common Shares issued and outstanding. All Common Shares are fully paid and have no par value. The Common Shares will be allotted and reserved for issuance pursuant to resolutions of the Board.

Common Shares

Each Common Share entitles the holder to receive notice of any meetings of shareholders of Oceana, to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive on a pro-rata basis such dividends, if any, as and when declared by the Board of Directors at its discretion from funds legally available therefore and, upon the liquidation, dissolution or winding up of Oceana, are entitled to receive on a pro-rata basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking in priority to, or equally with, the holders of Common Shares with respect to liquidation, dissolution or winding up. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

Preferred Shares

The preferred shares may, at any time or from time to time, be issued in one or more series. The Board of Directors shall fix before issue, the number of, the consideration per share of, the designation of, and the provisions attaching to the shares of each series. Except as required by law or as otherwise determined by the Board of Directors in respect of a series of shares, the holder of a preferred share shall not be entitled to vote at meetings of shareholders. The preferred shares of each series rank on a priority with the preferred shares of every other series and are entitled to preference over the Common Shares and any other shares ranking subordinate to the preferred shares with respect to priority and payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of Oceana.

CHESS AND CDIs IN AUSTRALIA

Following the Reorganization, Oceana will participate in the Clearing House Electronic Subregister System ("CHESS") in Australia.

CHESS

Settlement of trading of quoted securities on the ASX market takes place on CHESS, which is the ASX's electronic transfer and settlement system. CHESS allows for and requires the settlement of transactions in securities quoted on the ASX to be effected electronically. No share or security certificates are issued in respect of shareholdings or security holdings which are quoted on the ASX and settled on CHESS, nor is it a requirement for transfer forms to be executed in relation to transfers which occur on CHESS.

It is not presently possible for securities issued by Oceana to be settled electronically on CHESS. Accordingly, Oceana CDIs will be created and issued to enable Oceana shareholders to trade on ASX.

CDIs

CDIs are units of beneficial ownership in securities registered in the name of CHESS Depositary Nominees Pty Ltd ("CDN"), a wholly-owned subsidiary of the ASX. The main difference between holding CDIs and common shares is that the holder of CDIs has beneficial ownership of the underlying Common Shares instead of legal title. Legal title is held by CDN. The Common Shares are registered in the name of CDN for the benefit of holders of the Oceana CDIs. Holders of Oceana CDIs will have the same economic benefits of holding the underlying Common Shares. In particular, holders of Oceana CDIs will be able to transfer and settle transactions electronically on the ASX.

Holders of Oceana CDIs will be entitled to all dividends, rights and other entitlements as if they were legal owners of Common Shares and will receive notices of general meetings of Oceana shareholders. As holders of Oceana CDIs are not the legal owners of the underlying Common Shares, CDN, which holds legal title to the Common Shares underlying the Oceana CDIs, is entitled to vote at Oceana shareholder meetings at the instruction of the holder of the Oceana CDIs. Alternatively, if a holder of an Oceana CDI wishes to attend and vote at shareholder meetings, they may instruct CDN to appoint the holder (or a person nominated by the holder) as the holder's proxy for the purposes of attending and voting at an Oceana shareholder meeting.

Converting Oceana Common Shares and Oceana CDIs

Holders of Common Shares will be able to convert those shares into Oceana CDIs and trade them on the ASX and holders of Oceana CDIs will be able to convert those securities into Common Shares and trade them on the TSX by contacting Oceana's Australian registrar and transfer agent or its Canadian registrar and transfer agent and requesting their holding to be transferred to the Australian or Canadian registrar and transfer agent as appropriate.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company as at June 25, 2007 and as at such date after giving effect to (i) the Reorganization and (ii) the Reorganization and the Offering.

	As at date of incorporation of March 22, 2007	As at June 25, 2007 after giving effect to the Reorganization	As at June 25, 2007 after giving effect to the Reorganization and the Offering(1)(2)
Long-Term Debt(4)(5)	—	$140,652,000	$140,652,000
Common Shares	$0.94	$246,146,000	$322,574,000
	(1 Common Share)	(132,859,849 Common Shares)	(158,574,849 Common Shares)(3)
Contributed Surplus(4)	—	$18,932,000	$18,932,000
Total Capitalization	$0.94	$405,730,000	$482,158,000

Notes:

(1) Does not assume any exercise of the Over-Allotment Option.

(2) This reflects the net proceeds of the Offering after deducting the Underwriters' Fee of Cdn.$4,950,137.50 and the expenses of the Offering estimated to be Cdn.$3,460,000.

(3) Assumes the issuance of 132,859,849 Common Shares pursuant to the Reorganization and 25,715,000 Common Shares pursuant to the Offering, but does not include any Common Shares issuable pursuant to the exercise of the Listed Options or Options or conversion of the Convertible Notes.

(4) The long term debt and contributed surplus are as at 31 December 2006.

(5) On March 14, 2007, the Company issued Convertible Notes to the value of $23.68 million. Refer to the subsequent events note contained under "Management's Discussion and Analysis of Financial Condition and Results of Operations".

OPTIONS TO PURCHASE SECURITIES

The Company has granted a number of Options giving holders the right to purchase Common Shares in the future. The following is a summary of Options which have been granted to directors, officers, employees or consultants, which were outstanding as of June 25, 2007. The Options listed below have been granted to the holders as part of the Reorganization in exchange for Oceana Gold Unlisted Options granted to them prior to the Reorganization. Accordingly, the terms of these Options reflect the terms on which they were initially granted by Oceana Gold (other than the exercise price and number of Common Shares for which the Options are exercisable, which reflect the one for five capital consolidation pursuant to the Reorganization).

Class of Optionee (Number of Optionees in Class)	Number of Shares Under Option(1)	Date of Initial Grant(1)	Exercise Price(1)	Expiry Date	Market Price at Date of Grant
			(A$)		(A$)
Executive officers and past Executive officers as a group (4 persons)	200,000	January 19, 2007	3.49	January 19, 2012	0.715 (3.575)(2)
	200,000	January 19, 2007	3.595	January 19, 2012	0.715 (3.575)(2)
	200,000	April 23, 2007	3.825	April 23, 2012	0.800 (4.000)(2)
	1,000,000	May 24, 2007	4.255	May 24, 2012	0.825 (4.125)(2)
Directors and past directors (who are not also executive officers) as a group (6 persons)	—	—	—	—	—
Executive officers and past Executive officers of Subsidiaries (who are also not executive officers of the Company) as a group (3 persons)	400,000	January 19, 2007	3.40	January 19, 2012	0.715 (3.575)(2)
	200,000	April 19, 2007	3.765	April 19, 2012	0.715 (3.575)(2)
Directors and past directors of subsidiaries (who are not also executive officers) as a group (6 persons)	—	—	—	—	—
Employees and past employees of us and our subsidiaries (excluding executive officers) as a group (24 persons)	550,000	January 19, 2007	3.40	January 19, 2012	0.715 (3.575)(2)
	20,000	January 19, 2007	3.435	January 19, 2012	0.715 (3.575)(2)
	30,000	March 1, 2007	3.79	March 1, 2012	0.720 (3.600)(2)
	30,000	March 12, 2007	3.63	March 12, 2012	0.750 (3.750)(2)
	30,000	March 19, 2007	3.615	March 19, 2012	0.715 (3.575)(2)
	20,000	April 16, 2007	3.745	April 16, 2012	0.765 (3.825)(2)
	20,000	April 30, 2007	3.97	April 30, 2012	0.845 (4.225)(2)
Consultants as a group	—	—	—	—	—
Others	—	—	—	—	—
Total — All Options	2,900,000				

Notes:

(1) The Oceana Gold Unlisted Options will be exchanged for Options of Oceana, on a one for five basis consistent with the capital consolidation effected by the Reorganization, with Common Shares being issuable pursuant to such Options following exercise. The exercise price of the Options of Oceana that are issued in exchange for the Oceana Gold Unlisted Options will be five times the exercise price of the Oceana Gold Unlisted Options, to reflect the five for one capital consolidation. The date of initial grant refers to the date upon which the original Oceana Gold Unlisted Options were granted.

(2) Market price after giving effect to one for five consolidation pursuant to the Reorganization.

In addition, an aggregate of up to 30,321,903 Common Shares are issuable pursuant to the exercise of Listed Options at an exercise price of A$4.625 and an aggregate of up to 39,615,672 Common Shares are issuable pursuant to the terms of the Convertible Notes, in each case subject to adjustment in accordance with the terms of the governing instruments.

PRIOR SALES OF COMMON SHARES

No Common Shares, or securities convertible into Common Shares (other than upon the exercise of director, officer and employee Options, Listed Options and the Convertible Notes), have been issued by Oceana since incorporation except as set out in the following table.

Date of Issuance or Sale	Description of Transaction	Aggregate Number and Type of Shares Issued	Price Per Common Share
March 22, 2007......	Subscription by Oceana Gold	1 Common Share	$1.00
June 26, 2007.......	To be issued pursuant to the Reorganization	132,859,849 Common Shares	—

In connection with the completion of the Reorganization, the one Common Share held by Oceana Gold will be repurchased by Oceana and an additional 132,859,849 Common Shares will be issued by Oceana as consideration for the acquisition by Oceana of all of the outstanding ordinary shares of Oceana Gold pursuant to the Reorganization and in accordance with the terms of the Share Scheme.

TRADING HISTORY OF OCEANA GOLD

The following table sets forth the high and low sales price and volume of sales of the ordinary shares of Oceana Gold on the ASX and NZX for the periods indicated (in Australian and New Zealand dollars, respectively) prior to the acquisition of Oceana Gold by Oceana, including the exchange of one Common Share for every five ordinary shares of Oceana Gold. The ordinary shares of Oceana Gold ceased to trade on the ASX and the NZX on June 18, 2007.

	Australian Stock Exchange			New Zealand Stock Exchange		
	High	Low	Volume	High	Low	Volume
	(A$)			(NZ$)		
2007						
June 1 — June 18........................	$0.86	$0.79	32,410,538	$0.99	$0.88	42,091
May..................................	$0.89	$0.81	42,301,404	$0.99	$0.90	545,546
April................................	$0.85	$0.71	48,042,622	$0.95	$0.82	426,035
March................................	$0.76	$0.68	29,433,215	$0.87	$0.79	409,036
February.............................	$0.81	$0.71	31,543,019	$0.90	$0.77	256,779
January..............................	$0.76	$0.67	32,249,721	$0.86	$0.77	402,485
2006						
Fourth Quarter.......................	$0.77	$0.60	119,114,438	$0.89	$0.70	1,136,978
Third Quarter........................	$0.89	$0.62	99,936,131	$1.11	$0.75	4,934,303
Second Quarter.......................	$0.98	$0.65	317,357,502	$1.25	$0.78	2,177,407
First Quarter........................	$0.90	$0.62	73,765,881	$0.99	$0.72	1,020,641
2005						
Fourth Quarter.......................	$0.73	$0.61	41,147,413	$0.80	$0.66	693,435
Third Quarter........................	$0.75	$0.51	46,681,812	$0.83	$0.56	1,913,337
Second Quarter.......................	$0.68	$0.47	34,940,651	$0.74	$0.55	1,133,263
First Quarter........................	$0.84	$0.57	55,262,363	$0.95	$0.66	867,353

PRINCIPAL SHAREHOLDER

To the best of the knowledge of the directors and executive officers of the Company, the following table sets forth the shareholdings of those persons who, immediately after giving effect to the Reorganization and prior to giving effect to the Offering, will be the direct or indirect beneficial owners of, or will exercise control or direction over 10% or more of the Common Shares:

Name of Shareholder	Designation of Class	Type of Ownership	Number of Shares	Percentage of Class After Giving Effect to the Reorganization and Prior to Giving Effect to the Offering
Ospraie Management	Common Shares	Beneficial	14,029,781	10.6%

DIRECTORS, EXECUTIVE OFFICERS AND TECHNICAL OFFICERS

The following table sets forth the name, municipality of residence, position held with Oceana, principal occupation and number of Common Shares held by each person who will be a director and/or an executive officer of Oceana as at the closing of the Offering.

Name and Municipality of Residence	Position with Oceana	Principal Occupation	Common Shares of Oceana Held
James E. Askew (Denver, USA)	Director (Chairman)	Director (Chairman)	1,038,648
T. Kerry McDonald (Wellington, New Zealand)	Director (Vice Chairman)	Director (Vice Chairman)	—
J. Denham Shale (Auckland, New Zealand)	Director	Lawyer	2,000
Terrence N. Fern (Sydney, Australia)	Director	Chairman and Managing Director of Petsec Energy Ltd.	1,764,874
Antenor Silva (Rio de Janeiro, Brazil)	Director	Chief Operating Officer Yamana Gold Inc.	230,115
Stephen A. Orr (Melbourne, Australia)	Chief Executive Officer and Director	Chief Executive Officer of Oceana and Oceana Gold	365,574
Ross Glossop (Melbourne, Australia)	Chief Financial Officer	Chief Financial Officer of Oceana and Oceana Gold	—
Jane Nosworthy (Melbourne, Australia)	General Counsel & Company Secretary	General Counsel & Company Secretary of Oceana and Oceana Gold	—
Darren Klinck Melbourne, Australia	Vice President, Corporate & Investor Relations	Vice President, Corporate & Investor Relations of Oceana and Oceana Gold	—
John Kinyon(1) (Dunedin, New Zealand)	Vice President, New Zealand Operations(1)	Vice President, New Zealand Operations	8,737
Mark Cadzow(1) (Dunedin, New Zealand)	Vice President, Corporate Technical Services(1)	Vice President, Corporate Technical Services	21,720
Patrick Goodfellow(1) (Manila, Philippines)	Philippine Country Manager(1)	Philippine Country Manager	—

Note:

(1) Officer of Oceana Gold only and not an officer of Oceana.

Immediately after the closing of the Offering, the directors and executive officers of the Company (excluding individuals who only are directors and executive officers of Oceana Gold), as a group, will beneficially own, directly or indirectly, or exercise control or direction over 3,401,211 Common Shares, representing approximately 2.1% of the Common Shares outstanding before giving effect to any exercise of the Over-Allotment Option.

Board of Directors

The following is biographical information relating to each of the directors of Oceana. The directors of the Company shall be elected and shall retire in rotation, with three directors subject to election at each annual general meeting of shareholders of the Company held to elect directors. Accordingly, at the first annual general meeting of the shareholders of the Company held to elect directors following the closing of the Offering, three directors shall be elected to hold office for a term of two years from the date of their election or until the second annual general meeting of shareholders following such date, whichever is earlier. At the second annual general meeting of the shareholders of the Company held to elect directors following the closing of the Offering, the other directors not elected at the preceding annual general meeting shall be elected to hold office for a term of two years from the date of their election or until the second annual general meeting of shareholders following such date, whichever is the earlier.

James E. Askew is the Chairman of the board of directors of Oceana and of Oceana Gold (appointed November 2006). Mr. Askew is a mining engineer with over 30 years of broad international experience as a Director and/or Chief Executive Officer for a wide range of Australian and international publicly listed mining, mining finance and other mining related companies. He holds a Bachelor of Mining Engineering (Honours) and a Master Degree, Engineering Science. Mr. Askew has served on the board of a number of public companies, currently including Sino Gold Mining Limited, Ausdrill Limited, Asian Mineral Resources Limited and Golden Star Resources Ltd.

T. Kerry McDonald is the Vice Chairman of the board of directors of Oceana and of Oceana Gold (appointed December 2003). Mr. McDonald has a Masters degree in Economics, is an Accredited Fellow of the Institute of Directors (New Zealand) and was involved in the mining and mineral processing industry for approximately 30 years, in Australia, New Zealand and a number of other countries, including as a senior executive of Comalco from 1981 to 2003 and as a Managing Director and member of the Comalco Executive Committee from 1988 to 2000. He is Chairman of the Bank of New Zealand and BNZ Investments Limited and a director of National Australia Bank, Ports of Auckland Limited, Opus International Consultants Limited and Gough Gough & Hamer Limited. He is a member of the National Council of the Institute of Directors (New Zealand) and of the Governing Board of Antarctica New Zealand, Deputy Chairman of the New Zealand Institute of Economic Research Inc., a Life Member (and past Chairman) of the Australia-New Zealand Business Council.

J. Denham Shale is a director of Oceana and of Oceana Gold (appointed February 2004). Mr. Shale is a lawyer in practice in Auckland, New Zealand. He was previously Chairman of Kensington Swan, a leading New Zealand law firm, and has been a director of listed companies for 20 years. Mr. Shale was previously involved with gold mining in Australia and New Zealand as a Director of Otter Gold from 1992, ending his involvement as Chairman when Otter was taken over by Normandy in 2002. Mr. Shale is currently Chairman of The Farmers Trading Company Limited Group, and a director of Turners Auctions Limited, Eastern Hi Fi Group Limited, Munich Reinsurance Company of Australasia Limited and several other companies. He has a Bachelor of Laws degree and is an Accredited Fellow of the Institute of Directors in New Zealand.

Terrence N. Fern is a director of Oceana and of Oceana Gold (appointed November 2006). Mr. Fern has over 25 years of extensive international experience in petroleum and minerals exploration, development and financing. He holds a Bachelor of Science degree from The University of Sydney and has followed careers in both exploration geophysics and natural resource investment. Mr Fern is currently the Chairman and Managing Director of Petsec Energy Ltd.

Antenor Silva is a director of Oceana and of Oceana Gold (appointed November 2006). Mr. Silva is currently the Chief Operating Officer of Yamana Gold Inc., which is listed on the TSX. Mr. Silva has approximately 40 years of experience in the mining and chemical industries, and has provided technical consultation and training in development, construction, start-up, operation, strategic planning and productivity for various mining, hydropower and industrial companies. During this time, Mr. Silva has been instrumental in researching and developing metallurgical and engineering processes for mill plants in mining projects in Brazil, and implementing metallurgical processes which contributed to the development of mines in Tunisia, Africa and Togo, Africa. Mr. Silva has gained significant experience in senior management at various engineering, mining and chemical companies. Prior to joining Yamana, Mr. Silva acted as Chief Operating Officer of Santa Elina Mines Corporation. Mr. Silva has also served as a director on the boards of several engineering, mining and aluminium extrusion companies. Mr. Silva holds a Bachelor of Science degree in Mining and Metallurgical Engineering from the Universidade do Estado de São Paulo in São Paulo, Brazil.

Stephen A. Orr is the Chief Executive Officer and a director of Oceana and of Oceana Gold (appointed August 2004). Mr. Orr joined Oceana Gold in August 2004 as its Chief Executive Officer. Mr. Orr has 29 years of experience in the mining industry including international commercial experience at both executive and operational levels in the gold industry. Prior to joining Oceana Gold, Mr. Orr was Vice President, North American Operations and then was the Managing Director — Australia and Africa for Barrick Gold Corporation. He has also previously held positions as

President and Chief Executive Officer for Homestake Canada Inc. He holds a Bachelor of Science in Mining Engineering and Masters in Business Administration.

Executive Officers

In addition to Mr. Stephen A. Orr who is the Chief Executive Officer and a director of the Company and Oceana Gold (see above for the background description of Stephen A. Orr), the following is the background of the other executive officers of the Company:

Ross Glossop is the Chief Financial Officer of the Company and of Oceana Gold (joined Oceana Gold in January 2007). He has 25 years of experience in the resources industry, where he has held positions in internal audit, treasury, and finance with increasing managerial responsibilities. He was most recently Regional CFO for Barrick Gold Corporation's Australia/Africa Business Unit between 2001 and 2006, and was previously Executive General Manager of Administration with Homestake Gold Australia Limited. Mr. Glossop holds a Bachelor of Commerce, Master of Business Administration and Master of Accounting degree. He has extensive experience in corporate governance, including International Financial Reporting Standards and Sarbanes Oxley compliance requirements.

Jane Nosworthy is the General Counsel and Company Secretary of the Company and of Oceana Gold (joined Oceana Gold in January 2007). Ms. Nosworthy was the Commercial Legal Manager and Assistant Company Secretary to Leviathan Resources Limited between November 2004 and December 2006. Between July 2004 and November 2004, she was the Commercial Legal Manager at MPI Mines Limited. Before joining MPI Mines Limited, Ms. Nosworthy was a Senior Associate in the Melbourne office of the law firm Allens Arthur Robinson since February 1999. Ms Nosworthy holds a Bachelor of Arts and a Bachelor of Laws (Hons) from the University of Adelaide.

Darren Klinck is the Vice President, Corporate & Investor Relations of the Company and of Oceana Gold (joined Oceana Gold in April 2007). Mr. Klinck was previously Vice President, Corporate & Investor Relations with the TSX and American Stock Exchange listed Kimber Resources Inc., a company focused on precious metals exploration and development in Mexico. His experience also spans the areas of marketing, communications, business development and project management in both the public and private sectors. Mr. Klinck holds a Bachelor of Commerce degree from the Haskayne School of Business at the University of Calgary.

Technical Team

In addition to the directors and officers of Oceana referenced above, the following individuals will play key technical roles in the development of Oceana's projects.

John Kinyon is the Vice President, New Zealand Operations of Oceana Gold (joined Oceana Gold in August 2005). Mr Kinyon has over 29 years experience in the mining industry and joined Oceana Gold from Barrick Gold Corporation, where he was General Manager, Eskay Creek Mine operation in Northern British Columbia, Canada. Prior to that, he spent 24 years at Homestake Mining Company, where he held various roles in operations and financial management. Mr Kinyon is responsible for managing operations. He holds a Bachelor of Science.

Mark Cadzow is the Vice President Corporate Technical Services of Oceana Gold (joined Oceana Gold in April 1991). Mr Cadzow is a metallurgist with over 29 years experience in mineral processing, precious metals, sulphide minerals and coal. He spent 8 years with BP Australia in coal and mineral research and development, which resulted in a number of patented processes for the recovery of gold and other minerals. Mr Cadzow joined Oceana Gold in 1991 and held the position of Senior Metallurgist and Processing Manager for 10 years during which time he developed the Macraes processing plant from a 1.5 Mtpa sulphide leach plant into one of Australasia's most complex gold processing plants treating 4.5 Mtpa. In 2002 his appointment to Project Manager, saw him bring on the 0.5 Mtpa oxide plant and acting Mining Manager during the commissioning of the Owner Mining Fleet, before being appointed as Environmental and Sustainable Manager in 2003. In October 2005, he was appointed New Zealand Development Manager. He holds a Bachelor of Applied Science (Metallurgy).

Patrick Goodfellow is the Philippine Country Manager (joined Oceana Gold in April 2007). Mr. Goodfellow has over 27 years experience in the mining industry and joined Oceana Gold from Oxiana Limited, where he was Project Manager, Primary Gold for the Sepon Gold and Copper Mine. Prior to that, he has been involved in Resource Projects in Australia, Papua New Guinea, Ghana, Indonesia and the Pacific mainly in gold but also uranium, nickel and phosphate. Mr. Goodfellow is responsible for managing operations and projects in the Philippines. He holds a certificate in Civil Engineering and a management diploma in Industrial Engineering.

Corporate Cease Trade Orders and Bankruptcies

To the Company's knowledge, other than as set out below, none of the directors or officers of Oceana or a shareholder holding sufficient securities of Oceana who could materially affect the control of Oceana, is, or has been within the ten years before the date of this prospectus, a director or officer of any other company that, while such person was acting in that capacity, was the subject of a cease trade or similar order, or an order that denied such company access to any statutory exemptions under Canadian securities legislation, for a period of more than 30 consecutive days, or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that company.

On June 8, 2001, Allstate Explorations NL ("Allstate") was placed in administration under Australian law. Administration entails the appointment of a third party to manage the affairs of a company in financial distress in order to maximize the chances of a satisfactory outcome for creditors. At the time Allstate was placed in administration, Mr. Denham Shale was the non-executive chairman of Allstate. He ceased to hold this position on December 31, 2001. Allstate has since come out of administration and resumed business operations.

Penalties and Sanctions

To the Company's knowledge, none of the directors or officers of Oceana or a shareholder holding sufficient securities of Oceana who could materially affect the control of Oceana, has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court, or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To the Company's knowledge, none of the directors or officers of Oceana or a shareholder holding sufficient securities of Oceana to affect materially the control of Oceana, or a personal holding company of any such persons has, within the ten years before the date of this prospectus been bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

Conflicts of Interest

Oceana's directors and officers are required by law to act honestly and in good faith with a view to the best interests of the Company. Subject to any limitations in Oceana's constating documents, no agreement or transaction would be void or voidable only because it was made between Oceana and one or more of its directors or by reason that such director was present at the meeting of directors that approved such agreement or transaction or that the vote or consent of the director is counted for the approval of such agreement or transaction. Subject to any limitations or provisions to the contrary in the constating documents of Oceana, in order for an agreement or transaction between Oceana and one or more of its directors to be valid, the relevant director or directors must disclose in good faith his or their interests in such agreement or transaction to the other directors not having a conflict of interest (or a sufficient number of directors to carry the resolution without counting the votes of the interested director(s)) and such other directors must vote in favour of the agreement or transaction. If all of the directors have a conflict of interest, the agreement or transaction must be authorized, approved or ratified by a resolution of shareholders in order to achieve statutory validity. An agreement or transaction between a director and Oceana will be valid unless it can be shown that, at the time the agreement or transaction was authorized, it was unfairly prejudicial to one or more shareholders or the creditors of Oceana. In appropriate cases, Oceana will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict.

To the best of Oceana's knowledge, there are no known existing potential conflicts of interest among Oceana, its directors, officers or other members of management of Oceana as a result of their outside business interests as at the date hereof. However, certain of the directors, and officers and other members of management serve as directors, officers, and members of management of other public resource companies. Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of Oceana.

The directors and officers of Oceana have been advised of their obligations to act at all times in good faith in the interest of Oceana and to disclose any conflicts to Oceana if and when they arise. Persons considering the purchase of

Common Shares pursuant to the Offering under this prospectus must appreciate that they will be required to rely on the judgment and good faith of these persons in resolving any such conflicts of interest that may arise.

Committees of the Board of Directors

The Board has established the committees set forth below.

Audit and Risk Management Committee

The Audit and Risk Management Committee has been structured to comply with Canadian Multilateral Instrument 52-110 — Audit Committees ("MI 52-110"). The Audit and Risk Management Committee is comprised of Denham Shale (Chair), Kerry McDonald and Terrence Fern. Each member of the Audit and Risk Management Committee is independent and financially literate within the meaning of MI 52-110.

The Audit and Risk Management Committee oversees the accounting and financial reporting practices and procedures of Oceana, and the audits of the Company's financial statements. The principal responsibilities of the Audit and Risk Management Committee include: (i) overseeing the quality and integrity of the internal controls and accounting procedures of Oceana, including reviewing the Company's procedures for internal control with the Company's auditor and Chief Financial Officer; (ii) reviewing and assessing the quality and integrity of the Company's annual and quarterly financial statements and related management discussion and analysis, as well as all other material continuous disclosure documents, such as the Company's annual information form; (iii) monitoring compliance with legal and regulatory requirements related to financial reporting; (iv) reviewing and approving the engagement of the auditor of the Company and independent audit fees; (v) reviewing the qualifications, performance and independence of the auditor of the Company, considering the auditor's recommendations and managing the relationship with the auditor, including meeting with the auditor as required in connection with the audit services provided by the Company; (vi) reviewing the Company's risk management procedures; (vii) reviewing any significant transactions outside the Company's ordinary course of business and any pending litigation involving the Company; and (viii) examining improprieties or suspected improprieties with respect to accounting and other matters that affect financial reporting.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is comprised of Kerry McDonald (Chair), James Askew and Terrence Fern, each of whom is independent within the meaning of MI 52-110.

The Remuneration and Nomination Committee oversees the remuneration, nomination and appointment policies and practices of the Company. The principal responsibilities of the Remuneration and Nomination Committee include: (i) considering the Company's overall remuneration strategy and, where information is available, verifying the appropriateness of existing remuneration levels using external sources for comparison; (ii) comparing the nature and amount of the Company's directors' and executive officers' compensation to performance against goals set for the year while considering relevant comparative information, independent expert advice and the financial position of the Company, (iii) making recommendations to the Board in respect of director and executive officer remuneration matters, with the overall objective of ensuring maximum shareholder benefit from the retention of high quality board and executive team members; (iv) considering nominees for independent directors of the Company; and (v) planning for the succession of directors and executive officers of the Company, including appointing, training and monitoring senior management to ensure that the Board and management have appropriate skill and experience.

Sustainability Committee

The Sustainability Committee is comprised of James Askew (Chair), Denham Shale and Terrence Fern, each of whom is independent within the meaning of MI 52-110.

The Sustainability Committee assists the Board with its oversight of exploration, development and operating risk, including issues related to geological, mining, metallurgical, community relationships, health, safety and environmental matters. The responsibilities of the Sustainability Committee include, among others: (i) reviewing with management the Company's goals, policies and programs relative to exploration, development and operational matters; (ii) making enquiries of management concerning the establishment of appropriate policies, systems, standards and procedures for all technical, development and operating activities, and compliance with applicable laws and standards of corporate conduct; (iii) reviewing with management the assessment, reduction and mitigation of technical risk; (iv) reviewing with management the risk analysis of any proposed new major exploration, development or operating activity; and

(v) reviewing with management the Company's record of performance on community relationships, health, safety and environmental matters, along with any proposed actions based on the record of performance.

EXECUTIVE COMPENSATION

The total direct compensation for the Company's executive officers comprised both a fixed component and an at-risk component. The at-risk component is composed of short-term and long-term incentives and does not provide for an executive pension plan. The compensation program aims to ensure total remuneration is competitive by market standards and links rewards with the short-term and long-term strategic goals and performance of the Company. The Board establishes the remuneration of the Chief Executive Officer (the "CEO") on the basis of a recommendation from the Remuneration and Nomination Committee. The Remuneration and Nomination Committee, based on the recommendations of the CEO, establishes the remuneration of executives reporting to the CEO, including their participation in both short-term and long-term incentive schemes.

Summary Compensation Table

Oceana was incorporated on March 22, 2007. It assumed the business of Oceana Gold as a result of the Schemes becoming effective. Accordingly, the table below sets forth all annual and long-term compensation for services rendered in all capacities to Oceana Gold for the fiscal year ended December 31, 2006 in respect of the CEO, the Chief Financial Officer (the "CFO") and each of the other three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the fiscal year ended December 31, 2006 and whose total salary and bonus exceeded $150,000 (the "Named Executive Officers" or "NEOs"). All values are in A$ unless otherwise stated.

		Annual Compensation					
NEO Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation	Securities Under Option Granted	Restricted Shares or Restricted Share Units	All Other Compensation
		(A$)	(A$)	(A$)	(# shares)	(A$)	
Stephen Orr							
(Chief Executive Officer)	2006	1,046,388	—	149,463	—	—	—
	2005	1,046,000	—	82,473	—	—	—
	2004	351,786	—	50,313	5,000,000[3]	—	—
Brian Kinsella							
(Chief Financial Officer and Company Secretary)[1]	2006	277,206	33,626	46,050	—	24,000	—
	2005	268,695	—	16,724	—	24,000	—
	2004	48,439	—	1,931	1,000,000[3]	—	—
Albert Brantley							
(Chief Development Officer)[2]	2006	411,196	—	9,078	—	—	—
	2005	331,966	—	19,412	1,000,000[3]	—	—
	2004	35,477	—	—	—	—	—
Mark Cadzow							
(Vice President Corporate Technical Services)	2006	216,396	60,446	21,390	—	17,188	—
	2005	210,458	14,911	8,404	—	35,098	—
	2004	179,533	—	9,317	275,000[3]	59,874	—
John Kinyon							
(Vice President New Zealand Operations)	2006	214,847	55,109	50,834	—	21,485	—
	2005	171,962	—	2,310	300,000[3]	—	—
	2004	—	—	—	—	—	—

Notes:

(1) Mr. Kinsella resigned as Chief Financial Officer and Company Secretary on January 19, 2007. Mr. Ross Glossop was appointed on the same day to replace Mr. Kinsella as the Chief Financial Officer. Ms. Jane Nosworthy was appointed as General Counsel and Company Secretary on January 8,

2007. Mr. Glossop and Ms. Nosworthy did not hold positions within the Company during the 2006 financial year. Their remuneration details have been included under the heading "Employment Agreements" below.

(2) Mr. Brantley resigned on the January 31, 2006 as Chief Operating Officer and returned to the company on August 1, 2006 as Chief Development Officer. Mr Brantley subsequently resigned on April 30, 2007.

(3) Represents securities of Oceana Gold granted prior to the one for five consolidation pursuant the Reorganization.

Employment Agreements

Each of the current Named Executive Officers has a formal employment agreement with Oceana Gold, the material terms of which are set forth below.

Stephen Orr: On August 16, 2004, Mr. Stephen Orr was appointed CEO of Oceana Gold for a three year term. His annual base salary is A$1,046,000 with up to 50% of base salary in bonus based on achieving annual operation performance targets. He is also entitled to a motor vehicle allowance of A$30,000 per year and payment of certain additional agreed expenses, such as medical insurance for himself and his family. In the event of his termination, other than for cause (in which case no severance is payable), he is entitled to be given one month's notice of termination by the Company and is entitled to receive six months gross remuneration on such termination. The Company may require him to serve the notice period on an active or passive basis or make payment to him in lieu of all or part of the notice period based upon his annual total remuneration on termination. Mr. Orr must give one month's notice of his resignation to the Company. If his employment is terminated following a change of control of the Company and he is not offered employment on terms and conditions which are no less favourable than his existing terms and conditions, all options held by him would vest immediately, an A$4 million payment is payable in lieu of salary and bonus, and there would be a tax gross-up payable for any excise taxes resulting from these payments.

Ross Glossop: On January 19, 2007, Mr. Ross Glossop was appointed CFO of Oceana Gold for a three year term. His annual base salary is A$270,600 with up to 30% of base salary in bonus based on achieving annual operation performance targets. He is entitled to a motor vehicle allowance of A$35,000 per year. He is entitled to be given six weeks notice of termination. In the event of his termination, other than by reason of redundancy or for cause (in which case no severance is payable), he is entitled to receive six months gross fixed annual remuneration on such termination. He may be required to serve the notice period on an active or passive basis, or payment may be made to him in lieu of all or part of the notice period based upon his annual total remuneration on termination. Mr. Glossop must give six weeks notice of resignation.

If his employment is terminated by reason of "redundancy", the Company must pay a severance equal to one year of gross fixed annual remuneration at the time of termination plus the amount of any bonus payable in respect of the year in which the employment is terminated, calculated on a pro rata basis up to the date of termination if the Company (acting reasonably) determines that performance objectives agreed to that year were going to be achieved. "Redundancy" includes, among other things: (i) a substantial diminution in the duties and responsibilities of the position or a material reduction in the status of the position, whether as a result of an addition to or reduction duties and responsibilities; (ii) a substantial diminution in the scale of the business to which the duties and responsibilities of the position apply; or (iii) a material reduction in base salary or bonus opportunity or in the kind or level of the benefits.

Jane Nosworthy: On January 8, 2007, Ms. Jane Nosworthy was appointed General Counsel and Company Secretary of Oceana Gold for a three year term. Her annual base salary is A$155,963 with up to 30% of base salary in bonus based on achieving annual operation performance targets. She is entitled to a motor vehicle allowance of A$35,000 per year. She is entitled to be given six weeks notice of termination. In the event of her termination, other than by reason of redundancy or for cause (in which case no severance is payable), she is entitled to receive six months gross fixed annual remuneration on such termination. She may be required to serve the notice period on an active or passive basis, or payment may be made to her in lieu of all or part of the notice period based upon her annual total remuneration on termination. Ms. Nosworthy must give six weeks notice of resignation. In the case of a termination by reason of redundancy, provisions identical to those in the employment contract of Mr. Glossop as set out above will apply.

Darren Klinck: On April 23, 2007 Mr. Darren Klinck was appointed Vice President, Corporate & Investor Relations of Oceana Gold. His annual base salary is A$210,000 with up to 30% of base salary in bonus based on achieving annual operation performance targets. He is entitled to be given six weeks notice of termination. In the event of his termination, other than by reason of redundancy or for cause (in which case no severance is payable), he is entitled to receive 6 months gross fixed annual remuneration on such termination. He may be required to serve the notice period on an active or passive basis or payment may be made to him in lieu of all or part of the notice period based upon his annual total remuneration on termination. Mr. Klinck must give six weeks notice of resignation. In the case of a termination by reason of redundancy, provisions identical to those in the employment contract of Mr. Glossop as set out above will apply.

John Kinyon: On November 6, 2006, Mr. John Kinyon assumed the role of Vice-President New Zealand Operations of Oceana Gold. His annual base salary is NZ$325,000 with up to 30% of base salary in bonus based on achieving annual operation performance targets. He is entitled to be given six weeks notice of termination. In the event of his termination, other than by reason of redundancy or for cause (in which case no severance is payable), he is entitled to receive 6 months gross fixed annual remuneration on such termination. He may be required to serve the notice period on an active or passive basis or payment may be made to him in lieu of all or part of the notice period based upon his annual total remuneration on termination. Mr. Kinyon must give six weeks notice of resignation. In the case of a termination by reason of redundancy, provisions identical to those in the employment contract of Mr. Glossop as set out above will apply.

Mark Cadzow: On November 6, 2006, Mr. Mark Cadzow assumed the role of Vice-President Corporate Technical Services of Oceana Gold. His annual base salary is NZ$278,741 with up to 30% of base salary in bonus based on achieving annual operation performance targets. He is entitled to be given six weeks notice of termination. He may be required to serve the notice period on an active or passive basis, or payment may be made to him in lieu of all or part of the notice period based upon his annual total remuneration on termination. Mr. Cadzow must give six weeks notice of resignation. In the case of a termination by reason of redundancy, provisions identical to those in the employment contract of Mr. Glossop as set out above will apply.

Patrick Goodfellow: On April 19, 2007 Mr. Patrick Goodfellow was appointed Philippine Country Manager of Oceana Gold. His annual base salary is A$174,250 with up to 30% of base salary in bonus based on achieving annual operation performance targets. He is entitled to be given six weeks notice of termination. In the event of his termination, other than by reason of redundancy or for cause (in which case no severance is payable), he is entitled to receive 6 months gross fixed annual remuneration on such termination. He may be required to serve the notice period on an active or passive basis or payment may be made to him in lieu of all or part of the notice period based upon his annual total remuneration on termination. Mr. Goodfellow must give six weeks notice of resignation. In the case of a termination by reason of redundancy, provisions identical to those in the employment contract of Mr. Glossop as set out above will apply.

Stock Option Plan

The Company has established a stock option plan in order to provide incentive compensation to directors, officers, employees and consultants of Oceana and its subsidiaries as well as to assist Oceana and its subsidiaries in attracting, motivating and retaining qualified directors, management personnel and consultants. The purpose of the stock option plan is to provide additional incentive for participants' efforts to promote the growth and success of the business of the Company.

The stock option plan is administered by Oceana's Remuneration and Nomination Committee, which will designate, from time to time, the recipients of grants and the terms and conditions of each grant, in each case in accordance with applicable securities laws and stock exchange requirements. Stock options granted under the plan are non-transferable other than in accordance with the plan, must be exercised no later than 10 years after the date of the grant or such shorter period as determined by the Remuneration and Nomination Committee and approved by any applicable regulatory authority. All options will terminate on the earlier of the expiry of their term and the date of termination of an optionee's employment, engagement or position, if terminated for cause; otherwise, 90 days following termination.

Unless the Remuneration and Nomination Committee determines otherwise, stock options issued by the Company are subject to a vesting schedule as follows: 1/3 upon grant; 1/3 upon the first anniversary of grant; and 1/3 upon the second anniversary of grant. The maximum number of Common Shares to be reserved for issuance to insiders of the Company upon the exercise of stock options granted under the plan may not exceed 10% of the number of outstanding Common Shares at any given time. The maximum number of Common Shares that may be granted to any individual within a twelve month period cannot exceed 5% of the number of outstanding Common Shares. The number of Common Shares available for issuance upon the exercise of stock options granted under the plan will be equal to 10% of the number of issued and outstanding Common Shares at a given time.

Employee Share Acquisition Plan

The Company has an Employee Share Acquisition Plan (the "ESAP") pursuant to which employees and directors of the Company and its subsidiaries may arrange to have payroll deductions (up to a maximum of 10% of gross salary) contributed to the ESAP and matched by the Company, for the purpose of having Common Shares purchased in the market for the benefit of such employees and directors. No Common Shares will be issued from treasury pursuant to the ESAP.

Remuneration of Directors

The Company remunerates its directors, on an annual basis, as follows: (i) the Chairman of the Board receives a base fee of A$140,000; (ii) the Vice Chairman of the Board receives a base fee of A$85,000; and (iii) each other director receives a base fee of A$70,000. In addition, all directors are entitled to be reimbursed for reasonable expenses (including travel) incurred in connection with the attendance of committee or directors' meetings.

Directors (other than the Chairman and the Vice Chairman of the Board) who chair a committee are entitled to additional compensation as follows: (i) A$20,000 to chair of the Audit and Risk Management Committee; (ii) A$12,000 to chair of the Sustainability Committee; and (iii) A$8,000 to chair of the Remuneration and Nomination Committee.

The directors who are also employees of the Company (or any of its subsidiaries) do not receive any compensation for serving as directors.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

None of the Company's directors, executive officers or senior officers, nor any associate of such director, executive officer or senior officer is indebted to Oceana or has been the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by Oceana or any of its subsidiaries.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, Oceana has agreed to issue and sell and the Underwriters have agreed to purchase, on the Closing Date, which is expected to be on July 5, 2007 or any other date as may be agreed upon by Oceana and the Underwriters, but in any event no later than July 12, 2007 subject to the conditions stipulated in the Underwriting Agreement, 25,715,000 Common Shares at the Offering Price, payable in cash against delivery of certificates representing the Common Shares. The Common Shares are being offered to the public in all of the provinces and territories of Canada pursuant to this prospectus.

The Offering Price was determined based on negotiations with the Underwriters. The Underwriters will receive an Underwriters' Fee of 5.5% of the aggregate gross cash proceeds received from the sale of the Common Shares. The Underwriters may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Underwriters.

There is currently no market through which the Common Shares may be sold. The TSX has conditionally approved the listing of the Common Shares offered pursuant to this prospectus. Listing is subject to the Company fulfilling all of the requirements of the TSX on or before September 4, 2007.

The obligations of the Underwriters under the Underwriting Agreement are conditional and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, severally obligated to take up and pay for all Common Shares they have obligated themselves to purchase if any of the Common Shares are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that Oceana will indemnify the Underwriters against certain liabilities and expenses, including liability under applicable securities legislation, or contribute to payments the Underwriters may be required to make in respect thereof.

Subscriptions for Common Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

The Company has granted to the Underwriters an Over-Allotment Option, exercisable in whole or in part for a period of thirty days following the closing of the Offering, to offer for sale an additional number of Common Shares equal to up to 15% of the aggregate number of Common Shares sold under this Offering, on the same terms and for the same Offering Price set forth above, in order to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Fee" and "Net Proceeds to the Company" will be $103,502,875.00, $5,692,658.12 and $97,810,216.88, respectively. This prospectus qualifies the grant of the Over-Allotment Option and the distribution of any Common Shares issued and sold upon the exercise of the Over-Allotment Option.

The Common Shares will not be registered under the U.S. Securities Act or any applicable state securities laws, and may not be offered or sold within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act. The Underwriting Agreement, however, permits the Underwriters to offer and sell Common Shares to certain institutional purchasers in the United States in certain transactions that are exempt from registration under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of Common Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if that offer or sale is made otherwise than in accordance with an applicable exemption from registration under the U.S. Securities Act.

Pursuant to the Underwriting Agreement, the Common Shares may also be offered and sold in other jurisdictions outside of Canada and the United States in compliance with the applicable laws of any such jurisdiction in which Common Shares are offered and sold. In particular, pursuant to the Underwriting Agreement, Austock Corporate Finance Limited has agreed to offer and sell Common Shares only in certain jurisdictions outside of Canada on a private placement basis, including in Australia and Asia.

Pursuant to rules and policy statements of certain Canadian provincial securities commissions, the Underwriters may not, throughout the period of distribution, bid for or purchase Common Shares for their own account or for accounts over which they exercise control or direction. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. These exceptions include bids or purchases permitted under the Universal Market Integrity Rules for Canadian Marketplaces administered by Market Regulation Services Inc. relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing, the Underwriters may over-allot or effect transactions in Canada that stabilize or maintain the market price of the Common Shares at levels other than those that might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

RISK FACTORS

An investment in the Common Shares is speculative and subject to risk and uncertainties. The occurrence of any one or more of these risks or uncertainties could have a material adverse effect on the value of any investment in the Company and the business, prospects, financial position, financial condition or operating results of the Company. The risks noted below do not necessarily comprise all those faced by the Company. A prospective investor should carefully consider these risk factors, together with all of the other information included in this prospectus, including, without limitation, the historical and pro forma financial statements and accompanying notes included in this prospectus and the information contained in the section entitled "Cautionary Statements Regarding Forward-Looking Information", before a decision to purchase Common Shares is made. Each risk factor identified below should, unless specifically referring to one or more of the mineral projects of the Company, be considered in the context of each mineral project of the Company and the Company as a whole.

Changes in the market price of gold and copper, which in the past have fluctuated widely, will affect the profitability of the Company's operations and its financial condition. The Company's revenues, profitability and viability depend on the market price of gold and copper produced from the Company's mines. The market price of gold and copper is set in the world market and is affected by numerous industry factors beyond the Company's control including the demand for precious metals and copper, expectations with respect to the rate of inflation, interest rates, currency exchange rates, the demand for jewellery and industrial products containing metals, gold and copper production levels, inventories, costs of substitutes, change in global or regional investment or consumption patterns, and sales by central banks and other holders, speculators and producers of gold or copper and other metals in response to any of the above factors, and global and regional political and economic factors.

A decline in the market price of gold or copper below the Company's production costs or below the prices used in the economic analysis contained in this prospectus for any sustained period would have a material adverse impact on the profit, cash flow and results of operations of the Company's projects and anticipated future operations. Such a decline also could have a material adverse impact on the ability of the Company to finance the exploration and development of its existing and future mineral projects. A decline in the market price of gold or copper, or both, may also require the Company to write-down its mineral reserves which would have a material and adverse affect on the value of the Company's securities. Further, if revenue from gold or copper sales, or both declines, the Company may experience liquidity difficulties. The Company will also have to assess the economic impact of any sustained lower gold or copper prices on recoverability and, therefore, on cut-off grades and the level of its mineral reserves and resources.

The effects of hedging arrangements to mitigate the impact of gold price volatility are uncertain and may limit the price that the Company may realize on gold sales. While the Company currently mitigates the effect of gold price volatility (and may in the future seek to mitigate copper price volatility), in part, through hedging strategies, which may include spot deferred sales and/or forward sales and options, no assurance can be given that the Company will be able to enter into hedging transactions or that hedging will be profitable. Certain hedging transactions may eliminate or limit additional revenues that the Company would otherwise receive from any future rises in the gold or copper price. In addition, the Company's profitability could be adversely affected if it is unable to produce sufficient gold or copper to cover any forward sales commitments it may have.

Mining sector enterprises face many operating risks. In common with other enterprises undertaking business in the mining sector, the Company's mineral exploration, project development, mining and related activities are subject to conditions beyond Oceana's control that can reduce, halt or limit production or increase the costs of production.

The success of the Company's mining operations is dependent on many factors including: the discovery and/or acquisition of mineral reserves and resources; the successful conclusions to feasibility and other mining studies; access to adequate capital for project development and sustaining capital; design and construction of efficient mining and processing facilities within capital expenditure budgets; the securing and maintaining of title to tenements; obtaining permits, consents and approvals necessary for the conduct of exploration and mining; complying with the terms and conditions of all permits, consents and approvals during the course of mining activities; access to competent operational management and prudent financial administration, including the availability and reliability of appropriately qualified employees, contractors and consultants; the ability to procure major equipment items and key consumables in a timely and cost-effective manner; the ability to access full power supply; and the ability to access road and port networks for the shipment of gold and copper concentrate.

Increases in oil prices, and in turn diesel fuel prices, and the cost of equipment would add significantly to operating costs. These are all beyond the control of the Company. The Company has no diesel fuel price protection in place to offset future price rises.

An inability to secure ongoing supply of such goods and services at prices assumed within the short and long term mine plans and assumed within feasibility studies could have a material and adverse effect on the results of the Company's costs, results of operations and financial condition and could render a previously profitable project unprofitable.

Costs can also be affected by factors such as changes in market conditions, government policies and exchange rates, all of which are unpredictable and outside the control of the Company's. The operations are also exposed to industrial disruption, which can be beyond the Company's control.

The Company may not achieve its production estimates. The Company prepares estimates of future gold and copper production for its existing and future mines. The Company cannot give any assurance that it will achieve its production estimates. The failure of the Company to achieve its production estimates could have a material and adverse affect on any or all of its future cash flows, profitability, results of operations and financial condition. The realization of production estimates are dependent on, among other things, the accuracy of mineral reserve and resource estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions (including hydrology), physical characteristics of ores, the presence or absence of particular metallurgical characteristics, and the accuracy of estimated rates and costs of mining, ore haulage and processing.

Actual production may vary from estimates for a variety of reasons, including, the availability of certain types of ores; actual ore mined varying from estimates of grade or tonnage; dilution and metallurgical and other characteristics (whether based on representative samples of ore or not); short-term operating factors such as the need for sequential development of ore bodies and the processing of new or adjacent ore grades from those planned; mine failures, slope failures or equipment failures; industrial accidents; natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes; encountering unusual or unexpected geological conditions; changes in power costs and potential power shortages; shortages of principal supplies needed for mining operations, including explosives, fuels, chemical reagents, water, equipment parts and lubricants; plant and equipment failure; the inability to process certain types of ores; labour shortages or strikes; lack of required labour; civil disobedience and protests; and restrictions or regulations imposed by government agencies or other changes in the regulatory environment. Such occurrences could also result in damage to mineral properties or mines, interruptions in production, injury or death to persons, damage to property of the Company or others, monetary losses and legal liabilities in addition to adversely affecting mineral production. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable forcing the Company to cease production. Each of these factors also applies to the Company's mines not yet in production and to operations that are to be expanded. In these cases the Company does not have the benefit of actual experience in verifying its estimates and there is a greater likelihood that actual production results will vary from the estimates.

The figures for the Company's reserves and resources are estimates based on interpretation and assumptions and may yield less mineral production under actual conditions than is currently estimated. The mineral resources and reserve figures presented herein are made by Company personnel and independent geologists. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. There can be no assurance that these estimates will be accurate, or this mineralization could be mined or processed profitably. If the Company encounters mineralization or formations different from those predicted by past drilling, sampling and similar examinations, mineral reserve estimates may have to be adjusted in a way that might adversely affect the Company's operations. The mineral reserve estimates of the Company have been determined based on assumed gold and copper prices, cut-off grades and costs that may prove to be inaccurate.

An extended period of operational underperformance, including increased production costs or reduced recovery rates, may render mineral reserves containing relatively lower grades of mineralization uneconomic to recover and may ultimately result in the restatement of mineral reserves and/or mineral resources.

The inclusion of mineral resource estimates should not be regarded as a representation that these amounts can be economically exploited and no assurances can be given that such resource estimates will be converted into reserves.

Mining operations involve a high degree of risk and numerous inherent hazards. The Company's mining operations are subject to a number of risks and hazards, including environmental hazards; industrial accidents; labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions (including rainfall), earthquakes, seismicity, natural disasters, open pit and underground floods, pit wall failures, ground movements, tailings dam failures and cave-ins; pipeline failures; and encountering unusual or unexpected geological conditions and technological failure of mining methods. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the properties of the Company, personal injury or death, environmental damage, delays in or interruption of the development of the projects of the Company, monetary losses and potential legal liability and adverse governmental action, all of which could have a material and adverse impact on the Company's cash flows, earnings, results of operations and financial condition.

Water management and slope instability affect the Didipio Gold-Copper Project. The Didipio Gold-Copper Project is located in an area of high rainfall with significant ground water and surface water on or near the project site. The Company's development plan for the Didipio Gold-Copper Project includes mitigation measures aimed at groundwater drainage, tailings dam diversion and pit de-watering measures (see "The Didipio Gold-Copper Project — Proposed Mining Operations"). Should any of these measures fail to perform, or to perform as planned and expected, it could result in excessive water collecting in the open pit and/or underground mining operations. This could result in: a significant interruption in operations and production; damage to equipment and infrastructure; injury or death; or a material increase in costs and/or capital expenditures while water management remediation measures are undertaken. A flood may also create a loss of reserves if it is necessary to redesign or dewater a mine. Should any of the foregoing occur, it could have a material adverse affect on the Company's results of operations, cash flow and financial condition. Further, water inflows and floods are generally not insurable.

In addition, the walls of the open pit at the Didipio Gold-Copper Project may be prone to failure. Although the Company intends to take measures to mitigate the risk of pit wall and slope failure, there can be no assurance that a failure will not occur during the life of open pit mining operations, the occurrence of which could result in an interruption or cessation of production, damage to life or property, environmental damage and legal liability. The occurrence of any such failure could have a material adverse affect on the Company's cash flows, results or operations and financial condition.

Capital and operating cost estimates may not be accurate. Capital and operating cost estimates made in respect of the Company's mines and development projects may not prove accurate. Capital and operating costs are estimates based on the interpretation of geological data, feasibility studies, anticipated climatic conditions and other factors. Any of the following events, among the other events and uncertainties described in this prospectus, could affect the ultimate accuracy of such estimate: unanticipated changes in grade and tonnage of ore to be mined and processed; incorrect data on which engineering assumptions are made; delays in construction schedules, unanticipated transportation costs; the accuracy of major equipment and construction cost estimates; labour negotiations; changes in government regulation (including regulations regarding prices, cost of consumables, royalties, duties, taxes, permitting and restrictions on production quotas on exportation of minerals) and title claims.

Recent high metal prices have increased the demand for, and cost of, exploration, development and construction services and equipment. Recent increases in commodity prices have encouraged increases in exploration, development and construction activities, which have resulted in increased demand for, and cost of, exploration, development and construction services and equipment (including mining fleet equipment). Increased demand for services and equipment could cause project costs to increase materially, resulting in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, and could increase potential scheduling difficulties and costs due to the need to coordinate the availability of services or equipment, any of which could materially increase project exploration, development or construction costs or result in project delays or both. Any such material increase in costs would adversely affect the Company's results of operations and financial condition.

There is no assurance that exploration and development activities will be successful. Mineral resource exploration and the development of mineral projects into mines is a highly speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production.

There is no assurance as to the Company's ability to sustain or increase its mineral reserves and resources. To sustain or increase the current mineral reserves and mineral resources, further reserves and resources must be identified. Any gold and copper exploration program entails risks relating to the location of ore bodies that are economically viable to mine, the development of appropriate metallurgical processes, the receipt of necessary governmental permits, licences and consents and the construction of mining and processing facilities at any site chosen for mining. No assurance can be given that any exploration program will result in the discovery of new reserves or resources or the expansion of existing reserves or resources will be successful.

There is no assurance that the Company will continue to successfully produce gold, or that it will be able to successfully bring new gold and/or gold-copper mines into production. The Company's ability to sustain or increase the current level of production is dependent on the development of the Didipio Gold-Copper Project, the Frasers underground mine and the Globe Progress mine. No assurances can be given that the planned development and expansion projects will result in additional reserves, that the planned development timetables will be achieved or that the development projects will be successful, or that the proposed mines will ever produce.

Increased costs, changes in commodity prices, adverse currency fluctuations, availability of construction services and equipment, labour shortages or other factors could have a material adverse effect on the Company's business, financial condition, results of operations and prospects and could impede current gold production or the Company's ability to bring new gold and copper mines into production.

There can be no assurance that the Company will be able to complete development of their mineral projects, or any of them at all or on time or to budget due to, among other things, and in addition to those factors described above, changes in the economics of the mineral projects, the delivery and installation of plant and equipment and cost overruns, or that the current personnel, systems, procedures and controls will be adequate to support the Company's operations. Should any of these events occur, it would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company's projected growth will impact the Company's existing resources. The Company's objective of increasing gold production to 300,000 ounces per annum in 2008, and the transition from one to three mining operations, represents a significant increase in the scale and complexity of its business. This increase in scale and complexity is likely to continue to have a marked impact on the Company's business processes, systems and information technology. Unless this growth phase is able to be adequately and appropriately resourced, staffed and managed, the Company's performance could be adversely affected.

The Company may experience delays in the construction of the Didipio Gold-Copper Project. Planned construction of the Didipio Gold-Copper Project may be delayed by a number of factors. Most, if not all, projects of this kind suffer delays in start up and commissioning due to late delivery of components, adverse weather or equipment failures or delays in obtaining the required permits or consents. Factors which may cause delays in the development of the Didipio Gold-Copper Project include: (i) delays in obtaining approvals for the increase in the project size from 2.0 Mtpa to

2.5 Mtpa — while the Company is required to submit an EPRMB in respect of the increase of the project size, if any delays are encountered in the preparation of the EPRMB or in the approval of the EPRMB by the EMB, the timing for the development of the project could be significantly delayed; delays in procuring new equipment — the lead times for major equipment may have a material affect on the anticipated commencement of the Didipio Gold-Copper Project. Current market activity within the mining and resources industry world wide has led to significant increases in the lead times for the procurement of new equipment; delays relating to the availability of grid power; delays as a result of the Company being unable to source skilled and professional labour; and delays resulting from inclement weather conditions at the project site. Issues with the acquisition of right-of-ways can also affect the timely completion of the transmission line construction; delays in the land acquisition process — while a legal right to acquire all land has been established at the Didipio Gold-Copper Project, illegal miners are still resident on the declared mining area. Delays to the construction of the Didipio Gold-Copper Project could cause cost overruns.

Currency fluctuations may affect the Company's costs and margins. Gold and copper is sold throughout the world based on U.S. dollars. The Company pays for goods and services in U.S. dollars and other currencies. Adverse fluctuations in these other currencies relative to the U.S. dollar could materially and adversely affect the Company's profitability, results of operation and financial position.

The Company may not be able to raise additional funds. The Company's continued ability to effectively implement its business plan and growth strategy depends in part on its ability to raise additional funds. The Company's performance and future project development plans are subject to numerous uncertain future influences and there can therefore be no assurance that any equity or debt funding will be available to the Company. The Company, as a borrower of money, is potentially exposed to adverse interest rate movements that may increase the financial risk inherent in its business and could have a material adverse impact on profitability and cash flow. Project financing may expose the Company to adverse interest rate movements and also potentially gold and copper price movements (depending on the type and quantity of commodity hedging policies entered into as a requirement of the project financing) that may significantly increase the financial risk inherent in its business and could have a material impact on profitability and cash flow.

The Company, in the ordinary course of its operations and developments, is required to issue financial assurances, particularly insurances and bonding/bank guarantee instruments, to secure statutory and environmental performance undertakings and commitments to local communities. The Company's ability to provide such assurances is subject to external financial and credit markets and assessments, and its own financial position.

Regulatory, consenting and permitting risks may delay or adversely affect gold and copper production. The business of mineral exploration, project development, mining and processing is subject to various national and local laws and plans relating to: permitting and maintenance of title; environmental consents; taxation; employee relations; heritage/historic matters; health and safety; royalties; land acquisitions; and other matters. There is a risk that the necessary permits, consents, authorizations and agreements to implement planned exploration, project development or mining may not be obtained under conditions or within time frames that make such plans economic, that applicable laws, regulations or the governing authorities will change or that such changes will result in additional material expenditures or time delays. The permitting and consent process in the Philippines requires extensive consultation and enables many interested third parties to participate in the process. This imposes additional risk that permits and consents may be delayed or rejected. There is a risk that the necessary permits, consents, authorizations and agreements to implement planned exploration, project development, or mining may not be obtained under conditions or within the time frames that make such plans economic, that applicable laws, regulations or the governing authorities will change or that such changes will result in additional material expenditures or time delays.

Under the provisions of the FTAA relating to the Didipio Gold-Copper Project in the Philippines, the operating entity has a period of five years to recover its pre-operating expenses. Any residual unrecovered balance of pre-operating expenses is recovered by equal amounts over the subsequent three years after the recovery period. The claim for pre-operating expenditure is subject to audit by the relevant government department and there is a risk that some items of expenditure may not be deemed eligible for cost recovery.

Tenement applications are uncertain and the Company is subject to consenting and permitting risk. The Company has been granted mining tenements and has applications for other mining tenements over particular exploration properties. There can be no assurance that the Company will be granted all the mining tenements for which it has applied.

The resource consenting process requires extensive stakeholder consultation, including public notification by the consenting authorities. This enables all interested third parties to participate in the consenting process. Non-governmental organizations are active in the Philippines and are regarded as key stakeholders with whom communication is critical.

Although the Company has experience with consenting frameworks and maintains a policy of early consultation with key stakeholders to identify, and where possible address concerns, there is the risk of consents being delayed or rejected, which may adversely impact on the Company's ability to develop its mines and expand its production.

The Company's principal exploration and mining activities are situated in only two countries. The Company primarily is conducting its exploration, development and mining activities in New Zealand and the Philippines. There is a sovereign risk of investing in foreign countries, including the risk that the mining concessions may be susceptible to revision or cancellation by new laws or changes in direction by the government in question. These are matters over which the Company has no control. The Company believes that the governments and populations of these countries support the development of natural resources. There is no assurance that future political and economic conditions in such countries will not result in the adoption of different policies or attitudes respecting the development and ownership of mineral resources. Any such changes in policy or attitudes may result in changes in laws affecting ownership of assets, land tenure and mineral concessions, taxation, royalties, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, which may affect both the Company's ability to undertake exploration and development and mining activities in respect of current and future properties.

Foreign investments and operations are subject to numerous risks associated with operating in foreign jurisdictions. Oceana conducts mining, development or exploration activities principally in New Zealand and the Philippines. Oceana's foreign mining investments are subject to the risks normally associated with the conduct of business in foreign countries (described below). The occurrence of one or more events associated with these risks could have a material and adverse effect on Oceana's profitability or the viability of its affected foreign operations, which could have a material and adverse effect on Oceana's future cash flows, earnings, results of operations and financial condition. Risks may include, among others, labour disputes, invalidation of governmental orders and permits, corruption, uncertain political and economic environments, sovereign risk, war, civil disturbances and terrorist actions, arbitrary changes in laws or policies of particular countries (including tax laws), the failure of foreign parties to honour contractual relations, delays in obtaining or the inability to obtain necessary governmental permits, authorizations and consents, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on gold exports, instability due to economic under-development, inadequate infrastructure and increased financing costs. In addition, the enforcement by the Company of its legal rights to exploit its properties may not be recognized by any foreign government or by the court system of a foreign country. These risks may limit or disrupt Oceana's operations, restrict the movement of funds or result in the deprivation of mining-related rights or the taking of property by nationalization or expropriation without fair compensation.

Under the FTAA, the Company may have to divest up to 60% of its interest the Didipio Gold-Copper Project to Filipino nationals by the later of 10 years after the recovery of pre-operating expenses and 20 years after the effective date of the FTAA. Should this occur, the Company's indirect ownership of the rights to exploit the Didipio Gold-Copper Project may be adversely affected.

The Company's insurance coverage does not cover all of its potential losses, liabilities, and damages related to its business and certain risks are uninsured or uninsurable. While the Company may obtain insurance against certain risks, the nature of these risks is such that liability could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance, or in excess of insurance coverage, or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and results of operations of the Company and its financial condition.

Increased competition could adversely affect the Company's ability to acquire suitable producing properties or prospects for mineral exploration in the future. There is a limited supply of mining rights and desirable mining prospects available in the areas where the Company's current projects are situated. Many companies are engaged in the mining and mine development business, including large, established mining companies with substantial financial resources, operational capabilities and long earnings records. The Company may be at a competitive disadvantage in acquiring mining, explorations and development rights as many of its competitors have greater financial resources and larger technical staffs. Accordingly, there can be no assurance that the Company will be able to compete successfully against other companies in acquiring new prospecting, development or mining rights.

The Company may not be profitable. Oceana Gold has a history of intermittent operating losses and there can be no assurance that the Company will be profitable. The Company expects to continue to sustain operating losses in the near future until its new mining projects are commissioned. There is no guarantee that increased production will reverse the operating losses or that the Company will ever be consistently profitable.

The Company's properties are subject to environmental risks. Mining operations have inherent risks and liabilities associated with the pollution of the environment and the disposal of waste produced as a result of mineral exploration and production. Open pit and underground mining and processing copper and gold ores are subject to risks and hazards, including environmental hazards, industrial accidents, and discharge of toxic chemicals, breach of tailings, dams, fire, flooding, rock falls and subsidence. The occurrence of any of these hazards can delay production, increase production costs or result in liability to the Company. Such incidents may also result in a breach of the conditions of a mining lease or other consent or permit or relevant regulatory regime, with consequent exposure to enforcement procedures, including possible revocation of lease, consent or permit. The Company cannot give any assurance that it will have or be able to obtain all necessary environmental approvals, licenses, permits or consents or be in compliance therewith or that notwithstanding its precautions, breaches of environmental laws (whether inadvertent or not) or environmental pollution will not materially and adversely affect its financial condition and its results from operations. The lack of or inability to obtain any such approvals, licences, permits or consents, or any breaches of environmental laws, may result in penalties including fines or other sanctions.

There is no assurance that future changes in environmental regulation will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. The Company may incur unanticipated costs associated with the reclamation or restoration of mining properties. In addition, the Company may incur costs from reclamation activities in countries where the Company has mining and exploration operations in excess of any bonds or other financial assurances which the Company may be required to give, which costs may have a material adverse effect on the Company's profitability, results of operation and financial condition.

Oceana Gold does not currently insure against any other environmental liabilities. The Company may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past mining activities. The Company is also exposed to the potential liability of the costs of meeting rehabilitation obligations on the cessation of mining operations.

The Company is subject to litigation risks. All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. The Company is currently subject to the proceedings described under "Legal Proceedings". Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding to which the Company is or may become subject could have a material effect on its financial position, results of operations or the Company's mining and project development operations. See "Legal Proceedings" for a discussion of legal proceedings to which the Company currently is subject.

Shareholders' interests may be diluted in the future. The Company may require additional funding for exploration and development programs and potential acquisitions. If it raises additional funding by issuing additional equity securities, such financing may substantially dilute the interest of existing shareholders. Sales of substantial amounts of Common Shares, or the availability of Common Shares for sale, could adversely affect the prevailing market prices for Common Shares. A decline in the market prices of Common Shares could impair the Company's ability to raise additional capital through the sale of securities should it desire to do so.

The market price for Common Shares cannot be assured. Securities markets have experienced a high level or price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuation will not affect the price of the Company's securities after the Offering, and the market price of the Common Shares may decline below the Offering price. As a result of this volatility, investors may not be able to sell their Common Shares at or above the Offering Price. In the past, following periods of volatility in the market price of a company's securities, shareholders have often instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial cost and diversion of management attention and resources, which could significantly harm our profitability and reputation.

The Company may not pay dividends in the future. The Company conducts its major operations through subsidiaries. The Company's ability to obtain dividends or other distributions from subsidiaries may be subject to restrictions on dividends or repatriation of earnings under applicable local law, monetary transfer restrictions and credit facilities. There can be no assurance that there will be no future restrictions on repatriation, the payment of dividends or other distributions from subsidiaries which are necessary to enable the Company to pay dividends in the future.

The Common Shares have no trading history in Canada. The Common Shares have no history of trading, although Oceana Gold has traded on the ASX and the NZX since March 2004. There can be no assurance that an active and liquid trading market will develop for the Common Shares on any securities exchange upon which the Common Shares may be listed, the failure of which may have a material and adverse impact on the value of the Common Shares, and the ability of a purchaser to dispose of the Common Shares in a timely manner or at all.

The Company is dependent on key personnel, including employees, contractors and consultants, who have been employed in the development and operation of mining assets owned by the Company. While the Company has either, where possible, contracts for services for a term of years or, in the case of any employee, employment agreements with these parties, it cannot ultimately prevent any of these parties from terminating their respective contracts as per the relevant agreed conditions. Loss of key personnel or the inability to recruit and retain high calibre staff to manage future operations and exploration and development activities, and could materially impact on the profit and cash flow of the Company.

Conflicts of interest may arise between directors and officers of the Company. Certain directors and officers of the Company are directors, officers or shareholders of other natural resource companies and to the extent that such other companies may participate in ventures with the Company, the directors and officers may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation.

LEGAL PROCEEDINGS

From time to time the Company is a party to various litigation matters incidental to the conduct of its business. Two claims have been initiated challenging certain water rights applications for the Didipio Gold-Copper Project. The Company is also subject to a court claim seeking an injunction against each of the Company and the DENR to restrain the implementation of the FTAA. While the outcomes of the proceedings are subject to uncertainties and the Company cannot assure you that any outcome will be favourable to the Company, based on the Company's preliminary evaluation of the issues and the advice of counsel, it is anticipated that the matters will be resolved without a material adverse effect on the ability to proceed with the development of the Didipio Gold-Copper Project.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than the interests of certain directors, officers and shareholders of Oceana as described elsewhere in this prospectus (see note 27 to the audited annual financial statements of Oceana Gold commencing at page F-5), none of the directors or officers of Oceana, nor any associate or affiliate thereof, has had a direct or indirect material interest in any transaction within the three years prior to the date hereof or proposed transaction which has materially affected or will materially affect Oceana.

RELATED PARTY TRANSACTIONS

Other than as disclosed in this prospectus and the financial statements which form a part of this prospectus (see note 27 to the audited annual financial statements of Oceana Gold commencing at page F-5), the Company has not entered into any material transactions with any related party.

OTHER MATERIAL FACTS

The Company was granted relief from the requirement to include in this prospectus unaudited interim financial statements of Oceana Gold for the quarter ended March 31, 2007, as Oceana Gold does not prepare such quarterly financial statements under International Financial Reporting Standards. Subsequent to the closing of the Offering and while the Company is a reporting issuer, the Company will provide such financial reporting, including audited annual financial statements and unaudited interim financial statements, as are required by applicable Canadian securities laws.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of Oceana are Ernst & Young, located at 8 Exhibition Street, Melbourne, Victoria, Australia.

Oceana has retained Computershare Investor Services Inc. as its Transfer Agent and Registrar. Common shares will be issued in registered form.

MATERIAL CONTRACTS

The following are the material contracts of Oceana, other than contracts entered into in the ordinary course of business that were entered into within the two years before the date of this prospectus or will be entered into at or prior to the closing of the Offering:

(a) the implementation agreement dated March 30, 2007 between Oceana Gold and Oceana regarding the implementation of the Reorganization; and

(b) the Underwriting Agreement.

The material contracts described above and once entered into, together with the Technical Reports, and any other documents regarding Oceana referred to in this prospectus, may be inspected at the offices of the Company's Canadian counsel, Fasken Martineau DuMoulin LLP, Suite 4200, 66 Wellington Street West, Toronto, Ontario, M5K 1N6 during normal business hours during the period of the distribution of the securities hereunder, or they may be viewed on the Internet at www.sedar.com.

EXPERTS

Certain information in this prospectus of an economic, scientific or technical nature in respect of the mining projects of the Company are based upon the Technical Reports. Each of the authors of the Technical Reports is a "qualified person" for purposes of NI 43-101. Each of Behre Dolbear Australia Pty Ltd., Hellman and Schofield Pty Ltd., RSG Global Consulting Pty Limited, GHD Limited and Australian Mine Design and Development Proprietary Limited is independent of the Company, as are each of the authors of the Technical Reports within the meaning of NI 43-101.

The authors of the Technical Reports have reviewed the information in the prospectus which relates to information contained in the Technical Reports and has confirmed to the Company that the information presented is an accurate, balanced and complete extract of information covered in the Technical Reports.

LEGAL MATTERS

In connection with this Offering, certain legal matters relating to the issue and sale of the Common Shares will be passed upon by Fasken Martineau DuMoulin LLP on behalf of Oceana and Stikeman Elliott LLP on behalf of the Underwriters. The partners and associates of each firm are expected to own less than one percent of the Common Shares upon the closing of the Offering.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt, or deemed receipt, of a prospectus and any amendment thereto. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some provinces and territories, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

GLOSSARY

For an explanation of certain technical terms used in this prospectus, please see "Technical Glossary".

"ad valorem" in relation to a royalty payable under the Mining Act or the Crown Minerals Act, means a royalty calculated as a percentage of the net sales revenue earned on the relevant minerals.

"Amdel" means Amdel Limited.

"Analabs" means Analabs Proprietary Limited.

"ASX" means Australian Stock Exchange Limited.

"Board" or **"Board of Directors"** means the board of directors of Oceana.

"BOI" means Board of Investments.

"CDI" or **"CDIs"** means CHESS Depositary Interests and refers to a unit of beneficial ownership in Common Shares, registered in the name of CDN.

"CDN" means CHESS Depositary Nominees Pty Ltd.

"CHESS" stands for Clearing House Electronic Subregister System.

"Closing Date" means the date of the closing of the Offering.

"Common Shares" means common shares in the capital of Oceana.

"Crown" means the reigning monarch of New Zealand or the government acting on behalf of that monarch.

"Crown Minerals" means the Crown Minerals division of the Ministry of Economic Development of New Zealand.

"Crown Minerals Act" has the meaning ascribed thereto under "New Zealand — Regulation of Mining in New Zealand".

"FTAA" means a Financial or Technical Assistance Agreement, which is a type of mining title granted under the Philippines' mining legislation.

"GAAP" means Canadian generally accepted accounting principles.

"GHD" means GHD Limited.

"JORC Code" means the Australasian Code for the Reporting of Mineral Resources and Ore Reserves of December 2004.

"Listed Option" means an option to purchase Common Shares of Oceana which is listed on the ASX and quoted on NZSX.

"Mining Act" has the meaning ascribed thereto under "New Zealand — Regulation of Mining in New Zealand".

"Minister" has the meaning ascribed thereto under "New Zealand — Regulation of Mining in New Zealand".

"MP" means a mining permit granted under the Crown Minerals Act.

"MPSA" means mineral production sharing agreement granted under Philippines law.

"NPV" means net present value.

"NI 43-101" means National Instrument 43-101 of the Canadian Securities Administrators.

"NRWT" means non-resident withholding tax.

"NZX" means the main board equity security market operated by the New Zealand Exchange Limited.

"PEZA" means the Philippine Economic Zone Authority.

"Oceana Gold Listed Option" means an option to purchase ordinary shares of Oceana Gold which is listed on the ASX and quoted on the NZX.

"Oceana Gold Unlisted Option" means an option to purchase ordinary shares of Oceana Gold, but does not include Oceana Gold Listed Options.

"Offering" means the offering of Common Shares of Oceana pursuant to this prospectus.

"Offering Price" means Cdn$3.50 per Common Share.

"Option" means an option to purchase Common Shares, but does not include Listed Options.

"Option Scheme" means the scheme of arrangement between Oceana Gold and the holders of Oceana Gold Listed Options.

"Over-Allotment Option" means the option granted by Oceana to the Underwriters to purchase additional Common Shares equal to up to 15% of the Common Shares purchased at the closing of the Offering.

"PMA" has the meaning ascribed thereto under "Philippines — Overview".

"PDP" means Project Development Plan.

"PCE" means Pollution Control Equipment.

"Record Date" means the record date for determining holders of ordinary shares of Oceana Gold entitled to participate in the Share Scheme.

"Reorganization" means the reorganization of Oceana Gold resulting in Oceana Gold becoming a wholly-owned subsidiary of Oceana, including the Share Scheme, the Option Scheme, the exchange of Oceana Gold Unlisted Options for Options, the amendment to the terms of the Convertible Notes of Oceana Gold, and the listing of the Common Shares on the TSX and quotation on the NZX, and the listing of CDIs on the ASX.

"RMA" has the meaning ascribed thereto under "Mining Projects — The Macraes Project — Environmental Matters".

"Schemes" means, collectively, the Share Scheme and Option Scheme.

"Share Scheme" means the scheme of arrangement between Oceana Gold and the Oceana Gold holders of ordinary shares.

"Tax Act" means the *Income Tax Act* (Canada).

"TSX" means the Toronto Stock Exchange.

"Underwriters" means BMO Nesbitt Burns Inc., Haywood Securities Inc., Westwind Partners Inc. and Austock Corporate Finance Limited, collectively.

"Underwriting Agreement" means the underwriting agreement to be dated June 26, 2007 among Oceana and the Underwriters.

"WTF" means Waste Treatment Facility.

TECHNICAL GLOSSARY

"As" means Arsenic.

"Au" means gold.

"bcm" means bank cubic metres.

"CIM" means the Canadian Institute of Mining, Metallurgy and Petroleum.

"CIM Standards" means the Mineral Resources and Reserves Definitions and Guidelines adopted by the CIM Council on August 20, 2000, as those definitions may be amended from time to time by the CIM.

"cm" means centimetre.

"Cu" means copper.

"EP" means an exploration permit granted under the Crown Minerals Act.

"Au equiv." means gold equivalent.

"g" means grams.

"g/t" means grams per metric tonne.

"ha" means hectares.

"indicated mineral resource" means that part of a mineral resource for which quantity, grade or quality, densities, shape, and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes that are spaced closely enough for geologic or grade continuity to be reasonably assumed.

"inferred mineral resource" means that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes.

"kg" means kilogram.

"km" means kilometre.

"km^2" means square kilometres.

"lb" means one pound and is equal to 454 g.

"m" means metre.

"m^3" means cubic metres.

"m^3/h" means cubic metres per hour.

"measured mineral resource" means that part of a mineral resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes that are spaced closely enough to confirm both geological and grade continuity.

"mineral resource" means a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.

"mineral reserve" means the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. Mineral reserve includes diluting materials and allowances for losses which may occur when the material is mined.

"mineralization" means the concentration of minerals in a body of rock.

"ML" means Mining License.

"mm" means millimetre.

"Moz" means million ounces.

"Mt" means million tonnes.

"Mtpa" means million tonnes per annum.

"multiple indicator kriging" is a grade estimation technique.

"NMV" means Net Metal Value.

"ordinary kriging" is a grade estimation technique.

"oz" means ounce.

"PLL" means Pipeline License.

"polygonal method" is a grade estimation technique.

"PP" means prospecting permit granted under the Crown Minerals Act.

"ppm" means parts per million.

"probable mineral reserve" means the economically mineable part of an indicated, and in some circumstances a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

"proven mineral reserve" means the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. The study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

"QA/QC" means quality assurance / quality control.

"RC" means reverse circulation.

"RL" means relative level.

"scheelite" is a calcium tungstate mineral.

"SDMP" means social development and management program.

"t" or **"tonne"** is a measure of weight equal to 1,000 kg or 2,204 lbs.

"tpa" means tonnes per annum.

"tpd" means tonnes per day.

"tpm" means tonnes per month.

"TSF" means tailing storage facility.

"TSP" means the Total Suspended Particulate.

OCEANAGOLD CORPORATION
Audited Financial Statements
March 22, 2007

OCEANAGOLD CORPORATION

AUDITORS' REPORT

To the Directors of
OCEANAGOLD CORPORATION

We have audited the balance sheet of OceanaGold Corporation as at 22 March 2007. The balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on the balance sheet based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of OceanaGold Corporation as at 22 March 2007 in accordance with Canadian generally accepted accounting principles.

(Signed) *"Ernst & Young"*
Chartered Accountants
Melbourne, Australia

May 15, 2007 except as to Note 2,
which is as of June 25, 2007

OCEANAGOLD CORPORATION

BALANCE SHEET

As at March 22, 2007

	March 22, 2007
	US$
Current assets	
Cash and cash equivalents	1
Total current assets	1
Total assets	1
Equity	
Shareholder's equity	1
Total equity	1

On behalf of the Board of Directors:

(Signed) JAMES E. ASKEW
Director

(Signed) J. DENHAM SHALE
Director

The accompanying notes are an integral part of these financial statements

OCEANAGOLD CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
As at March 22, 2007

1. Formation of the Company

OceanaGold Corporation (the "Corporation") was incorporated under the *Business Corporations Act* (British Columbia) on March 22, 2007 for the purpose of acquiring all of the issued and outstanding shares and other securities of Oceana Gold Limited ("Oceana Gold"), an Australian company listed on the Australian Stock Exchange ("ASX") and New Zealand Stock Exchange ("NZSX"), pursuant to schemes of arrangements under Australian law (the "Reorganization").

The Reorganization is to be approved by the supervising court and by the holders of ordinary shares of Oceana Gold and by holders of the listed options of Oceana Gold at the meetings held for the purposes of approving the Schemes. The Reorganization became effective on June 18, 2007.

Pursuant to the Reorganization, holders of ordinary shares of Oceana Gold will exchange their shares for either common shares of the Corporation ("Common Shares") or CHESS Depositary Interests ("CDIs"), on the basis of one common share or one CDI for every five ordinary shares of Oceana Gold held on the record date. Similarly, holders of listed options of Oceana Gold will exchange their options for listed options of the Corporation, on the basis of one listed option of the Corporation for every five listed options of Oceana Gold held on the record date. In addition, all outstanding unlisted options of Oceana Gold (options held by management pursuant to the Oceana Gold employee option plan) will be cancelled and exchanged for unlisted options issued by the Corporation, also on a one for five basis. The terms of the convertible notes of Oceana Gold were amended to provide that the Corporation will issue common shares to holders of such convertible notes upon their conversion (in lieu of Oceana Gold issuing ordinary shares).

As well, in connection with the Reorganization: (i) Oceana Gold will become a wholly-owned subsidiary of the Corporation; (ii) the ordinary shares and Oceana Gold listed options will be delisted from the ASX and cease to be quoted on the NZSX; (iii) the Common Shares issued pursuant to the Schemes will be listed on the TSX and quoted on NZSX and the CDIs will be listed on the ASX; and (iv) the listed options of the Corporation issued pursuant to the Reorganization will be listed on the ASX and quoted on NZSX.

2. Subsequent Events

(a) On June 26, 2007 the Corporation will issue 132,859,849 common shares pursuant to the Reorganization.

(b) The Corporation has filed a prospectus in each of the provinces and territories of Canada on June 26, 2007. This prospectus qualifies the distribution of 25,715,000 common shares of the Corporation at a price of Cdn.$3.50 per Common Share. The Common Shares are being offered pursuant to an underwriting agreement among the Corporation and BMO Nesbitt Burns Inc., Haywood Securities Inc., Westwind Partners Inc. and Austock Corporate Finance Limited.

OCEANA GOLD LIMITED
Audited Annual Financial Statements
Years Ended December 31, 2006, 2005 and 2004

OCEANA GOLD LIMITED

CONTENTS

OCEANA GOLD LIMITED

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Oceana Gold Limited were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to Oceana Gold Limited and the entities it controls ("the Group's") circumstances. The significant accounting policies of the Group are summarized in note 2 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

Ernst and Young, the Group's independent auditors, conduct an audit of the consolidated financial statements in accordance with Australian generally accepted auditing standards. Their audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. As well, they make an assessment of the accounting principles used and significant estimates made by management and they evaluate the overall financial statement presentation.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfils its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The members of the Audit Committee are not officers of the Group. The Audit Committee meets with management as well as with the independent auditors to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Group's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(Signed) STEPHEN A. ORR
Chief Executive Officer
Melbourne, Australia
May 15, 2007

(Signed) ROSS GLOSSOP
Chief Financial Officer
Melbourne, Australia
May 15, 2007

OCEANA GOLD LIMITED

INDEPENDENT AUDITOR'S REPORT TO DIRECTORS OF OCEANA GOLD LIMITED

We have audited the consolidated balance sheets of Oceana Gold Limited and its controlled entities (the "Company") as at December 31, 2006, and 2005 and the consolidated statements of earnings/(loss), retained earnings, comprehensive income/(loss) and cash flows (the "Financial Statements") for the three years ended December 31, 2006.

Directors' Responsibility for the Financial Statements

The directors of the company are responsible for the preparation and fair presentation of the Financial Statements in accordance with Canadian generally accepted accounting principles. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the Financial Statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the Australian professional accounting bodies.

Auditor's Opinion

In our opinion, these consolidated Financial Statements, present fairly in all material respects:

(a) the financial performance of the Company for the three years ended December 31, 2006; and

(b) the financial position of the Company as at December 31, 2006, and 2005,

in accordance with Canadian generally accepted accounting principles.

(Signed) *"Ernst & Young"*
Chartered Accountants
Melbourne, Australia
May 15, 2007

AUDITOR'S REPORT IN RESPECT OF COMPATIBILITY WITH CANADIAN GAAS

To the Directors of
OCEANA GOLD LIMITED

We conducted our audit for the years ended 31 December 2006, 31 December 2005 and 31 December 2004 in accordance with Australian Auditing Standards and Ernst & Young's proprietary audit methodology, which we believe to be substantially equivalent to Canadian Generally Accepted Auditing Standards ("Canadian GAAS").

There are no material differences in the form or content of our report as compared to an auditor's report prepared in accordance with Canadian Generally Accepted Auditing Standards and if this report was prepared in accordance with Canadian GAAS it would not contain a reservation.

(Signed) *"Ernst & Young"*
Chartered Accountants
Melbourne, Australia
May 15, 2007

OCEANA GOLD LIMITED

CONSOLIDATED BALANCE SHEETS

As at December 31

	Notes	2006	2005
		(in thousands of United States dollars)	
ASSETS			
Current assets			
Cash and cash equivalents	9	80,025	34,816
Accounts receivable and other receivables	10	2,488	6,721
Inventories	12	10,498	9,459
Prepayments		508	563
Current portion of future tax assets	6	22,894	6,058
Derivatives	22	4,298	—
Total current assets		120,711	57,617
Non-current assets			
Accounts receivable and other receivables	10	26	—
Inventories	12	21,452	18,263
Property, plant and equipment	13	155,032	112,213
Mining assets	14	316,338	52,891
Derivatives	22	10,170	—
Total non-current assets		503,018	183,367
TOTAL ASSETS		623,729	240,984
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		14,700	13,421
Derivatives	22	73,978	14,613
Current portion of employee benefits	21	1,550	1,380
Interest-bearing loans and borrowings	16	957	6,150
Current income taxes payable		—	256
Total current liabilities		91,185	35,820
Non-current liabilities			
Other long term obligations		3,466	749
Employee benefits	21	81	—
Derivatives	22	—	10,386
Interest-bearing loans and borrowings	16	140,652	58,674
Future income tax liabilities	6	90,763	18,207
Asset retirement obligation	15	8,422	6,704
Total non-current liabilities		243,384	94,720
TOTAL LIABILITIES		334,569	130,540
SHAREHOLDERS' EQUITY			
Capital stock	17	246,146	77,442
Retained earnings	17	11,768	35,195
Equity portion of convertible debt	17	9,239	2,534
Contributed surplus	19	18,932	750
Accumulated other comprehensive income	18	3,075	(5,477)
TOTAL SHAREHOLDERS' EQUITY		289,160	110,444
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		623,729	240,984

Contingencies (note 26)
Commitments (note 25)
Subsequent events (note 28)

On behalf of the Board of Directors:

(Signed) James E. Askew
Director

(Signed) J. Denham Shale
Director

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

OCEANA GOLD LIMITED

CONSOLIDATED STATEMENTS OF EARNINGS/(LOSS)

For the years ended December 31

	Notes	2006	2005	2004
		(in thousands of United States dollars except per share amounts)		
Revenue				
Gold sales		94,750	77,778	84,745
Release from other comprehensive income of deferred unrealised loss on designated hedges		(27,684)	—	—
		67,066	77,778	84,745
Cost of sales, excluding depreciation and amortisation		(72,684)	(70,102)	(63,918)
Depreciation and amortisation		(14,031)	(13,471)	(11,597)
Other expenses				
Interest expense		(6,594)	(2,976)	(3,764)
Write off of deferred exploration expenditure		—	(3,192)	—
Other		(6,212)	(7,742)	(5,057)
		(12,806)	(13,910)	(8,821)
Gain/(loss) on fair value of undesignated hedges		(5,079)	(8,899)	23,788
Other income	5	2,766	1,118	2,005
Earnings/(loss) before income taxes		(34,768)	(27,486)	26,202
Income taxes (expense) benefit	6	11,341	8,869	(8,319)
Net earnings/(loss)		(23,427)	(18,617)	17,883
Net earnings/(loss) per share:	7			
— basic (cents per share)		(5.77)	(5.17)	5.11
— diluted (cents per share)		(5.77)	(5.17)	5.10

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

OCEANA GOLD LIMITED

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended December 31

	Notes	2006	2005	2004
		(in thousands of United States dollars)		
Retained earnings/(loss) at beginning of year		35,195	56,436	38,553
Net earnings/(loss)		(23,427)	(18,617)	17,883
Dividends declared		—	(2,628)	—
Other		—	4	—
Retained earnings/(loss) at end of year		11,768	35,195	56,436

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

OCEANA GOLD LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

For the years ended December 31

	Notes	2006	2005	2004
		(in thousands of United States dollars)		
Net income/(loss)		(23,427)	(18,617)	17,883
Other comprehensive income for the year, net of tax:				
Cash flow hedge gain/(loss)	18	1,383	(10,358)	—
Currency translation differences	18	7,169	(7,030)	10,119
		8,552	(17,388)	10,119
Comprehensive income/(loss)		(14,875)	(36,005)	28,002

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

OCEANA GOLD LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

For years ended December 31

	Notes	2006	2005	2004
			(in thousands of United States dollars)	
Operating activities				
Net earnings/(loss)		(23,427)	(18,617)	17,883
Charges/(credits) not affecting cash				
Depreciation and amortisation expense		14,031	13,471	11,597
Net (gain)/loss on disposal of property, plant and equipment		(35)	(7)	41
Accrued interest		1,002	43	—
Share based payments		300	330	405
Non-cash derivative expenses		33,622	14,094	(5,062)
Future tax expense/(benefit)		(11,341)	(8,869)	8,319
Changes in non-cash working capital				
Accrued interest receivable		(228)	—	(124)
(Increase) in accounts receivable and other receivables		(1,891)	(1,052)	(739)
(Increase)/decrease in inventory		4,933	(5,377)	(3,567)
(Decrease)/increase in taxes payable		(264)	268	—
(Decrease)/increase in accounts payable		(1,940)	(643)	529
(Decrease)/increase in other provisions		1,286	264	1,006
Net cash provided by operating activities		16,048	(6,095)	30,288
Investing activities				
Proceeds from sale of property, plant and equipment		596	697	232
Payments for property, plant and equipment		(48,842)	(10,295)	(4,273)
Payments for mining assets: exploration and evaluation		(3,313)	(1,896)	(2,368)
Payments for mining assets: development		(2,677)	(2,788)	(2,965)
Payments for mining assets: in production		(2,841)	(1,903)	(5,230)
Net cash flow on acquisition		7,561	—	—
Net cash used for investing activities		(49,526)	(16,095)	(14,604)
Financing activities				
Proceeds from issue of shares		320	—	36,857
Payment of share issues costs		—	—	(1,935)
Payment of finance lease liabilities		(6,706)	(5,727)	(5,677)
Proceeds from finance lease		13,101	—	—
Proceeds from issue of convertible notes		57,870	33,144	—
Proceeds from/(repayment of) other borrowings		9,820	—	(24,775)
Release of environmental bonds		—	12,112	(15,894)
Dividends paid		—	(2,746)	—
Net cash provided by/(used in) financing activities		74,405	36,783	(11,424)
Effect of exchange rates changes on cash		4,282	(1,719)	2,205
Net increase in cash and cash equivalents		45,209	12,874	6,465
Cash and cash equivalents at beginning of year		34,816	21,942	15,477
Cash and cash equivalents at end of year	9	80,025	34,816	21,942
Cash taxes paid		(204)	—	—
Cash interest paid		(5,592)	(2,534)	(4,114)
Proceeds from close out of hedge contracts		—	—	19,068

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

OCEANA GOLD LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2006, 2005 and 2004

1. Nature of operations

Oceana Gold Limited ("Oceana Gold") is engaged in exploration and the development and operation of gold and other mineral mining activities. Oceana Gold is New Zealand's largest gold producer and is nearing the completion of the development of the Globe Progress open cut mine and has commenced development of the new Frasers underground mine. Since the November 6, 2006 acquisition of Climax Mining Ltd ("Climax") the group has added the Didipio Gold-Copper Project in the Philippines to its development portfolio.

2. Summary of significant accounting policies

The consolidated financial statements of Oceana Gold and its subsidiaries ("the Group", also referred to as "we", "us" and "our") are prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Basis of consolidation

The consolidated financial statements include the financial statements of the parent entity, and its controlled entities, referred to collectively throughout these financial statements as the "consolidated entity".

Financial statements of foreign controlled entities presented in accordance with overseas accounting principles are, for consolidation purposes, adjusted where necessary to comply with Group policy. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Controlled entities are consolidated from the date on which control is transferred to the consolidated entity and cease to be consolidated from the date on which control is transferred out of the consolidated entity.

Foreign currency translation

These consolidated financial statements are expressed in United States dollars ("US$"). The functional currency of Oceana Gold is Australian dollars ("A$"). The financial statements of the Group have been translated to US$ using the current rate method described below.

The presentation of the balance sheet in US$ has been performed using the exchange rates of US$1 equals A$1.3697 and A$1.2669 which were the closing exchange rates at December 31, 2005 and 2006 respectively. The average exchange rates of US$1 equals A$1.3567, A$1.3109, A$1.3269, were used, where relevant for the translation of profit and loss and cash flow amounts shown for the periods ended December 31, 2004, 2005 and 2006 respectively.

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

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

Estimates

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

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with a remaining maturity of three months or less at the date of purchase.

Inventories

Bullion and ore

Inventories are valued at the lower of weighted average cost and net realisable value. Costs include fixed direct costs, variable direct costs and an appropriate portion of fixed overhead costs.

Gold in circuit

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

Stores

Inventories of consumable supplies and spare parts are valued at the lower of cost and net realisable value. Cost is assigned on a weighted average basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less provision for depreciation and any impairment in value. All such assets, except freehold land, are depreciated over their estimated useful lives on a straight line, reducing balance or production output basis, as considered appropriate, commencing from the time the asset is held ready for use.

Depreciation rates used:

Buildings	5% per annum straight line
Mining assets	unit of production based on economically recoverable resources
Other plant and equipment	8% - 33% per annum straight line
	20% - 30% per annum reducing balance

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the undiscounted future cash flows from these assets, the assets are written down to fair value.

Exploration, Evaluation, Development and Restoration Costs

Exploration and Evaluation Expenditure

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

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

Accumulated costs in relation to an abandoned area are written off to the statement of earnings/(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 or Under Development

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

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

Impairment

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

Asset Retirement Obligations

The Group recognises the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development and/or normal use of the assets. The Group concurrently recognises a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the life of the asset. They key assumptions on which the fair value of the asset retirement obligations are based include the estimated future cash flow, the timing of those cash flows and the credit-adjusted risk-free rate or rates on which the estimated cash flows have been discounted. Subsequent to the initial measurement the liability is accreted over time through periodic charges to earnings. The amount of the liability is subject to re-measurement at each reporting period if there has been a change to certain of the key assumptions.

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.

Trade and other receivables

Trade receivables are initially recorded at the amount of contracted sales proceeds, and then subsequently carried at cost less impairment.

Receivables from related entities are initially recognized at the exchange amount and then subsequently carried at cost less impairment. Where these receivables are interest bearing, interest is taken up as income on an accruals basis.

Trade and other payables

Trade payables and other payables are carried at cost and represent 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.

Interest-bearing loans and borrowings

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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at cost using the effective interest method by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in the statement of earnings/(loss) when the liabilities are derecognized and as well as through the amortisation process.

Convertible notes

For convertible notes, the component of the convertible note that exhibits characteristics of a liability is recognized 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 bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion. The increase in the liability due to the passage of time is recognized as a finance cost.

The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Interest on the liability component of the convertible note is recognized as an expense in profit or loss.

Transaction costs are apportioned between the liability and equity components of the convertible note based on the allocation of proceeds to the liability and equity components when the instrument is first recognized.

Employee benefits

A liability is recognized for employee benefits accumulated as a result of employee services up to the reporting date. These employee benefits include wages and salaries, annual leave, and long service leave, and include related costs such as payroll tax and workers compensation insurance.

A liability is recognized for annual leave and the current portion of long service leave together with the associated employment costs are measured at their nominal amounts based on remuneration rates expected to be paid when the liability is settled. The non-current portions of long service leave and its associated employment on-costs are measured at the present value of estimated future cash flows. A liability is recognized for accumulating non-vesting sick leave based on anticipated future payments to the extent that an obligation exists.

Contributions to defined contribution superannuation plans are expensed as incurred.

Share-based payment transactions

The consolidated entity provides benefits to employees (including directors) in the form of share-based payment 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 managing director and senior executives, and

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of options issued is determined by an external valuer using a binomial model, combined with Monte Carlo simulation for those options where there is a market performance hurdle.

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

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

The cumulative expense recognized for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired, and

(ii) the number of awards that, in the opinion of the directors of the consolidated entity, will ultimately vest.

This opinion is formed based on the best available information at balance date. 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.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

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.

Finance 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 charged directly against income.

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. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the lease income.

Operating lease payments are recognized as an expense in the statement of earnings/(loss) on a straight-line basis over the lease term.

Revenue

Revenue is recognized 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 recognized:

Bullion sales

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

- The product is in a form suitable for delivery and no further processing is required by, or on behalf of the 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

Revenue is recognized as the interest accrues using the effective interest method. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Rental Income

Revenue from rental income is recognized on a straight-line basis over the lease term.

Management fee income

Management fee income is recognized as the relevant services are performed.

Income tax

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

Derivative financial instruments and hedge accounting

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

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

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

Prior to January 1, 2005, the Group was required to apply the guidance in Accounting Guideline 13 "Hedging Relationships" ("AcG-13"). The Group did not designate any derivative financial instruments as hedges under AcG-13 and as such, all derivative financial instruments have been recognized at fair value through earnings prior to January 1, 2005.

Effective January 1, 2005, the Group adopted Section 3855 "Financial Instruments — Recognition and Measurement", Section 3865 "Hedges" and Section 1530 "Comprehensive Income" (see note 3), and certain derivative financial instruments have been designated as hedges under the requirements of Section 3865. For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognized asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction.

The method of 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 deemed highly effective, the gain or loss on the effective portion is recognized in accumulated other comprehensive income. The ineffective portion is recognized in the statement of earnings/(loss). Amounts deferred in accumulated other comprehensive income are transferred to the statement of earnings/(loss) and classified as revenue in the same periods during which the hedged gold sales affect the statement of earnings/(loss).

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the statement of earnings/(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 remains in other comprehensive income and is recognized when the committed or forecasted production is ultimately recognized in the statement of earnings/(loss). However, if the committed or forecasted production is no longer expected to occur, the cumulative gain or loss reported in other comprehensive income is immediately transferred to the statement of earnings/(loss).

When the hedged firm commitment results in the recognition of an asset or a liability, the associated gains or losses, previously recognized in accumulated other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

Issued Capital

Issued and paid up capital is recognized at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognized directly in equity as a reduction of the proceeds received.

Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognized as expenses, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

3. Adoption of New Accounting Standards

Financial instruments

In April 2005, the Accounting Standards Board of the Canadian Institute of Chartered Accountants issued three new accounting standards dealing with the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income, together with many consequential amendments throughout the CICA Handbook. These new standards have been applied as of the beginning of the period commencing January 1, 2005. A summary of the impact has been disclosed below:

(i) Financial Instruments — Recognition and Measurement, Section 3855

This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented.

The Group's cash equivalents, temporary investments and investments in marketable securities have been classified as available-for-sale and are recorded at fair value on the balance sheet. Changes in the fair value of these instruments will be reflected in other comprehensive income and included in shareholders' equity on the balance sheet.

Under Section 3855, all derivatives are recorded on the balance sheet at fair value. Mark-to-market adjustments on these instruments are included in net income, unless the instruments are designated as part of a cash flow hedge relationship. All other financial instruments are recorded at cost or amortized cost, subject to impairment reviews. Transaction costs incurred to acquire financial instruments are included in the underlying balance.

(ii) Hedges, Section 3865

This standard is applicable when the Group chooses to designate a hedging relationship for accounting purposes. It builds on the existing AcG—13, "Hedging Relationships", and Section 1650, "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Hedge accounting is applied where the specific criteria under Section 3865 are met. Refer to note 2 for the Group's accounting policy applied effective January 1, 2005 with regard to hedge accounting.

(iii) Comprehensive Income, Section 1530

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on certain investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realised.

Variable interest entities

At the beginning of fiscal year 2005, the Group adopted prospectively the new accounting guideline on the consolidation of variable interest entities (VIEs), legal entities that are not controlled by shareholders with voting rights. The guideline provides guidance for determining when an entity must include the assets, liabilities and results of activities of such an entity and applies to annual and interim periods beginning on or after November 1, 2004. The application of this guideline did not have an impact on the Group's financial statements for the years ended December 31, 2005 or December 31, 2006.

4. Segment Information

The Group's operations are managed on a regional basis. The two reportable segments are New Zealand and the Philippines.

	New Zealand	Philippines	Total
	$'000	$'000	$'000
Year Ended December 31, 2006			
Revenue			
Sales to external customers	94,750	—	94,750
Release from other comprehensive income of deferred unrealised losses on designated hedges	(27,684)	—	(27,684)
Total Segment Revenue	67,066	—	67,066
Result			
Segment result excluding unrealised hedge losses	(1,894)	(463)	(2,357)
Release from other comprehensive income of deferred unrealised losses on designated hedges	(27,684)	—	(27,684)
Total Segment result	(29,578)	(463)	(30,041)
Unallocated expenses			1,867
Interest expense			(6,594)
Loss before tax			(34,768)
Income tax benefit			11,341
Net loss for the year			(23,427)
Assets			
Segment assets	348,482	258,643	607,125
Unallocated assets			16,604
Total assets			623,729
Capital assets	216,119	255,251	471,370
Other segment information			
Capital expenditure	58,239	—	58,239
Depreciation and amortisation	14,014	17	14,031

In 2004 and 2005 the consolidated entity operated in one reporting segment, being resources and in one geographical segment being New Zealand.

Income derived in the New Zealand segment is from the sale of gold. There are no inter-segment transactions.

5. Other Income

	2006	2005	2004
	$'000	$'000	$'000
Other income/(expense)			
Interest income	2,618	1,078	2,033
Gain/(loss) on disposal of property, plant and equipment	35	7	(41)
Other	113	33	13
Total other income	2,766	1,118	2,005

6. Income Tax

Major components of income tax expense/benefit:

	2006	2005	2004
	$'000	$'000	$'000
Statement of earnings/(loss)			
Future income tax			
Future income tax benefit relating to tax losses carried forward	(7,597)	(13,544)	(5,686)
Adjustments in respect of future income tax of previous years	(222)	(58)	(42)
Relating to origination and reversal of temporary differences	(3,522)	4,733	14,047
Income tax (benefit)/expense reported in statement of earnings/(loss)	(11,341)	(8,869)	8,319

Numerical reconciliation between aggregate tax expense/benefit recognized in the income tax statement and the tax expense/benefit calculated per the statutory income tax rate

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Consolidated entity's effective income tax rate for the years ended December 31 is as follows:

	2006	2005	2004
Accounting profit/(loss) before tax from continuing operations	(34,768)	(27,486)	26,202
At the statutory income tax rate of 30% (2005 30%)	(10,430)	(8,246)	7,861
Adjustments in respect of current income tax of previous years	(222)	(58)	(42)
Expenditure not allowable for income tax purposes	299	100	144
Effect of differing tax rates between Australia and New Zealand	(988)	(824)	786
Foreign exchange loss on loan	—	—	(418)
Other	—	159	(12)
Income tax (benefit)/expense reported in the statement of earnings/(loss)	(11,341)	(8,869)	8,319

	2006	2005
	$'000	$'000
Future income tax		
Future income tax at December 31 relates to the following:		
Future income tax liabilities		
Mining assets	(86,407)	(17,604)
Property, plant and equipment	(41,307)	(25,474)
Inventory	(868)	(295)
Interest Receivable	(258)	(89)
Accrued Revenue	(1,143)	(832)
Revaluations of hedge contracts to fair value	(4,776)	—
Gross future income tax liabilities	(134,759)	(44,294)
Set-off future tax assets	43,996	26,087
Net future tax liabilities	(90,763)	(18,207)
Less: current portion	—	—
	(90,763)	(18,207)
Future income tax assets		
Losses available for offset against future taxable income	40,033	20,814
Revaluations of hedge contracts to fair value	24,413	8,250
Provisions	1,040	672
Accrued expenses	1,154	2,063
Borrowing costs	1	1
Share issue costs	249	345
Gross future income tax assets	66,890	32,145
Set-off future tax liabilities	(43,996)	(26,087)
	22,894	6,058
Less: current portion	(22,894)	(6,058)
Net future tax assets	—	—

The consolidated entity has a benefit arising on recognized tax losses arising in New Zealand of $39.213m (2005: $20.8m, 2004: $18.28m) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

The recovery of carried forward tax losses is considered more likely than not of recovery based on forecast future taxable profits.

At December 31, 2006, there is no recognized or unrecognized future income tax liability (2005: $nil, 2004: $nil) for taxes that would be payable on the unremitted earnings of certain of the Group's controlled entities as the consolidated entity has no liability for additional taxation should such amounts be remitted.

In the consolidated entity there are future tax liabilities at year end of $65.144m arising from the acquisition of assets as part of the Climax transaction during 2006.

Tax consolidation

The parent entity and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from May 2006. Oceana Gold is the head entity of the tax consolidated group. Members of the group will enter into a tax sharing arrangement in order to allocate the income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognized in the financial statements in respect of any agreement as the agreement has not yet been entered into and possibility of default is remote.

The head entity and the controlled entities in the consolidated group continue to account for their own current and future tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and future taxes to allocate to members of the tax consolidated group.

In addition to its own current and future tax amounts the head entity also recognises current tax liabilities or assets and the future tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the consolidated group. The group's accounting policy is to recognise consequential payments to/from the head entity via an inter-entity receivable/(payable).

7. Earnings Per Share

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

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

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

	2006	2005	2004
	$'000	$'000	$'000
Numerator:			
Net profit/(loss) attributable to equity holders from continuing operations (used in calculation of basic and diluted earnings per share)	(23,427)	(18,617)	17,883
	Thousands	Thousands	Thousands
Denominator:			
Weighted average number of ordinary shares (used in calculation of basic earnings per share)	405,957	360,000	350,274
Effect of dilution:			
Share options*	—	—	72
Convertible notes*	—	—	—
Adjusted weighted average number of ordinary shares (used in calculation of diluted earnings per share)	405,957	360,000	350,346

Note:

* In 2005 and 2006 conversion of share options and convertible notes would decrease the loss per share and hence are non-dilutive.

8. Dividends Paid and Proposed

	2006	2005	2004
	$'000	$'000	$'000
Declared and paid during the year:			
Dividends on ordinary shares:	—	2,628	—

9. Cash and Cash Equivalents

	2006	2005	2004
	$'000	$'000	$'000
Reconciliation of cash			
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at December 31:			
Cash per the Balance Sheet (comprising cash on hand, at bank and on deposit)	80,025	34,816	21,942

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

10. Accounts Receivable and Other Receivables

	2006	2005
	$'000	$'000
Current		
Trade receivables	1,988	1,317
Other receivables	262	5,309
Interest receivables	238	46
Related party receivables	—	49
	2,488	6,721
Non-Current		
Other	26	—
	26	—

Trade receivables are non-interest bearing and are due upon confirmation of gold assay. Other receivables relate to restricted cash on interest bearing deposits at bank, in support of environmental bonds and deposits set out for rental of properties. For terms and conditions of related party receivables, refer to note 25.

11. Disclosure of Non-Cash Financing and Investing Activities

The acquisition of Climax was a non-cash investing activity as consideration was in the form of an issue of securities. Please refer to note 21 for further detail.

In December 2006 Oceana Gold New Zealand Ltd refinanced its finance lease facility over the mining fleet utilised at the Macraes mine. The new facility, provided by the ANZ bank has a facility limit of NZ$43.5 million.

In 2005 Mining equipment of $13.1 million was acquired by the Group under a finance lease.

12. Inventories

	2006	2005
	$'000	$'000
Current		
Gold in circuit, at cost[a]	1,584	828
Ore, at cost[b]	1,718	2,205
Stores, at cost	7,196	6,426
	10,498	9,459
Non-Current		
Ore, at net realisable value[c]	21,452	18,263
Total inventories at lower of cost and net realisable value	31,950	27,722

(a) Gold in circuit, ounces	5,563	3,516
(b) Ore stockpile, tonnes ('000) — current	819	1,022
(c) Ore stockpile, tonnes ('000) — non-current	8,873	8,546

13. Property, Plant and Equipment

	2006	2005
	$'000	$'000
Freehold land, at cost		
Cost at December 31	4,501	4,358
Accumulated depreciation at December 31	—	—
At 31 December net of accumulated depreciation	4,501	4,358
Buildings, at cost		
Cost at December 31	4,605	4,281
Accumulated depreciation at December 31	(1,804)	(1,522)
At December 31 net of accumulated depreciation	2,801	2,759
Plant and equipment, at cost		
Cost at December 31	139,601	95,562
Accumulated depreciation at December 31	(34,708)	(25,512)
At December 31 net of accumulated depreciation	104,893	70,050
Leased Assets		
Cost at December 31	69,961	54,076
Accumulated depreciation at December 31	(27,124)	(19,030)
At December 31 net of accumulated depreciation	42,837	35,046
Net book value of property, plant and equipment at December 31	155,032	112,213

Leased assets are pledged as security for the related finance lease liabilities.

Borrowing costs

There are no borrowing costs capitalised into the cost of any assets held on the balance sheet at December 31, 2006 (2005: nil, 2004: nil).

14. Mining Assets

	2006	2005
	$'000	$'000
Mining Assets: Exploration and evaluation phase, at cost		
Cost at December 31	263,149	4,757
Mining Assets: Development phase, at cost		
Cost at December 31	25,493	19,000
Accumulated amortisation on development phase at December 31	(2,977)	(2,577)
At December 31 net of accumulated amortisation	22,516	16,423
Mining Assets: In production, at cost		
Cost at December 31	45,745	41,919
Accumulated amortisation on in production assets at 31 December	(15,072)	(10,208)
At December 31 net of accumulated amortisation	30,673	31,711
Net book value of mining assets at December 31	316,338	52,891

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

15. Asset Retirement Obligation

	2006	2005
	$'000	$'000
Non-Current		
Rehabilitation	8,422	6,704
Movement:		
At January 1	6,704	6,898
Arising during the year	1,491	512
Acquired through acquisition	188	—
Utilised	(338)	(339)
Exchange adjustment	377	(367)
At December 31	8,422	6,704

Rehabilitation

A provision for rehabilitation is recorded in relation to the gold mining operations for the rehabilitation of the disturbed mining area to a state acceptable to various regulatory authorities. While rehabilitation is ongoing, final rehabilitation of the disturbed mining area is not expected until the cessation of mining, currently estimated to be beyond 2010.

Rehabilitation provisions are estimated based on survey data, external contracted rates and the timing of the current mining schedule. Provisions are discounted using a liability specific rate and are externally reviewed and approved by council nominated consultants.

Rehabilitation provisions are subject to an inherent amount of uncertainty in both timing and amount and as a result are continuously monitored and revised.

Asset retirement obligations are initially recorded as a liability at fair value, assuming a credit adjusted risk free discount rate of 6.5%. The liability for retirement and remediation on an undiscounted basis is estimated to be approximately $14.084 million.

16. Interest-Bearing Loans and Borrowings

	Effective interest rate %	Maturity	2006	2005
			$'000	$'000
Current				
Finance leases (note 24)	9.44%	10/31/2012	957	5,963
Insurance Premium Loan (NZD)	4.62%	03/31/2006	—	74
ACC Premium Loan (NZD)	4.19%	03/31/2006	—	113
			957	6,150
Non-current				
Finance leases (note 24)	9.44%	10/31/2012	43,798	29,432
5.75% Convertible Notes (A$55m)	9.16%	12/22/2012	39,393	29,242
7.00% Convertible notes (A$70m)	10.13%	12/22/2013	46,892	—
Project debt facility (NZD)	10.25%	12/31/2010	10,569	—
			140,652	58,674

5.75% Convertible Notes (Unsecured)

The Notes bear interest at 5.75% per annum payable semi-annually in arrears. The Notes are due for redemption at 109% of their principal amount in 2012 unless prior conversion to ordinary shares at the option of the noteholder. The number of shares to be delivered upon conversion shall be determined by dividing the principal amount of the note by the conversion price of A$0.8487 (subject to adjustment for certain specified events).

7.00% Convertible Notes (Secured)

The Notes bear interest at 7.00% per annum payable semi-annually in arrears. 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 prior conversion to ordinary shares at the option of the noteholder. The number of shares to be delivered upon conversion shall be determined by dividing the principal amount of the note by the conversion price of A$0.819 (Subject to adjustment for certain specified events).

Finance Leases

The Group has two finance lease facilities in place, being a facility with ANZ Banking Group Ltd ("ANZ Facility"), and a Master Lease Facility with Caterpillar Finance ("CAT Master Lease").

	ANZ	CAT Master
Original drawdown date	December 28, 2006	October 5, 2006
Term	5 years	7 years
Amount drawn down		
- NZ$ component	43,846	19,586
Interest rates		
- NZ$ component	9.36%	9.62%

Financing facilities available

At 31 December 2006 the consolidated entity has issued $86.3m (2005: $29.2m) of convertible notes and has available finance lease facilities of NZ$83.5 million of which NZ$63.5m (2005: NZ$51.9m) have been drawn.

A consortium of banks provides a 694,806 (2005 700,000) ounce hedging facility to Oceana Gold New Zealand Ltd (OGNZL) (refer to note 22). OGNZL's assets are pledged as security.

Additionally, the consolidated entity has available a project debt facility of up to NZ$45 million provided by a consortium of banks of which NZ$15 million (2005: Nil) has been drawn at December 31, 2006.

17. Shareholders' Equity

		2006		2005		2004
		$'000		$'000		$'000
Ordinary shares						
Issued and fully paid		246,146		77,442		77,442
	Thousands	$'000	Thousands	$'000	Thousands*	$'000
Movement in ordinary shares on issue						
At January 1	360,000	77,442	360,000	77,442	291,500	27,362
Conversion of secured loan to equity	—	—	—	—	18,500	13,961
Shares issued	80	41	—	—	50,000	37,498
Share issue costs	—	—	—	—	—	(1,969)
Tax effect of share issue costs	—	—	—	—		590
Exercise of options	500	491	—	—	—	—
Issued through acquisition of entity	303,222	168,172	—	—	—	—
At December 31	663,802	246,146	360,000	77,442	360,000	77,442
Other equity securities						
Value of conversion rights — convertible notes		9,239		2,534		—
		9,239		2,534		—

The amount shown for other equity securities is the value of the conversion rights relating to the 5.75% and 7% convertible notes, details of which are shown in note 16.

* In respect of the acquisition of OceanaGold New Zealand Limited (OGNZL) by OceanaGold Limited (OGL), the financial statements have been prepared using the continuity-of-interests method of accounting as there was no substantive change in the ownership interest of OGNZL. Accordingly, the assets and liabilities assumed by OGL were measured at OGNZL's historical carrying amount. As a result the number of shares disclosed is that of the legal parent entity OGL, whereas the value of the share capital at January 1, 2004 is that of OGNZL.

Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of Oceana Gold, 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.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of Oceana Gold.

Oceana Gold has a share option scheme under which options to subscribe for Oceana Gold's shares have been granted to executives. Details of options on issue are provided in Note 19. Shareholders have approved the issue of up to 10,000,000 share options under the scheme.

Oceana Gold also has an employee share purchase plan whereby employees are able to direct up to 10% of their gross salary to acquire shares, with Oceana Gold matching the employee contribution on a dollar for dollar basis. Plan shares are acquired on the Australian Stock Exchange 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. (Refer note 19).

As part of the share scheme for the Climax transaction there are also 151,609,515 listed options.

These options entitle the holder to subscribe for one Oceana Gold share at an exercise price of A$0.925. The options can only be exercised during the period from January 1, 2008 to January 1, 2009 (or earlier in the event of a successful takeover bid for Oceana Gold). The options lapse on January 1, 2009 if not exercised before that date.

18. Accumulated Other Comprehensive Income ("OCI")

	2006	2005	2004
	$'000	$'000	$'000
At January 1			
Cash flow hedge gains (losses)	(10,358)	—	—
Currency translation adjustments	4,881	11,911	1,792
	(5,477)	11,911	1,792
OCI for the year:			
Effective portion of change in fair value of gold put options	2,487	—	
Effective portion of change in fair value of gold forward contracts[1]	(28,107)	(15,730)	—
Transfers of cash flow hedge losses to earnings on recording hedged items in earnings	27,684	—	—
Currency translation differences	7,169	(7,030)	10,119
OCI before tax	9,233	(22,760)	10,119
Income tax recovery/(expense) on effective portion of change in fair value of gold hedges	(821)	—	—
Income tax recovery/(expense) on mark to market movement on gold forward contracts	9,276	5,372	—
Income tax recovery/(expense) on transfers of cash flow hedge losses to earnings on recording hedged items in earnings	(9,136)	—	—
OCI net of tax	8,552	(17,388)	10,119
Accumulated OCI at December 31			
Cash flow hedge gains (losses)	(8,975)	(10,358)	—
Currency translation adjustments	12,050	4,881	11,911
	3,075	(5,477)	11,911

Portion of hedge gain/(loss) expected to affect 2007 earnings based on the fair value of hedge contracts at December 31, 2006 $2.542 million.

Note:

(1) On May 16, 2006, the Group restructured its gold hedge contracts. The fair value of the gold hedge contracts at May 16, 2006 is recognized in Accumulated Other Comprehensive Income and will unwind to earnings in the period to June 2007 (refer to note 22).

19. Contributed Surplus

Movement in contributed surplus

	2006	2005
	$'000	$'000
At January 1	750	405
Stock-based compensation expense	293	345
Issue of options	18,101	—
Exercise of options	(212)	—
	18,932	750

20. Stock-Based Compensation

(a) Executive share options plan

Directors, executives and certain members of staff of the consolidated entity hold options over the ordinary shares of the Corporation, Oceana Gold Limited. Each option entitles the holder to one ordinary share upon exercise. The options were issued for nil consideration. Vesting of the options is currently subject to loyalty and, generally, performance requirements. The options cannot be transferred without the Corporation's prior approval and the Corporation does not intend to list the options. No options provide dividend or voting rights to the holders.

The vested options are only exercisable if the relevant vesting conditions are met and the relevant employee or executive is employed by or on behalf of the consolidated entity, or its associates, at the time the options are exercised or if the options are exercised within 30 days of the relevant employee or executive ceasing such employment.

The following share options were on issue in the period:

Option Series	Number	Grant date	Vesting date not before	Expiry date	Exercise price A$	Fair value at Grant date A$
18-Feb-05[4]	300,000	18-Feb-05	01-Jan-08	31-Dec-09	$1.25	$0.17
18-Feb-05[1]	31,250*	18-Feb-05	07-Feb-06	07-Feb-11	$1.00	$0.10
18-Feb-05[2]	31,250*	18-Feb-05	07-Feb-07	07-Feb-12	$1.25	$0.11
18-Feb-05[3]	62,500*	18-Feb-05	07-Feb-08	07-Feb-13	$1.50	$0.13
18-Feb-05[1]	250,000	18-Feb-05	29-Nov-05	29-Nov-10	$1.00	$0.07
18-Feb-05[2]	250,000	18-Feb-05	29-Nov-06	29-Nov-11	$1.25	$0.10
18-Feb-05[3]	500,000	18-Feb-05	29-Nov-07	29-Nov-12	$1.50	$0.12
01-Sep-05[4]	300,000	01-Sep-05	31-Aug-08	31-Aug-10	$1.50	$0.17

Option Series	Number	Grant date	Vesting date not before	Expiry date	Exercise price A$	Fair value at Grant date A$
22-Jun-06(1)	100,000	22-Jun-06	01-Jun-07	01-Jun-12	$1.00	$0.33
22-Jun-06(1)	100,000	22-Jun-06	01-Jun-08	01-Jun-13	$1.00	$0.36
22-Jun-06(1)	100,000	22-Jun-06	01-Jun-09	01-Jun-14	$1.00	$0.39
22-Jun-06(1)	31,250	22-Jun-06	22-May-07	22-May-12	$1.00	$0.33
22-Jun-06(2)	31,250	22-Jun-06	22-May-08	22-May-13	$1.25	$0.31
22-Jun-06(3)	62,500	22-Jun-06	22-May-09	22-May-14	$1.50	$0.31

Notes:

(1) Option holder must be employed by the Corporation or its subsidiary at the vesting date. Share price must be A$1.00 or greater to vest.

(2) Option holder must be employed by the Corporation or its subsidiary at the vesting date. Share price must be A$1.25 or greater to vest.

(3) Option holder must be employed by the Corporation or its subsidiary at the vesting date. Share price must be A$1.50 or greater to vest.

(4) Option holder must be employed by the Corporation or its subsidiary at the vesting date. Gold production from the New Zealand based gold assets of the Corporation must in aggregate exceed 350,000oz for the year ending December 31, 2007.

* Some or all of the option balance was forfeited during the financial year as employment performance conditions were not met or employees resigned in the year.

i) Options granted during the financial year

The weighted average fair value of the share options granted during the financial year is A$0.35 (2005: A$0.13). Options were priced using a binomial option pricing model. Where options had a performance hurdle a Monte-Carlo simulation was used to value the performance hurdle. Where options do not have a performance hurdle they were valued as Bermudan 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 Corporation 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 Oceana Gold and many other companies, historical volatility has been used for the purposes of the valuation. Expected volatility is based on the historical share price volatility over the past year as Oceana Gold only has 12 months of traded share price data available. 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 2006 financial year due to the large ongoing capital commitment.

The following table gives the assumptions made in determining the fair value of options granted in the financial year:

Grant Date	Dividend yield	Expected volatility	Risk-free interest rate	Expected life of option	Option Exercise Price	Share Price at Grant Date
22 June 2006	0%	43.4%	5.82%	6.0 years	A$1.00	A$0.77
22 June 2006	0%	43.4%	5.82%	7.0 years	A$1.00	A$0.77
22 June 2006	0%	43.4%	5.82%	8.0 years	A$1.00	A$0.77
22 June 2006	0%	43.4%	5.82%	6.0 years	A$1.00	A$0.77
22 June 2006	0%	43.4%	5.82%	7.0 years	A$1.25	A$0.77
22 June 2006	0%	43.4%	5.82%	8.0 years	A$1.50	A$0.77

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

WAEP = weighted average exercise price

	2006		2005		2004	
	No.	WAEP	No.	WAEP	No.	WAEP
Outstanding at start of year	7,775,000	A$1.08	7,550,000	A$1.06	—	
Granted in year	425,000	A$1.09	1,725,000	A$1.33	9,050,000	A$1.11
Forfeited during the year	(1,200,000)	A$1.30	(1,500,000)	A$1.26	(1,500,000)	A$1.25
Exercised during the year	(500,000)	A$0.75	—	—	—	—
Expired during the year	—	—	—	—	—	—
Balance at the end of the year	6,500,000	A$1.07	7,775,000	A$1.08	7,550,000	A$1.08
Exercisable at the end of the year	500,000	A$0.75	500,000	A$0. 75	—	—

ii) Balance at end of the financial year

The share options at the end of the financial year had an exercise price of between A$1.00 and A$1.50 and a weighted average remaining contractual life of 6.8 years.

(b) Employee share acquisition plan

Under the Oceana Gold Limited Employee Share Acquisition Plan (the "Plan"), the Corporation offers all employees of the consolidated entity (other than directors of the Corporation) the opportunity to purchase shares in Oceana Gold. Eligible employees are able to direct up to 10% of their gross salary to acquire shares, with the Corporation matching the employee contribution on a dollar for dollar basis.

Plan shares are acquired at market price and held in trust for the participating employees by a dedicated corporate trustee. While the Trustee holds the shares, the employees are entitled to full dividend and voting rights on the shares beneficially held on their behalf. A comprehensive Plan Constitution and Trust Deed set out the basis of operation of the Plan, pursuant to relevant Corporations Act and taxation legislation requirements.

The transfer or sale of Plan shares is restricted for a maximum of 3 years. On each anniversary of an employee's commencement with the Plan, one third of Plan shares acquired in the prior 3-year period are vested to the employee.

Details of the employee share plan for the consolidated entity are as follows:

	Opening Shares Held by Trustee	Shares Acquired by the Trustee During the Year		Shares Transferred from the Trustee During the Year		Forfeited Shares sold by Trustee	Closing Shares Held by the Trustee	
	Number	Number(1)	Fair Value(2)	Number(3)	Fair Value(4)	Number(3)	Number	Fair Value(5)
2004	—	—	—	—	—	—	—	—
2005	—	406,067	A$253,501	8,300	A$4,690	—	397,767	A$276,448
2006	397,767	339,410	A$256,430	124,632	A$97,956	—	612,545	A$459,409

Notes:

(1) The Trustee acquires shares regularly throughout the year, following receipt of contributions from employees and the consolidated entity.

(2) The fair value of shares acquired by the Trustee is equal to the market price paid by the Trustee for acquisitions of Oceana Gold Limited shares on the ASX throughout the year. The fair value comprises 50% contribution from employees and 50% contribution from the Corporation.

(3) Members of the Plan are entitled to hold their vested shares in the Trustee for up to 10 years following vesting. The Trustee distributes vested shares to members following receipt of a request to do so, and accordingly these transfers can take place throughout the year on a regular basis. Additionally, members who cease employment with the consolidated entity are entitled to receive their employee funded Plan shares without having to wait for the vesting period. In the event of a member ceasing employment the Corporation funded Plan shares that have not reached vesting stage are forfeited to the Trust.

(4) The fair value of the shares transferred out by the Trustee during the year is represented by the market value of the Oceana Gold Limited shares at the time of transfer.

(5) The fair value of the shares held by the Trustee at reporting date has been determined by reference to the last sale price of Oceana Gold Limited shares on the ASX at reporting date.

21. Employee Future Benefits

(a) Employee benefit liability

	2006	2005
	$'000	$'000
Aggregate employee benefit liability is comprised of:		
Accrued wages, salaries and on-costs	205	112
Provisions current	1,550	1,380
Provisions non-current	81	—
	1,836	1,492

(b) Defined Contribution Plans

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

The defined contribution plan expense was $46,000 (2005: $6,000, 2004: $5,000).

22. Financial Instruments

(a) Financial Risk Management Policies and Objectives

Financial exposures arise in the normal course of the consolidated entity's business operations, including commodity price risk, foreign exchange risk and liquidity risk as well as credit risk associated with trade and financial counterparties. The policy for managing each of these risks is reviewed and agreed by the board, and are summarised below.

The consolidated entity has a risk management programme to manage its financial exposures that includes, but is not limited to, the use of derivative products within three banking institutions. The term "derivative" has been adopted to encompass all financial instruments that are not directly traded in the primary physical market. The Group does not enter into trade financial instruments, including derivative financial instruments for trade or speculative purposes.

The consolidated entity faces operational risk associated with the financial transactions conducted but seeks to manage this risk by having established operating policies and procedures. These policies and procedures are set by the Board.

(b) Gold Price and Foreign Exchange Risk

International markets determine the price of gold in US dollars on a daily basis.

Metal prices and exchange rates are fixed using forward sale contracts and options. Derivative financial instruments are matched with future metal production or revenues denominated in US dollars.

The forward sales programme is managed in accordance with policies approved by the Board. Performance under these policies is regularly reported to the Board.

During the year the gold forward sale contracts were restructured so that 423,000 ounces that were previously contracted for sale through 2006 and 2007 at an average price of NZ$710 per ounces were contracted for sale through to 2010 at an average price of NZ$773 per ounce.

OGNZL has a hedging facility for 694,806 (2005: 700,000, 2004: 400,000) ounces at December 31, 2006. The security for this facility consists of:

(i) share mortgages over Oceana Gold's interests in OGNZL;

(ii) a general security deed creating a security interest over all the present and future property of OGNZL;

(iii) first registered fixed and floating charges over all OGNZL assets and undertakings and registered mortgages over the relevant mining tenements and material land; and

(iv) interests in forward sales contracts held by Oceana Gold Management Pty Ltd (refer below), supported by a guarantee by Oceana Gold of the obligations of OGNZL.

The following summarises the gold forward obligations at December 31, 2006, 2005 and 2004:

	Total Dec 31 06	Maturity 2007	Maturity 2008	Maturity 2009	Maturity 2010	Total Dec 31 05	Maturity 2006	Maturity 2007	Total Dec 31 04	Maturity 2005
Gold fixed forward sales										
Ounces	374,037	54,249	113,712	106,236	99,840	480,000	350,000	130,000	150,000	150,000
Weighted average NZ$/oz	773.01	773.01	773.01	773.01	773.01	697.80	697.57	698.43	644.08	644.08
Present value NZ$/oz	664.04	743.63	690.61	648.61	606.96	670.52	685.10	631.26	641.34	641.34

The net return if all the bullion forward contracts guaranteed by the consolidated entity were to be delivered as compared to the market value of these obligations at December 31, 2006 was $63.374m deficit (2005: $24.999m deficit, 2004: $3.4m net surplus). None of the forward contracts are considered to be specific hedges of the future gold production of the Group and consequently movements in their fair value or mark to market position since the restructure have been reflected in the statement of earnings/(loss).

During the period Oceana Gold Management Pty Ltd also entered into a series of put option contracts to sell 320,769 ounces of gold at a minimum price of NZ$1,000 per ounce between 2007 and 2010. At the same time a series of call options were sold whereby the Group is obliged to sell 104,024 ounces of gold at a maximum price of NZ$1,062 in 2010 if called upon to do so by the counter party to the contracts.

The following summarises the gold option contracts at December 31, 2006, 2005 and 2004:

	Total Dec 31 06	Maturity 2007	Maturity 2008	Maturity 2009	Maturity 2010	Total Dec 31 05	Total Dec 31 04
Metal Commitments							
Gold Put options							
Ounces	320,769	72,231	81,042	85,416	82,080	—	—
Weighted average NZ$/oz	1,000.33	1,000.33	1,000.33	1,000.33	1,000.33	—	—
Present value NZ$/oz	865.92	962.99	894.01	835.79	784.13	—	—
Gold Call Options							
Ounces	104,024				104,024	—	—
Weighted average NZ$/oz	1,062.30				1,062.30	—	—
Present value NZ$/oz	832.69				832.69	—	—

The net return if all the bullion option contracts guaranteed by the consolidated entity were to be delivered as compared to the market value of these obligations at December 31, 2006 was $4.146m surplus (2005: Nil, 2004: Nil). The gold put options have been treated as a specific hedge and consequently movements in their intrinsic value since inception have been reflected directly in equity. Movements in the time value of the options have been reflected in the statement of earnings/(loss).

The gold call options have not been accounted for as a specific hedge and consequently movements in the fair value or mark to market position since inception have been reflected in the statement of earnings/(loss).

The consolidated entity has in place the following forward currency contracts to protect certain specific payment commitments.

	Dec 31 2006	Dec 31 2005	Dec 31 2004	Weighted average exchange rate 2006	2005	2004
	'000	'000	'000			
Currency Commitments						
Buy $US	2,746	—	800	0.6329	—	0.7134
Sell $NZ	4,339	—	1,121	0.6329	—	0.7134

The above has a maturity date of less than 12 months. The hedge contracts have not been accounted for as a specific hedge and consequently movements in the fair value or mark to market position since inception have been reflected in the statement of earnings/(loss). The net surplus value of the hedge contract, compared to the spot prices prevailing at December 31, 2006, was $0.282m (2005: nil, 2004: $0.004m).

A summary of the Group's derivatives is set out below:

	2006	2005
	$'000	$'000
Current Assets		
Gold put options	4,298	—
Non Current Assets		
Gold put options	10,170	—
Current Liabilities		
Gold forward sales contracts	63,374	14,613
Gold call options	10,322	—
Forward currency contracts	282	—
	73,978	14,613
Non Current Liabilities		
Gold forward sales contracts	—	10,386

The net gain recognized in the statement of earnings/(loss) relating to the amount of gains and losses reclassified to net income as a result of the discontinuance of cash flow hedges because it is probable that the original anticipated transactions will not occur by the end of the originally specified time period is $0.9 million (2005 and 2004: nil).

The net gains and losses recognized in the statement of earnings/(loss) relating to contracts not designated as specific hedges have been disclosed in note 5.

(c) Interest Rate Risk

Objective

The consolidated entity's approach to managing the risk of adverse changes in interest rates is to manage the identified net exposure through variable and fixed rate arrangements or financial derivatives.

Policy

The consolidated entity policy is to manage interest rate risk in a cost efficient manner having regard to the net interest rate exposure after offsetting interest bearing financial assets with interest accruing financial liabilities.

The consolidated entity's exposure to interest rate risk, and the effective weighted average interest rate for classes of financial assets and financial liabilities, both recognized and unrecognized at the reporting date, is set out below:

Year ended December 31, 2006	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5 + years	Total	Weighted average effective interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
Fixed rate								
Financial Assets								
Short-term Deposits	8,595	—	—	—	—	—	8,595	6.33%
Financial Liabilities								
Project Debt facility	—	10,569	—	—	—	—	10,569	10.25%
Convertible Notes	—	—	—	—	—	86,285	86,285	9.68%
	8,595	10,569	—	—	—	86,285	105,449	
Floating rate								
Financial Assets								
Cash	71,430	—	—	—	—	—	71,430	5.55%
Receivables	2,488	—	—	—	—	—	2,488	
	73,918	—	—	—	—	—	73,918	
Financial Liabilities								
Trade payables	14,700	—	—	—	—	—	14,700	
Finance Leases	957	6,232	6,888	7,622	18,903	4,153	44,755	9.44%
	15,657	6,232	6,888	7,622	18,903	4,153	59,455	

Year ended December 31, 2005	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5 + years	Total	Weighted average effective interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
Fixed rate								
Finance Leases	5,963	6,331	6,772	6,135	2,712	7,482	35,395	9.30%
Insurance Premium Loan	74	—	—	—	—	—	74	4.62%
ACC Premium Loan	113	—	—	—	—	—	113	4.19%
Convertible Notes	—	—	—	—	—	29,242	29,242	9.76%
	6,150	6,331	6,772	6,135	2,712	36,724	64,824	
Floating rate								
Financial Assets								
Cash	34,816	—	—	—	—	—	34,816	6.04%
Receivables	6,721	—	—	—	—	—	6,721	—
	41,537	—	—	—	—	—	41,537	—
Financial Liabilities								
Trade payables	13,421	—	—	—	—	—	13,421	—
Income tax payable	256	—	—	—	—	—	256	—
	13,677	—	—	—	—	—	13,677	

(d) Credit Risk

The consolidated entity's operations and its access to commodity and currency forward sales transactions create credit risk.

The consolidated entity has in place policies for the management of credit exposures, which include Board approval of all counterparties. The policies establish limits and methodology for measuring and reporting credit exposures to financial counterparties.

Maximum credit risk of financial assets is the carrying amounts recorded in the balance sheet.

The consolidated entity is not materially exposed to any individual customer or other third party.

Financial instruments that potentially subject the consolidated entity to concentrations of credit risk consist principally of cash deposits. The consolidated entity places its cash deposits with high credit-quality financial institutions and limits the amount of credit exposure to any one financial institution. These cash deposits all mature within twelve months and attract a rate of interest at normal short-term money market rates.

(e) Liquidity Risk

Objective

The consolidated entity's approach to managing liquidity risk is to ensure cost effective continuity in funding and trading liquidity. Funding liquidity is maintained through the use of bank project loans, convertible bonds, finance leases and operating leases. Trading liquidity is maintained by an effective spread between the counterparties with which the consolidated entity enters into derivative instruments.

Policy

The consolidated entity's funding liquidity risk policy is to source debt or equity funding appropriate to the use of funds. Examples include equipment leases to finance the mining fleet and the convertible bond issue to finance the development of new mines. Trading risk policy is to ensure derivative transactions are spread between at least two secured counterparties acknowledging both volume and tenure of the derivative to reduce the risk of trading liquidity arising as a result of the inability to close down existing derivative positions, or hedge underlying risks incurred in normal operations.

23. Acquisition of Assets

On November 6, 2006 Oceana Gold completed an acquisition of Climax Mining Ltd. by way of a scheme of arrangement. Upon completion of the acquisition Oceana Gold acquired 100% of the voting shares of Climax Mining Ltd, a listed public company based in Australia engaged in minerals exploration, pre-development of the Didipio Gold-Copper Project and investment.

The total cost of the asset acquisition was $187,098,167 and comprised of the issue of equity instruments and the payment of costs directly attributable to the asset acquisition. The Group issued 303,221,896 ordinary shares with a fair value of A$0.72 cents each, based on the quoted price of Oceana Gold on the date of exchange, and issued 151,609,515 options to acquire shares in Oceana Gold, with a fair value of A$0.155 each, determined by use of a Binomial option valuation methodology.

The fair value of the identifiable assets and liabilities of Climax Mining Ltd. as at the date of acquisition were:

	Recognized on acquisition
	$'000
Plant and equipment	384
Mining assets	248,723
Cash and cash equivalents	8,368
Trade receivables	182
Prepayments	92
Other receivables	157
	257,906
Trade payables	878
Other payables	1,304
Provision for Employee entitlements	532
Provision for rehabilitation	193
Future tax liability	65,144
Other non current liabilities	2,757
Fair value of identifiable net assets	187,098
Cost of combination:	
Shares issued, at fair value	168,172
Options issued, at fair value	18,101
Direct costs relating to the acquisition	825
Total cost of the combination	187,098
The cash inflow on acquisition as follows:	
Net cash acquired with the subsidiary	8,368
Cash paid	(807)
Net consolidated cash inflow	7,561

24. Fair value Of Financial Instruments

(a) Recognized Financial Instruments

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	Carrying amount		Net Fair value	
	2006	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000
Financial assets				
Cash	80,025	34,816	80,025	34,816
Accounts receivable and other receivables	2,488	6,721	2,488	6,721
Put Options	14,468	—	14,468	—
Other financial assets	—	—	—	—
Financial liabilities				
Trade payables	18,167	14,170	18,167	14,170
Finance leases	44,755	35,395	44,755	35,395
Forward gold contracts	63,374	24,999	63,374	24,999
Convertible Notes	86,285	29,242	85,697	30,406
Call Options and FX contracts	10,322	—	10,322	—
Project debt facility	10,569	—	10,569	—
Insurance Premium Loan	—	74	—	74
ACC Premium Loan	—	113	—	113

Other than cash and forward gold contracts, none of the other financial assets and liabilities are readily traded on organised markets in a standardised form.

The fair value of forward gold instruments has been calculated by discounting the future value of the forward contract at the appropriate prevailing quoted market rates at reporting date.

The fair value of finance leases is the present value of the minimum lease payments determined using an appropriate market discount rate.

(b) Unrecognized Financial Instruments

There are no unrecognized financial instruments held by the Group at December 31, 2006 (2005 and 2004: nil).

25. Commitments

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

	2006 $'000	**2005 $'000**	**2004 $'000**
	$'000	$'000	$'000
Within 1 year	2,921	2,204	2,676
Within 1 to 2 years	445	1,593	2,275
Within 2 to 3 years	—	—	1,527
Within 3 to 4 years	—	—	—
Within 4 to 5 years	—	—	—
More than five years	—	—	—
	3,366	3,797	6,478

Operating leases are entered into as a means of funding the acquisition of minor items of plant and equipment. No leases have escalation clauses other than in the event of payment default. No lease arrangements create restrictions on other financing transactions.

(b) Lease commitments under finance leases:

	2006	2005	2004
	$'000	$'000	$'000
Within 1 year	4,750	9,009	8,424
Within 1 to 2 years	10,211	8,294	5,493
Within 2 to 3 years	10,233	8,571	5,950
Within 3 to 4 years	10,253	7,465	6,601
Within 4 to 5 years	21,045	3,318	5,743
More than five years	4,421	7,858	3,666
	60,913	44,515	35,877
Future finance charges:			
Within 1 year	(3,792)	(3,046)	(2,564)
Within 1 to 2 years	(3,978)	(1,735)	(377)
Within 2 to 3 years	(3,345)	(1,793)	(409)
Within 3 to 4 years	(2,633)	(1,562)	(454)
Within 4 to 5 years	(2,142)	(694)	(394)
More than five years	(268)	(290)	(1,225)
Total Future Finance charges	(16,158)	(9,120)	(5,423)
Present value of minimum lease payments	44,755	35,395	30,454
Reconciled to:			
Current interest bearing liability (note 16)	957	5,963	5,859
Non-Current interest bearing liability (note 16)	43,798	29,432	24,595
Total	44,755	35,395	30,454

Finance leases are entered into as a means of funding the acquisition of plant and equipment, primarily mobile mining equipment. Rental payments are generally fixed, subject to quarterly interest rate adjustments.

(c) Gold Production

The consolidated entity has certain obligations to deliver future gold production into bullion forward sales contracts. Refer to note 22(b).

(d) Capital commitments

At December 31, 2006, the consolidated entity has commitments of $30.95m, principally relating to the completion of operating facilities.

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

	2006
	$'000
Within one year:	
— development of new mining facilities	25,287
After one year but not more than five years:	
— development of new mining facilities	5,667
Longer than five years	—
	30,954

(e) The consolidated entity is committed to annual expenditure of approximately $336,338 (NZ$500,000) (2005 $340,914 or NZ$500,000) to comply with regulatory conditions attached to its New Zealand prospecting licences and prospecting, exploration and mining permits

26. 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 $15.86 million (NZ$21.3 million).

b. Environmental liability insurance with a coverage limit of $3.95 million (A$5.0 million) and expiring on June 30, 2010, has been placed in relation to the Reefton Gold Project as a condition of the operating permits granted by the Department of Conservation.

c. The consolidated entity has provided a cash operating bond to the New Zealand Department of Conservation of $0.32 million (NZ$1.1 million) which is refundable at the end of the Globe Progress mine. This amount is included in the total referred to in (a) above.

d. In the course of normal operations the consolidated entity may receive from time to time claims and suits 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.

e. The Group has provided a guarantee in respect of a finance lease agreement for certain mobile mining equipment entered into by a controlled entity. At December 31, 2006 the outstanding rental obligations under the finance lease are approximately NZ$62.1 million (2005 NZ$48.5 million). Refer to note 24 (b). Associated with this guarantee are certain financial compliance undertakings by the Group, including gearing covenants.

f. A third party has a contractual right to an 8% free carried interest in the operating vehicle that will be formed to undertake the management, development, mining and processing of ore, and marketing of products as part of the Didipio Gold-Copper project. This free carried interest is a right to 8% of the ordinary share capital of the operating vehicle. At December 31, 2006 no such equity has been issued to the third party as the conditions precedent to such an issue have not yet been satisfied. No provision has been included in the accounts as no liability has been crystallized and the fair value of the contingent liability is unable to be measured reliably as there is inherent uncertainty about the operating vehicles' future dividend distribution policy after development expenditure has been recovered.

g. The Didipio Gold-Copper Project is held under a Financial of 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, upon the earlier of Oceana Gold recovering its pre-operating expenses and property expenditures or five years after the start of commercial production at the Project, the Corporation is required to pay the Government of the Republic of the Philippines 60% of the "net revenue" earned from the Didipio Gold-Copper Project. For the purposes of the FTAA, "net revenue" is generally the net revenues derived from mining operations, less deductions for, among other things, expenses relating to mining, processing, marketing, depreciation and certain specified overhead. In addition, all taxes paid to the Government including excise, customs, sales, corporate and value added taxes, as well as the 2% net smelter royalty payments and any distribution made to the holder of the 8% free carried interest are also deducted from the 60% of net revenues that are payable to the Government. The FTAA also contains a provision requiring the Corporation to divest 60% of its interest in the project (or such lesser percentage as may be imposed by law) to Filipino persons by the later of ten years after the recovery of pre-operating expenses or 20 years after the FTAA, in which case the revenue sharing arrangement described above will cease to apply. However, as an alternative to such divestment, Oceana Gold may, at its option, enter into a mineral production sharing agreement with the Government of the Republic of the Philippines.

h. From time to time Oceana Gold is a party to various litigation matters incidental to the conduct of its business. Two claims have been instituted challenging certain water rights applications for the Didipio Gold-Copper Project. The Company is also subject to a court claim seeking an injunction against each of the Company and the Department of Environment and Natural Resources to restrain the implementation of the FTAA. While the outcomes of the proceedings are subject to uncertainties and the Company cannot provide assurance that any outcome will be favourable to the Company, based on the Company's preliminary evaluation of the issues and the advice of counsel, it is anticipated that the matters will be resolved without a material adverse effect on the ability to proceed with the development of the Didipio Gold-Copper Project.

27. Related Party Disclosure

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year:

Related party		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
		$'000	$'000	$'000	$'000
— GRD Limited[(i)]	*2006*	—	50	—	—
	2005	—	89	49	22
	2004	—	—	45	9
— Minproc[(ii)]	*2006*	—	1,021	—	—
Engineering consulting services & construction	*2005*	—	1,002	—	142
	2004	—	638	—	5
— Global Renewables Investments Ltd[(iii)]	*2006*	—	—	—	—
	2005	—	31	—	3
	2004	—	—	—	—
— Churchill Capital[(iv)]					
Gold handling fees	*2006*	—	139	—	—
Consulting services	*2006*	—	—	—	—
Gold handling fees	*2005*	—	79	—	—
Consulting services	*2005*	—	48	—	—
Gold handling fees	*2004*	—	472	—	—
Consulting services	*2004*	—	66	—	—
— Cenotaph[(v)]	*2006*	—	—	—	—
	2005	—	31	—	—
	2004	—	512	—	—

(i) GRD Limited was a shareholder and related entity until May 18, 2006 when GRD sold their remaining share in Oceana Gold.

(ii) Minproc, a director-related entity, provide engineering, consulting and construction services to the consolidated entity.

(iii) Global Renewables Investments Ltd, a commonly controlled entity until May 18 2006, provided consulting services to the consolidated entity.

(iv) Churchill Capital, a director-related entity performed gold handling services as the consolidated entity's gold agent.

(v) Cenotaph, a director-related entity, provided consulting services to the consolidated entity.

Sales to and purchases from related parties have been recognized at the exchange amount.

Outstanding balances at year-end are unsecured and settlement occurs in cash.

28. Events After the Balance Sheet Date

On March 14, 2007 Oceana Gold held an Extraordinary General Meeting of shareholders. At this meeting shareholders approved the December 2006 issue of $47.36 million (A$60 million) in convertible notes to investment funds advised by Ospraie Advisors L.P. and Ospraie Management LLC and $7.89 million (A$10 million) in convertible notes to an affiliate of Millenium Partners L.P. In addition shareholders approved the proposed issue of $23.68 million (A$30 million) in convertible note to Goldman Sachs (Asia) Finance (GSAF) or a nominee of GSAF.

All resolutions at the meeting were passed by a large majority of shareholders.

Oceana Gold Limited has announced its intention to complete a restructuring transaction and a listing on the Toronto Stock Exchange. The restructuring would involve Schemes of Arrangement through which shareholders and optionholders of Oceana Gold Limited exchange their ordinary shares and options in Oceana Gold Limited, for common shares and options in OceanaGold Corporation, a company incorporated in Canada.

CLIMAX MINING LTD.
Unaudited Interim Financial Statements
Three Months Ended September 30, 2006 and 2005

CLIMAX MINING LTD.

CONSOLIDATED INCOME STATEMENTS

For the three months ended 30 September 2006

	Notes	Three Months ended 30 September 2006	Three Months ended 30 September 2005
		(in thousands of Australian dollars)	
Exploration expenditure written off		(47)	—
Administration costs		(830)	(394)
Employee Benefits		(263)	(220)
Termination payments		(342)	—
Incentive stock options expensed		(21)	(20)
Operating (loss) before net financing income		(1,503)	(634)
Financial income		151	59
Finance cost		(68)	(17)
Net financing income / (expense)		83	42
Income tax expense		—	—
Loss for the year attributable to members of the parent entity		(1,420)	(592)
Basic loss per share (cents)		(0.30)	(0.16)
Diluted loss per share (cents)		(0.30)	(0.16)

The income statements should be read in conjunction with the accompanying notes.

CLIMAX MINING LTD.

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the three months ended 30 September 2006

	Issued Capital	Retained earnings	Equity compensation reserve	Total
Three months ended 30 September 2005		(in thousands of Australian dollars)		
Total equity at beginning of period	52,379	(22,780)	301	29,900
Shares issued	—	—	—	—
Net loss for the period	—	(592)	—	(592)
Equity settled share based payments	—	—	20	20
Total equity at end of period	52,379	(23,372)	321	29,328
Three months ended 30 September 2006				
Total equity at beginning of period	70,673	(25,639)	382	45,416
Shares issued	4,675	—	—	4,675
Net loss for the period	—	(1,420)	—	(1,420)
Equity settled share based payments	—	—	21	21
Total equity at end of period	75,348	(27,059)	403	48,692

The statements of changes in equity should be read in conjunction with the accompanying notes.

CLIMAX MINING LTD.

CONSOLIDATED BALANCE SHEETS
As at 30 September 2006 and 30 June 2006

	Notes	September 30 2006	June 30 2006
		(in thousands of Australian dollars)	
ASSETS			
Current assets			
Cash and cash equivalents	3	13,372	13,317
Receivables		219	120
Other		145	169
Total current assets		13,736	13,606
Non-current assets			
Receivables		11	11
Investments		5	4
Plant and equipment	4	309	317
Intangible — exploration and evaluation	5	39,981	36,205
Total non-current assets		40,306	36,537
TOTAL ASSETS		54,042	50,143
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Payables		2,689	2,115
Employee benefits		40	52
Provisions		50	50
Total current liabilities		2,779	2,217
Non-current liabilities			
Payables		2,016	1,979
Employee benefits		334	310
Provisions		221	221
Total non-current liabilities		2,571	2,510
TOTAL LIABILITIES		5,350	4,727
NET ASSETS		48,692	45,416
SHAREHOLDERS' EQUITY			
Issued capital	6	75,348	70,673
Accumulated losses	6	(27,059)	(25,639)
Reserves	6	403	382
TOTAL EQUITY		48,692	45,416

The balance sheets should be read in conjunction with the accompanying notes.

CLIMAX MINING LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended 30 September 2006

	Notes	Three Months ended September 30, 2006	Three Months ended September 30, 2005
		(in thousands of Australian dollars)	
Cash flows from operating activities			
Cash payments in the course of operations		(925)	(727)
Interest received		151	59
Interest paid		—	—
Net cash outflow from operating activities	9	(774)	(668)
Cash flows from investing activities			
Payments for property, plant and equipment		(22)	—
Payments for exploration and evaluation expenditure		(3,823)	(411)
Payment for investments		(1)	—
Net cash used for investing activities		(3,846)	(411)
Cash flows from financing activities			
Net proceeds from issue of shares		4,675	—
Net cash inflow from financing activities		4,675	—
Net increase/(decrease) in cash and cash equivalents		55	(1,079)
Cash and cash equivalents at beginning of period		13,317	4,594
Cash and cash equivalents at end of period	3	13,372	3,515

The statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 September 2006

1. Basis of preparation of quarterly report

This general purpose financial report for the interim three month reporting period ended 30 September 2006 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Climax Mining Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. Segment information

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest, gain or loss on foreign exchange, corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Primary reporting format — Geographical segments

In presenting information on the basis of geographical segments, segment assets are based on the geographical location of the assets. The consolidated entity's geographical segments are as follows:

- Australia Minerals exploration.
- Philippines Minerals exploration.
- Other Minerals exploration in other regions.

Secondary reporting format — Business segments

The consolidated entity's business segments are minerals exploration and corporate administration.

The total segment result by geographical area is as follows:

	30 September 2006	30 September 2005
	$'000	$'000
Total segment result		
Australia	(1,297)	(502)
Philippines	(123)	(62)
Unallocated	—	(28)
Consolidated	(1,420)	(592)

3. Supplementary cash flow information

	30 September 2006	30 September 2005
	$'000	$'000
Reconciliation of cash		
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 September:		
Cash at bank and in hand	11,988	797
Short term deposits and commercial bills	1,384	2,718
	13,372	3,515

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represents fair value.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

4. Plant and equipment

	30 September 2006	30 June 2006
	$'000	$'000
Plant and equipment		
Cost at:	1,226	1,204
Less Accumulated depreciation:	(917)	(887)
	309	317
Net book value of property, plant and equipment at period end	309	317

5. Intangible — exploration and evaluation

	30 September 2006	30 June 2006
	$'000	$'000
Deferred Exploration and evaluation costs		
Balance at beginning of the period	88,899	80,620
Expenditure incurred during the period	3,823	8,427
Expenditure written off during the period	(47)	(148)
Balance at the end of the period	92,675	88,899
Impairment Losses		
Balance at beginning of the period	52,694	52,554
Amount impaired during the period	—	140
Balance at the end of the period (a)	52,694	52,694
Carrying amount at beginning of the period	36,205	28,066
Carrying amount at the end of the period (b)	39,981	36,205

(a) Recoverability of exploration and evaluation expenditure

The ultimate recoverability of the capitalised exploration and evaluation expenditure is dependent upon either, the successful development and production of economically recoverable reserves from or sale of the various areas of interest. Development and production may require additional capital expenditure that exceeds the consolidated entity's current available resources. Additional funding may be obtainable from various alternative sources of finance currently being considered.

(b) Dinkidi Gold/Copper Project

	30 September 2006	30 June 2006
	$'000	$'000
Capitalised Project Expenditure		
Total Spent on Dinkidi Project at beginning of period	88,759	80,149
Expenditure incurred during the period	3,271	8,610
Expenditure written off during the period	—	—
Total Spent at the end of the period	92,030	88,759
Impairment		
Balance at beginning of the period	52,554	52,554
Amounts impaired during the period	—	—
Balance at the end of the period	52,554	52,554
Carrying amount of capitalised Dinkidi Project expenditure	39,476	36,205

6. Shareholders' equity

(a) Components of shareholders' equity

	30 September 2006	30 June 2006
	$'000	$'000
Issued Capital (b)	75,348	70,673
Reserves (c),(d)	403	382
Accumulated losses	(27,059)	(25,639)
	48,692	45,416

(b) Movement in ordinary share capital:

	30 September 2006	30 June 2006	30 September 2006	30 June 2006
	Number	Number	$'000	$'000
Ordinary shares				
Issued and fully paid	468,845,608	453,687,608	75,348	52,379

Movement in ordinary shares on issue

	Date	No. of Shares	Issue Price A$	A$'000
Balance at 30 June 2005		371,321,733		52,379
Shares issued	1/07/2005 31/12/2005	1,000,000	0.06	60
Exercise of options	21/12/2005	666,000	0.06	40
Share placement	15/02/2006	29,295,000	0.23	6,738
Share issue costs	21/02/2006			(325)
Share issue costs	28/02/2006			(2)
Share issue costs	1/03/2006			(11)
Share placement	8/03/2006	8,000,000	0.23	1,840
Share placement	31/03/2006	217,500	0.32	70
Share issue costs	1/04/2006			(6)
Share placement	18/04/2006	21,000,000	0.23	4,830
Share placement	24/04/2006	10,875	0.32	3
Share issue costs	1/05/2006			(4)
Share issue costs	2/05/2006			(3)
Share placement	3/05/2006	21,750	0.32	7
Share placement	4/05/2006	10,875	0.32	3
Share placement	5/05/2006	800,000	0.23	184
Share placement	8/05/2006	333,000	0.12	40
Share placement	9/05/2006	10,875	0.32	3
Share placement	11/05/2006	21,000,000	0.23	4,830
Share issue costs	5/06/2006			(2)
Share issue costs	27/06/2006			(3)
Balance at 30 June 2006		453,687,608		70,673
Exercise of options	6/07/2006	800,000	0.23	184
Exercise of options	11/07/2006	400,000	0.23	92
Exercise of options	3/08/2006	333,000	0.12	39
Exercise of options	7/09/2006	1,125,000	0.32	360
Exercise of options	28/09/2006	12,500,000	0.32	4,000
Balance at 30 September 2006		468,845,608		75,348

(c) Executive share option plan

Executive directors and senior executives may receive options issued under the Employee Share Option Plan ('ESOP'), made in accordance with the rules of the ESOP approved by shareholders at the 1994 AGM as subsequently amended. The ESOP provides for the Remuneration Committee to determine the aggregate number of options over ordinary shares to be granted to executives for no consideration. The ability to exercise the options is conditional on the consolidated entity achieving performance hurdles related to either the development of its major project or market price of the Company's shares. The ESOP does not provide the Board with any discretion to alter the terms and conditions of the ESOP. Non-executive directors do not receive any performance related compensation.

Outstanding Options

Convertible into fully paid ordinary shares

Expiry Date	Exercise price (cents)	Options Outstanding
15 April 2007	7.5	6,000,000
15 April 2007	32	26,750,626
30 July 2008	12	2,334,000

There were 13,958,000 options exercised during the quarter (refer to table below).

Options exercised during current period

Options Exercised	Exercise Price A$	Expiry date
13,625,000	$0.32	15 April 2007
333,000	$0.12	30 July 2008

(d) Reserves

Contributed Surplus balance represents the value of options granted to directors and officers for no consideration as part of remuneration. The ability to exercise the options is conditional on the consolidated entity achieving performance hurdles relating to the development of its major project or market price of the Company shares.

The Company recorded stock-based compensation expense of $21,000 to 30 September 2006 (30 September 2005: $20,000) in respect of all outstanding options.

The fair value of the options is calculated at the date of the grant using the Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options expensed in this reporting period. The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Expiry Date	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
5 June 2003	15 April 2007	$0.05	$0.08	$0.07	174.80%	4.53%	—
27 June 2003	15 April 2007	$0.09	$0.08	$0.11	174.80%	4.53%	—
17 June 2004	30 July 2008	$0.04	$0.12	$0.07	129.20%	5.00%	—

7. Contingent liabilities and guarantees

(a) Guarantees

i. The Company has guaranteed the fulfilment by controlled entities of commitments to provide funds for expenditure in respect of exploration and evaluation expenditure and lease commitments as and when they fall due.

ii. The consolidated entity as part of its minerals exploration and corporate activities has entered into performance guarantees to the value of $221,000 (June 2006: $221,000).

(b) Litigation

The consolidated entity is a party from time to time to legal proceedings. Where appropriate the consolidated entity takes legal advice.

All current proceedings are considered proceedings in the ordinary course of the business of an exploration and mining company in the Philippines. Whilst the outcome of all proceedings cannot be predicted with certainty, the Company does not expect these matters to have a material adverse effect on the consolidated entity.

8. Commitments

(a) Capital and Exploration and evaluation expenditure commitments

At balance date the consolidated entity had entered into contractual arrangements to expend amounts in exploration areas and had committed to procure long lead plant items. During the quarter, the Company had committed to purchasing the grinding mills for the Dinkidi Project from Outokumpo Technology Pty Ltd for a total amount of A$13 million.

	30 September 2006	30 June 2006
	$'000	$'000
Within one year	13,128	4,028
After one year but not more then two years	88	88
	13,216	4,116

The above amounts include payments, which, whilst contracted, are contingent upon the completion of undertakings by third parties. Whilst some items are contracted for payment within 12 months, the actual obligation may not crystallise during that period.

(b) Lease commitments

	30 September 2006	30 June 2006
	$'000	$'000
Within one year	—	63
After one year but not more than two years	—	—
	—	63

Operating leases are entered into as a means of funding the acquisition of minor items of plant and equipment. No leases have escalation clauses other than in the event of payment default. No lease arrangements create restrictions on other financing transactions.

(c) Superannuation commitments

Contributions are made by the consolidated entity to individual superannuation plans of each employee, and are charged as expenses when incurred. The consolidated entity is under no legal obligation to fund any deficit.

9. Reconciliation of cash flows from operating activities

	Three Months ended 30 September	
	2006	**2005**
	$'000	$'000
	(in thousands of Australian dollars)	
Loss for the period after income tax	(1,420)	(592)
Adjust for non-cash items		
Depreciation and amortisation expense	30	8
Write off of exploration expenditure	47	—
Unrealised foreign exchange loss/(gain)	31	—
Non-cash interest	37	17
Incentive stock option expense	21	20
Net cash used in operating activities before changes in assets and liabilities	(1,254)	(547)
(Increase)/decrease in accounts receivable	(75)	56
(Decrease)/increase in accounts payable	543	(231)
(Decrease)/increase in employee future benefits	12	54
Net cash used in operating activities	(774)	(668)

10. Events subsequent to reporting date

(a) Transaction with Oceana Gold Limited

As reported in the 30 June 2006 financial statements, on 11 July 2006 Climax Mining and Oceana Gold Limited announced their intention to merge by scheme of arrangement. The Climax Directors unanimously supported the merger.

Under the terms of the Share Scheme, Climax shareholders received 62 Oceana shares and 31 Oceana options for every 100 Climax shares they held. Under the terms of the Listed Option Scheme, Climax option holders received 29.41 Oceana shares and 14.7 Oceana options for every 100 Climax options they held. Oceana options to be issued as a result of the merger are a new class of Oceana security. Each Oceana option entitles the holder to subscribe for one Oceana share at a price of 92.5c. The Oceana options can be exercised during the period from 1 January 2008 to 1 January 2009.

The Board of Climax unanimously supported the proposed merger between Oceana and Climax and recommended that Climax shareholders and option holders voted in favour of the transaction at a meeting that took place on 24 October 2006. At the Climax Mining Share and Option Scheme Meetings held on 30 October 2006, the proposed merger was approved by a majority of shareholders and option holders.

On 6 November 2006 the merger of Climax Mining with Oceana Gold Ltd by way of a scheme of arrangement was completed. Upon completion of the merger Oceana Gold Ltd acquired 100% of the voting shares of Climax Mining.

Other than as stated elsewhere in this report, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction, or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of the affairs of the consolidated entity, in subsequent financial years.

11. Impact of applying canadian generally accepted accounting principles ("CGAAP")

There is no impact on the reported net loss, balance sheet or cash flow statement for the periods ended 30 September 2006 and 30 September 2005 for the purposes of applying CGAAP.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Climax Mining Ltd ("the Company"):
   (a) the financial statements and notes are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the controlled entities identified in Note 20 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.
3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2006.

Signed in accordance with a resolution of the directors:

(Signed) JAMES E. ASKEW
Director
Melbourne, Australia
May 15, 2007

CLIMAX MINING LTD.
Audited Financial Statements
Years Ended June 30, 2006, 2005 and 2004

CLIMAX MINING LTD.

CONTENTS

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CLIMAX MINING LTD.

Scope

The financial report and directors' responsibility

The financial report comprises the income statements, statements of changes in equity, balance sheets, statements of cash flows and accompanying notes to the financial statements notes 1 to 27, for Climax Mining Ltd. and its controlled entities (the 'consolidated entity'), for the financial years ended 30 June 2006, 2005 and 2004. The consolidated entity comprises both the Company and the entities it controlled during the three financial years.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with International Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement.

The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Audit opinion

1. In our opinion, the financial report of Climax Mining Ltd. is in accordance with:
   (a) the Corporations Act 2001, including:
      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2006, 2005 and 2004 and of their performance for each of the years in the three-year period ended 30 June 2006; and
      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
   (b) other mandatory financial reporting requirements in Australia.

Emphasis of matter — inherent uncertainty surrounding the recoverability of exploration and evaluation expenditure

Without qualification to the opinion expressed above, attention is drawn to the following matter. As indicated in Note 12 under the heading "Recoverability of exploration and evaluation expenditure", the ultimate recoverability of the capitalised exploration and evaluation expenditure is dependent upon additional financing to fund development expenditures, which currently exceeds the consolidated entity's current available resources. Additional funding may be achieved through various alternatives, including equity raising.

KPMG

(Signed) *"KPMG"*

(Signed) *"Nicola Davis"*
Partner
Sydney, Australia
September 1, 2006 except for Note 27 as to which the date is May 15, 2007

AUDITOR'S REPORT IN RESPECT OF COMPATIBILITY WITH CANADIAN GAAS

To the Board of Directors of
Climax Mining Ltd. (the "Company").

In accordance with the requirement contained in National Instrument 52-107 we report below on the compatibility of Canadian Generally Accepted Auditing Standards ("Canadian GAAS") and International Standards on Auditing.

This report is made solely to the Company's directors, as a body. Our audit work has been undertaken so that we might state to the Company's directors those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's directors as a body, for our audit work, for this report, or for the opinions we have formed.

We conducted our audit for the year ended 30 June 2006, 30 June 2005 and 30 June 2004 in accordance with International Standards on Auditing. There are no material differences in the form or content of our report (except as noted below) as compared to an auditor's report prepared in accordance with Canadian GAAS and if this report was prepared in accordance with Canadian GAAS it would not contain a reservation.

In Canada, reporting standards for auditors require that an auditor's opinion state that the consolidated financial statements of the company present fairly, in all material respects, the financial position of the company and its results of operations and cash flows. In Australia, reporting standards for auditors require that an auditor's opinion state that the consolidated financial statements of a company give a true and fair view of the state of the consolidated entity's affairs and of its profit for the year. In all other respects, there are no material differences in the form and content of the above noted auditor's report.

KPMG

(Signed) *"KPMG"*

(Signed) *"Nicola Davis"*
Partner
Sydney, Australia
May 15, 2007

CLIMAX MINING LTD.

INCOME STATEMENTS
For the year ended 30 June 2006

	Notes	Consolidated		
		2006	2005	2004
		$'000	$'000	$'000
Exploration expenditure written off		(288)	(9)	(971)
Decrease/(increase) in provision for rehabilitation		53	(259)	—
Administration costs	2	(2,227)	(2,434)	(1,095)
Employee benefits	3	(641)	(530)	(389)
Operating loss before net financing income		(3,103)	(3,232)	(2,455)
Financial income		314	345	451
Financial expense		(70)	(178)	(63)
Net financing income		244	167	388
Loss before income tax		(2,859)	(3,065)	(2,067)
Income tax expense	5	—	—	—
Loss for the year attributable to members of the parent entity		(2,859)	(3,065)	(2,067)
Basic loss per share	6	$(0.007)	$(0.008)	$(0.006)
Diluted loss per share	6	$(0.007)	$(0.008)	$(0.006)

The income statements should be read in conjunction with the accompanying notes.

CLIMAX MINING LTD.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2006

	Consolidated			
	Issued capital	Retained earnings	Equity compensation reserve	Total
	$'000	$'000	$'000	$'000
2006				
Total equity at the beginning of the year	52,379	(22,780)	301	29,900
Shares issued	18,294	—	—	18,294
Net loss for the period	—	(2,859)	—	(2,859)
Equity settled share based payment transactions	—	—	81	81
Total equity at the end of the year	70,673	(25,639)	382	45,416
2005				
Total equity at the beginning of the year	52,379	(19,715)	144	32,808
Shares issued	—	—	—	—
Net loss for the period	—	(3,065)	—	(3,065)
Equity settled share based payment transactions	—	—	157	157
Total equity at the end of the year	52,379	(22,780)	301	29,900
2004				
Total equity at the beginning of the year	42,127	(17,648)	—	24,479
Shares issued	10,252	—	—	10,252
Net loss for the period	—	(2,067)	—	(2,067)
Equity settled share based payment transactions	—	—	144	144
Total equity at the end of the year	52,379	(19,715)	144	32,808

The statements of changes in equity should be read in conjunction with the accompanying notes.

CLIMAX MINING LTD.

BALANCE SHEETS
As at 30 June 2006

	Notes	Consolidated 2006 $'000	2005 $'000	2004 $'000
Current assets				
Cash and cash equivalents	7	13,317	4,594	8,775
Receivables	8	120	44	56
Other	9	169	131	130
Total current assets		13,606	4,769	8,961
Non-current assets				
Receivables	8	11	10	50
Investments	10	4	1	1
Plant and equipment	11	317	250	209
Intangible — exploration and evaluation	12	36,205	28,066	26,371
Total non-current assets		36,537	28,327	26,631
Total assets		50,143	33,096	35,592
Current liabilities				
Payables	13	2,115	640	761
Employee benefits	14	52	19	6
Provisions	15	50	50	—
Total current liabilities		2,217	709	767
Non-current liabilities				
Payables	13	1,979	1,913	1,775
Employee benefits	14	310	300	177
Provisions	15	221	274	65
Total non-current liabilities		2,510	2,487	2,017
Total liabilities		4,727	3,196	2,784
Net assets		45,416	29,900	32,808
Equity				
Issued capital	16	70,673	52,379	52,379
Reserves	17	382	301	144
Accumulated losses		(25,639)	(22,780)	(19,715)
Total equity		45,416	29,900	32,808

The balance sheets should be read in conjunction with the accompanying notes.

CLIMAX MINING LTD.

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2006

	Notes	Consolidated 2006	2005	2004
		$'000	$'000	$'000
Cash flows from operating activities				
Cash payments in the course of operations		(2,918)	(2,786)	(1,628)
Interest received		314	350	330
Net cash outflow from operating activities	25	(2,604)	(2,436)	(1,298)
Cash flows from investing activities				
Proceeds from sale of investments		(3)	—	145
Payments for plant and equipment	11	(128)	(83)	(103)
Payments for exploration and permit expenditure		(6,836)	(1,662)	(1,644)
Advances to controlled entities		—	—	—
Net cash outflow from investing activities		(6,967)	(1,745)	(1,602)
Cash flows from financing activities				
Net proceeds from issue of shares		18,294	—	10,252
Net cash inflow from financing activities		18,294	—	10,252
Net (decrease)/increase in cash held		8,723	(4,181)	7,352
Cash at the beginning of the financial year		4,594	8,775	1,423
Cash at the end of the financial year	7	13,317	4,594	8,775

The statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2006

1. Significant accounting policies

Climax Mining Ltd (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company comprises the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity interest in associates and jointly controlled entities.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. International Financial Reporting Standards (IFRSs) form the basis of Australian Accounting Standards (AASBs) adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRSs (AIFRS) to distinguish from previous Australian GAAP.

This is the consolidated entity's first financial report prepared in accordance with Australian Accounting Standards, being AIFRS and AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied.

(b) Basis of preparation

The financial report is presented in Australian dollars. The financial report is prepared on the historical cost basis.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report.

The directors believe the financial statements of Climax Mining Ltd and its controlled entities ("the Group") are prepared as a going concern. The forecast cash flows indicate that as the main asset of the Company, the Dinkidi project in the Philippines proceeds to development additional financing will be required. At the date of this report the directors are considering the various options for financing the project and are confident the funding needs of the group will be met.

(c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated financial statements includes the consolidated entity's share of the total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

Joint venture

Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual agreement.

Jointly controlled operations and assets

The interest of the Company and of the consolidated entity in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains resulting from transactions with associates and joint ventures operations including those relating to contributions of non-monetary assets on establishment, are eliminated to the extent of the consolidated entity's interest. Unrealised gains relating to associates are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence recoverable amount impairment.

(d) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The monetary assets and liabilities of foreign operations are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. Non-monetary assets and liabilities are translated at the historical translation rate. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are brought to account in the income statement.

Functional currency

The functional currency of the foreign subsidiaries is Australian dollars. The foreign currency translation differences are recognized in the income statement.

(e) Revenue recognition

Interest revenue

Interest revenue is recognized as it accrues, taking into account the effective yield on the financial asset.

(f) Cash

For the purpose of the statement of cash flows, cash includes deposits held at call with financial institutions, other short-term, high liquid investments with original maturities of three months or less that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(g) Receivables

Trade and other receivables are stated at their amortised cost less impairment losses (refer accounting policy (i)).

(h) Exploration and evaluation assets

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. These costs are capitalised as intangible deferred costs where exploration rights have been obtained and are not subject to amortisation. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognized in the income statement.

Exploration and evaluation assets are only recognized if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest the carrying amount exceeds the recoverable amount (refer impairment accounting policy (i)). For purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which exploration activity relates. The cash generating-unit shall not be larger than the area of interest.

Once technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then re-classified from intangible assets to mining property and development assets within property, plant and equipment.

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. When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs together with any amounts already provided for in respect of that area are written off in the financial period in which the decision is made.

(i) Impairment

The carrying amounts of the consolidated entity's assets other than exploration and evaluation expenditure carried forward (refer Note 1(h)), are reviewed at each balance sheet date to determine whether there has been any indication of impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

In assessing value in use of non-current assets, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the true value of money and the risks specific to the asset.

The recoverable amount of the consolidated entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the effective interest rate. Receivables with a short duration are not discounted. Impairment of receivables is not recognized until objective evidence is available that a loss event has occurred.

(j) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost or deemed at cost less accumulated depreciation and impairment loses (refer accounting policy (i)).

(ii) Depreciation and amortisation

All assets have limited useful lives and are depreciated using the straight line method over their estimated useful lives, taking into account estimated residual values, with the exception of carried forward exploration and evaluation expenditure.

Dependent on the useful life of each class of asset that comprises plant and equipment the range of depreciation rates used are as follows:

Plant and equipment 5 to 40%

Assets are depreciated from the date of acquisition. Amortisation is not charged on costs carried forward in respect of area of interest in the development phase until commercial production commences.

The residual value, useful life and depreciation method applied to an asset are reassessed at least annually.

(k) Investments and trading securities

Accounting policy — financial year ended 30 June 2006

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in the income statement.

Comparative period policy — financial year ended 30 June 2004 and 30 June 2005

Investments in listed entities are carried at the lower of cost and recoverable amount.

(l) Payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30-day terms.

(m) Provisions

A provision is recognized when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the notes specific to the liability.

(n) Rehabilitation

Provisions are made for the estimated cost of rehabilitation relating to areas disturbed during the mine's operation up to reporting date but not yet rehabilitated. Provision has been made in full for all disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows. The estimated cost of rehabilitation includes the current cost of recontouring, topsoiling and revegetation employing legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise. At balance date the liabilities with regard to restoration and rehabilitation, including reclamation, waste site closures and monitoring are reviewed and the estimated expense provided for. The assessment is based on undiscounted estimates of future costs under current legal requirements and technology.

Significant uncertainty exists as to the amount of rehabilitation obligations which will be incurred due to the impact of changes in environmental legislation. The amount of the provision relating to rehabilitation of mine infrastructure and dismantling obligations is recognized at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time. The provision is recognized as a non-current liability with a corresponding asset included in mining property and development assets.

At each reporting date the rehabilitation liability is re-measured in line with changes in discount rates, and timing or amount of the costs to be incurred. Changes in the liability relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related asset, other than the unwinding of the discount which is recognized as a finance cost in the income statement as it occurs.

If the change in the liability results in a decrease in the liability that exceeds the carrying amount of the asset, the asset is written-down to nil and the excess is recognized immediately in the income statement. If the change in the liability results in an addition to the cost of the asset, the recoverability of the new carrying amount is considered. Where there is an indication that the new carrying amount is not fully recoverable, an impairment test is performed with the write-down recognized in the income statement in the period in which it occurs.

(o) Leases

Leases in which a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(p) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting, nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Tax consolidation

The Company is the head entity in the tax consolidated group comprising all the Australian wholly owned subsidiaries set out in Note 20. The head entity recognises all of the current and deferred tax assets and liabilities in the consolidated group.

The tax consolidated group has entered into a tax funding agreement that requires Australian wholly-owned subsidiaries to make contributions to the head entity for current tax assets and liabilities and movements in deferred tax balances arising from external transactions during the year.

Goods and service tax

Revenues, expenses and assets are recognized net of the amount of value added taxes, including Goods and Services Tax ("GST") except where the amount of the value added tax incurred is not recoverable from the taxation authority. In these circumstances the value added tax is recognized as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(q) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments.

(r) Employee benefits

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that that the consolidated entity expects to pay as at reporting date including related on-costs.

Long service leave

The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

Superannuation funds

Contributions are made by the consolidated entity to individual superannuation plans of each employee, and are charged as expenses when incurred.

Share based payment transactions

The share option programme allows consolidated entity employees to acquire shares of the Company. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial option-pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

(s) Use and revision of accounting estimates

The preparation of the financial report requires the making of estimations and assumptions that affect the recognized amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(t) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

(u) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, exchange gains and losses. Borrowing costs are expensed as incurred and included in net financing costs.

Interest income is recognized in the income statement as it accrues, using the effective interest method.

	2006	2005	2004
	$'000	$'000	$'000
2. Administration costs			
Depreciation of plant and equipment	61	42	4
Corporate advisory and business development	151	1,077	192
Corporate expenses	1,302	895	899
Other costs	713	420	0
	2,227	2,434	1,095
3. Employee benefits			
Salaries and wages	467	289	210
Other associated personnel expenses	48	64	13
Superannuation contributions	45	20	22
Equity-settled transactions	81	157	144
	641	530	389
4. Auditors' remuneration			
Audit services:			
Auditors of the Company			
KPMG Australia			
— audit and review of financial reports	80,260	60,000	44,500
— non-audit services--accounting advisory services	43,750	—	—
Other auditors			
— audit and review of financial reports	47,461	21,746	24,900
	171,471	81,746	69,400

5. Taxation

(a) Income tax benefit

	2006	2005	2004
	$'000	$'000	$'000
Loss for the year	(2,859)	(3,065)	(2,067)
Prima facie income tax benefit calculated at 30% (2005: 30%, 2004: 30%) on the loss	858	920	620
Decrease in income tax benefit due to non-deductible items:			
Current period losses of foreign subsidiaries not recognized	(121)	(112)	(5)
Legal and advisory fees	(49)	(326)	(37)
Income tax benefit on the loss before individually significant income tax items	688	482	578
Individually significant income tax items:			
Tax losses not brought to account	(612)	(418)	(607)
Temporary differences not brought to account	(76)	(64)	29
Income tax expense/(benefit) attributable to loss	—	—	—

(b) Unrecognized deferred tax assets

The potential tax effected at 30% (2005: 30%, 2004: 30%) net deferred tax assets benefit arising from tax losses and temporary differences has not been recognized as an asset because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits from:

Deductible temporary differences	4,865	4,753	(80)
Tax losses	8,327	7,591	7,487
	13,192	12,344	7,407

6. Earnings per share

The Company has only one type of security, being ordinary shares. These shares have been included in the basic earnings per share calculation.

	2006	2005	2004
Basic earnings per share	$(0.007)	$(0.008)	$(0.006)
Diluted earnings per share	$(0.007)	$(0.008)	$(0.006)

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

Earnings reconciliation	$'000	$'000	$'000
Net loss	(2,859)	(3,065)	(2,067)
Earnings used in calculating basic and diluted earnings per share	(2,859)	(3,065)	(2,067)

	Number	Number	Number
Weighted average number of ordinary shares issued used as the denominator in calculating basic and dilutive earnings per share:	391,899,000	371,321,733	355,226,052

There is no impact on the dilutive earnings per share for 48,442,625 (2005: 3,545,812, 2004: 4,054,969) share options available as the consolidated entity is in a loss.

	2006	2005	2004
	$'000	$'000	$'000
7. Cash and cash equivalents			
Cash at bank and in hand	11,673	3,209	915
Short term deposits and commercial bills	1,644	1,385	7,860
	13,317	4,594	8,775
8. Receivables			
Current	—	—	—
Other debtors	120	44	56
Total current receivables	120	44	56
Non-current			
Loans to associated entities for exploration	—	8,321	8,322
Impairment losses on loans to associated entities	—	(8,321)	(8,322)
Other debtors	11	10	50
Total non-current receivables	11	10	50

9. Other assets

	2006	2005	2004
	$'000	$'000	$'000
Prepayments	169	131	130

10. Investments

	2006	2005	2004
	$'000	$'000	$'000
Non-current investments			
Investments in controlled entities	—	—	—
Investment in other entities	4	1	1
	4	1	1

11. Plant and equipment

	2006	2005	2004
	$'000	$'000	$'000
Cost			
Balance at beginning of the year	1,109	1,186	1,178
Additions during the year	128	83	150
Disposals	(33)	(160)	(142)
Balance at end of the year	1,204	1,109	1,186
Depreciation and impairment			
Balance at beginning of the year	859	977	1,068
Depreciation charge for the year	61	42	4
Depreciation written back on disposals	(33)	(160)	(95)
Balance at end of the year	887	859	977
Carrying amount at beginning of year	250	209	110
Carrying amount at end of year	317	250	209

12. Intangible-Exploration and evaluation

	2006	2005	2004
	$'000	$'000	$'000
Capitalised costs			
Balance at beginning of the year	80,620	86,206	87,169
Expenditure during year	8,427	1,794	1,497
Expenditure written off during year	(148)	(7,380)	(2,460)
Balance at end of the year	88,899	80,620	86,206
Impairment losses			
Balance at beginning of the year	52,554	59,835	61,871
Amount written back during year	—	(7,281)	(2,036)
Amount impaired during year	140	—	—
Balance at end of the year	52,694	52,554	59,835
Carrying amount at beginning of year	28,066	26,371	25,298
Carrying amount at end of year	36,205	28,066	26,371

Recoverability of exploration and evaluation expenditure

The ultimate recoverability of the capitalised exploration and evaluation expenditure is dependent upon either, the successful development and production of economically recoverable reserves from or sale of the various areas of interest. Development and production may require additional capital expenditure that exceeds the consolidated entity's current available resources. Additional funding may be obtainable from various alternative sources of finance currently being considered.

13. Payables

	2006	2005	2004
	$'000	$'000	$'000
Current			
Trade creditors	337	470	382
Other creditors and accruals	1,778	170	379
	2,115	640	761
Non-current			
Other creditors*	1,979	1,913	1,775
	1,979	1,913	1,775

Note:

* Other creditors represent future payments due to a third party contingent upon the Dinkidi project in the Philippines achieving commercial production.

14. Employee benefits

Current			
Annual Leave	38	19	6
Long service leave	14	—	—
	52	19	6
Non-current			
Long service leave	—	10	1
Termination benefit*	94	94	—
Directors' retirement benefit	216	196	176
	310	300	177

Note:

* Non-current termination benefit relates to a benefit payable to employees in the Philippines on termination and/or resignation from the Company.

15. Provisions

Provision for rehabilitation

Current			
Balance at the beginning of the year	50	—	39
Provisions made/(reversed) during the year	—	50	(39)
Balance at the end of the year	50	50	—
Non-current			
Balance at the beginning of the year	274	65	70
Provisions made during the year	—	209	—
Provisions (reversed) during the year	(53)	—	(5)
Balance at the end of the year	221	274	65

16. Issued capital

In thousands of shares			
Balance at beginning of year	371,322	371,322	287,988
Shares issued for cash pursuant to a placement	80,095	—	83,000
Shares issued from the exercise of options	2,271	—	334
Balance at end of year — fully paid	453,688	371,322	371,322

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

17. Reserves

Equity compensation reserve

The equity compensation reserve represents the value of options granted to directors and officers for no consideration as part of remuneration. The ability to exercise the options is conditional on the consolidated entity achieving performance hurdles relating to the development of its major project or market price of the Company's shares

18. Financing arrangements and financial instruments disclosures

(a) Financing Arrangements

The consolidated entity had no debt funding or overdraft facilities at 30 June 2006 (2005: Nil, 2004: Nil).

(b) Interest rate risk exposure

At balance date the weighted average interest rate for cash assets was:

- Cash at bank 5.4% per annum floating (2005: 4.9% per annum, 2004: 5.1% per annum).
- Short term deposits and commercial bills 4.8% per annum floating (2005: 5.4% per annum, 2004: 5.4% per annum).

The other financial assets and liabilities detailed in the financial statements (receivables, payables and investments) are all non-interest bearing.

(c) Foreign exchange exposures

The consolidated entity has exploration activities overseas and in Australia. While most funds have been held in Australian dollars, some deposits are held in foreign currency for working capital purposes. There were no forward exchange contracts outstanding at year end (2005: Nil, 2004: Nil).

(d) Fair values of financial assets and liabilities

The carrying values of cash and cash equivalents, receivables and payables are estimated to approximate fair value because of their short maturity.

The fair values of non-current investments are set out in Note 10. The net fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets of the respective corporations.

(e) Credit risk

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

19. Commitments and contingent liabilities

(a) Exploration expenditure commitments

At balance date the consolidated entity had entered into contractual arrangements to expend amounts in exploration areas. Contracted exploration commitments, including requirements of mines departments, for production and evaluation and exploration properties to be incurred were:

	2006	2005	2004
	$'000	$'000	$'000
Within one year	4,028	252	343
One year or later but not later than five years	88	59	4
	4,116	311	347

The above amounts include payments, which, whilst contracted, are contingent upon the completion of undertakings by third parties. Whilst some items are contracted for payment within 12 months, the actual obligation may not crystallise during that period.

(b) Lease commitments

The Company leases property expiring in one year. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on the market price.

Future lease commitments not provided for in the financial statements and payable are:

	2006	2005	2004
	$'000	$'000	$'000
Due not later than one year	63	84	44
Due later than one year but not later than two years	—	63	70
Due later than two years but not later than three years	—	—	66
	63	147	180

(c) Guarantees

(i) The Company has guaranteed the fulfilment by controlled entities of commitments to provide funds for expenditure in respect of exploration and evaluation expenditure and lease commitments as and when they fall due.

(ii) The consolidated entity as part of its minerals exploration and corporate activities has entered into performance guarantees to the value of $221,000 (2005: $241,000, 2004: $241,000).

(d) Superannuation commitments

Contributions are made by the consolidated entity to individual superannuation plans of each employee, and are charged as expenses when incurred. The consolidated entity is under no legal obligation to fund any deficit.

(e) Litigation

The consolidated entity is a party from time to time to legal proceedings. Where appropriate the consolidated entity takes legal advice.

These proceedings are considered proceedings in the ordinary course of the business of an exploration and mining company in the Philippines. Whilst the outcome of all proceedings cannot be predicted with certainty, the Company does not expect these matters to have a material adverse effect on the consolidated entity.

(f) Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, relief was granted to the wholly owned subsidiaries listed below from the Corporations Act requirements for preparation, audit, and lodgement of financial reports and directors report.

It is a condition of the Class Order that the Company and each of its subsidiaries enter into a Deed of Cross Guarantee. The effect of the deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Corporations Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the deed are Climax Australia Pty Limited, Climax Management Pty Limited, Climax Mining Share Plan Pty Limited and Trimdean Pty Limited.

A consolidated statement of income and retained losses and consolidated balance sheet, comprising the Company and subsidiaries that are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, as at 30 June, are set out as follows:

Summarised income statement and accumulated losses	Consolidated 2006	2005	2004
	$'000	$'000	$'000
Loss before related income tax expense	2,455	2,619	750
Income tax benefit	—	—	—
Loss after related income tax expense	2,455	2,619	750
Accumulated losses at beginning of year	19,930	17,311	23,485
Accumulated losses at end of year	22,385	19,930	24,235

Balance Sheet	Consolidated 2006	2005	2004
	$'000	$'000	$'000
Current assets			
Cash assets	11,106	4,047	8,380
Receivables	31	20	42
Other	97	70	87
Total current assets	11,234	4,137	8,509
Non-current assets			
Receivables	36,595	27,420	26,003
Other financial assets	4,184	4,184	4,184
Plant and equipment	80	95	92
Intangible-exploration and evaluation	—	141	146
Total non-current assets	40,859	31,840	30,425
Total assets	52,093	35,977	38,934
Current liabilities			
Payables	730	524	620
Employee benefits	52	19	—
Provisions	50	50	5
Total current liabilities	832	593	625
Non-current liabilities			
Borrowings from related entities	2,259	2,259	2,924
Employee benefits	216	206	—
Provisions	221	274	242
Total non-current liabilities	2,696	2,739	3,166
Total liabilities	3,528	3,332	3,791
Net assets	48,565	32,645	35,143
Equity			
Contributed equity	70,673	52,379	52,379
Reserves	277	196	6,999
Accumulated losses	(22,385)	(19,930)	(24,235)
Total equity	48,565	32,645	35,143

20. Controlled entities

Particulars in relation to controlled entities

All entities carry on business in the country where they were incorporated.

Name	Note	Place of Incorporation	Consolidated Entity Interest 2006	2005	2004
			%	%	%
Parent entity — Climax Mining Ltd					
Controlled entities					
Climax Australia Pty Limited	(i)	Australia	100	100	100
Climax Management Pty Limited	(i)	Australia	100	100	100
Trimdean Pty Limited	(i)	Australia	100	100	100
Climax Mining Share Plan Pty Limited	(i)	Australia	100	100	100
Prolink Pty Limited		Australia	100	100	100
S.E.A. Holdings Limited		Australia	100	100	100
Truehall Limited		Australia	100	100	100
Climax Mining (Fiji) Pty Limited		Fiji	100	100	100
Climax-Arimco Mining Corporation		Philippines	100	100	100
Australian Netherlands Investments BV		Netherlands	100	100	100
Climax of Australia (Philippines) Inc.		Philippines	100	100	100
Australasian Philippines Holdings Inc.		Philippines	100	100	100
Australasian Philippines Mining Inc.		Philippines	100	100	100
Red Earth Resource Corporation		Philippines	100	100	100
Red Earth Mining Corporation		Philippines	100	100	100
Copper Fields Resource Corporation		Philippines	100	100	100
Copper Fields Mining Corporation		Philippines	100	100	100
Connaught Resource Corporation		Philippines	100	100	100
Connaught Mining Corporation		Philippines	100	100	100
Surigao Gold Resource Corporation		Philippines	100	100	100
Surigao Gold Mining Corporation		Philippines	100	100	100
Lasseter Resource Corporation		Philippines	100	100	100
Lasseter Mining Corporation		Philippines	100	100	100
Royal Northern Resource Corporation		Philippines	100	100	100
Royal Northern Mining Corporation		Philippines	100	100	100
Occidental Resource Corporation		Philippines	100	100	100
Occidental Mining Corporation		Philippines	100	100	100
Coolabah Resource Corporation		Philippines	100	100	100
Coolabah Mining Corporation		Philippines	100	100	100
Junction Reef Resource Corporation		Philippines	100	100	100
Junction Reef Mining Corporation		Philippines	100	100	100

Note:

(i) Entities which have entered into approved deeds of indemnity for the cross guarantee of liabilities with Climax Mining Ltd in respect of relief granted from specified accounting and financial reporting requirements in accordance with a Class Order issued by the Australian Securities and Investments Commission.

21. Related parties

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated:

Non-executive directors

Mr J E Askew (Chairman and Chief Executive Officer to 25 August 2005)
Mr P W Clarke
Mr T N Fern
Mr T V Willsteed
Mr G. Fulcher (Alternate director for Mr P W Clarke to 27 February 2004)

Executives

Mr R P Thomson (Chief Operating Officer and Chief Executive Officer from 26 August 2005)
Mr B E Wells (Chief Financial Officer/Company Secretary)
Mr J I Stewart (Exploration Manager — Asia)
Mr J P Leviste (Chairman APMI and CAMC)
Mr M.S. Mazey (Legal counsel to 30 June 2004)

Key management personnel compensation

The key management personnel compensation included in "Personnel expenses" and capitalised "Exploration and evaluation expenditures" are as follows:

	Consolidated		
	2006	2005	2004
	$	$	$
Short term employment benefits	1,034,569	869,745	989,719
Post employment benefits	20,000	20,000	20,000
Equity compensation benefits	81,483	147,281	138,669
Total	1,136,052	1,037,026	1,148,388

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

1. Principles of compensation

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity, including directors of the Company and other executives. Key management personnel includes the four most highly remunerated directors and executives for the Company and the consolidated entity.

The Remuneration Committee is responsible for determining and reviewing compensation policies and packages applicable to the Board members and senior executives of the Company. The Board compensation policy is to ensure compensation packages properly reflect employees' duties and responsibilities, and that compensation is competitive in attracting, retaining, and motivating people of the highest quality. The compensation packages of Board members and senior executives, with the exception of equity based compensation, are not linked to Company performance.

Compensation packages include a mix of fixed and equity-based compensation, designed to retain suitably qualified executives and to affect the broader outcome of improving the asset value of the consolidated entity. The compensation structures take into account the:

- overall level of compensation for each director and executive;
- ability of the executive to control performance; and
- the incentives component of each executive's compensation.

1.1 Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the Remuneration Committee to ensure base pay is set to reflect the market for a comparable role, and to consider individual performance against goals set at the start of the year.

1.2 Equity-based compensation

Executive directors and senior executives may receive options issued under the Employee Share Option Plan ("ESOP"), made in accordance with the rules of the ESOP approved by shareholders at the 1994 AGM as subsequently amended. The ESOP provides for the Remuneration Committee to determine the aggregate number of options over ordinary shares to be granted to executives for no consideration. The ability to exercise the options is conditional on the consolidated entity achieving performance hurdles related to either the development of its major project or market price of the Company's shares. The ESOP does not provide the Board with any discretion to alter the terms and conditions on the issue of options under the ESOP. Non-executive directors do not receive any performance related compensation.

Details of performance hurdles:

(a) In respect of the 1,666,000 options granted on 28 March 2003, all options are now exercisable.

(b) In respect of the 2,000,000 options granted on 5 June 2003 and 4,000,000 granted on 27 June 2003, 25% may be exercised on the financing of the Dinkidi project, a further 25% may be exercised on the commencement of construction and the final tranche of 50% may be exercised on completion of construction.

(c) In respect of the 2,000,000 options granted on 17 June 2004 one-third of the options became exercisable on 30 July 2004, one-third became exercisable on 30 July 2005 and the final third became exercisable on 30 July 2006.

(d) In respect of the 1,000,000 options granted on 17 June 2004, all options are now exercisable.

1.3 Service agreements

(a) The consolidated entity has entered into a service contract with Mr J Askew, Chairman/Chief Executive Officer dated 1 January 2004 for a period of twenty-four months from 1 January 2004, to provide consultancy services as may be required from time to time by the Company. The service contract continued from 1 January 2006 on the same terms and conditions. The contract specifies the duties and obligations to be fulfilled by the Chief Executive Officer. The remuneration level is set at $72,000 per annum for director fees as Chairman of the Company and consultancy fees are set at a maximum amount of $150,000 per annum (gross of tax, but exclusive of GST), or as varied by the Board from time to time. Mr Askew's director fees as Chairman of the

Company and advisory fees for additional consulting services are paid to International Mining & Finance Corp. The service contract can be terminated either by the group or Mr J Askew providing two months notice in writing.

(b) Mr Robert Thomson, Chief Executive Officer, has a contract of employment commencing 16 April 2003 with the consolidated entity. The contract specifies the duties and obligations to be fulfilled by the CEO. The compensation level is set at $220,000 per annum. The service contract can be terminated either by the group or Mr R Thomson providing three months notice in writing. Mr R Thomson's service fees are paid to Monterey Consolidated Services Pty Ltd. Mr Thomson is a director and shareholder of Monterey Consolidated Services Pty Ltd.

1.4 Non-executive directors

Total compensation for all non-executive directors, last voted upon by shareholders at the 22 October 2003 AGM, is not to exceed $250,000 per annum. Directors' base fees are presently up to $36,000 per annum and the chairperson may receive up to $72,000. Directors' fees cover all main board activities and membership of committees and no incentive arrangements are in place.

Upon retirement directors may receive a payment of a lump sum or pension up to the payment limit permissible under the Corporations Act without requiring member approval.

1.5 Loans and other transactions with directors and executives

There were no loans, other transactions or material contracts with directors and executives during the reporting period.

2. Details of remuneration

Details of the nature and amount of each major element of remuneration for each director of the Company, each of the two named Company executives, and relevant group executives who receive the highest remuneration are detailed below. The consolidated entity only has four executives who fulfil the definition of key management personnel.

		Primary	Post-employment		Equity		
		Directors' Fees & Executives Salaries	Superannuation	Retirement benefit (Note 5)	Value of options (Note 6)	Other components	Total
		$	$	$	$	$	$
Directors							
J E Askew	2006	72,000	—	—	50,972	100,850	223,822
Chairman	2005	72,000	—	—	50,972	70,493	193,465
(Note 1)	2004	72,000	—	—	91,684	116,230	279,914
P W Clarke	2006	36,000	3,240	10,000	—	—	49,240
Independent Non-executive	2005	36,000	3,240	10,000	—	—	49,240
Director	2004	36,000	3,240	10,000	—	3,115	52,355
T N Fern	2006	36,000	—	—	—	—	36,000
Non-executive	2005	36,000	—	—	—	—	36,000
Director	2004	36,000	—	—	—	176,019	212,019
T V Willsteed	2006	36,000	3,240	10,000	—	—	49,240
Independent Non-executive	2005	36,000	3,240	10,000	—	—	49,240
Director	2004	36,000	3,240	10,000	—	3,115	52,355
Executives							
R P Thomson	2006	—	—	—	22,901	220,000	242,901
Chief Executive	2005	—	—	—	42,703	200,000	242,703
Officer (Note 2)	2004	—	—	—	31,220	182,336	213,556
B E Wells	2006	200,908	33,163	—	7,610	—	241,681
Chief Financial Officer/Company	2005	136,368	13,632	—	27,412	—	177,412
Secretary	2004	114,247	10,996	—	4,414	1,363	131,020
J I Stewart	2006	—	—	—	—	148,129	148,129
(consolidated only)	2005	—	—	—	—	149,400	149,400
Exploration Manager — Asia (Note 3)	2004	18,000	—	—	—	—	18,000
J P Leviste	2006	—	—	—	—	145,039	145,039
(consolidated only)	2005	—	—	—	26,194	113,372	139,566
Chairman, APMI and CAMC (Note 4)	2004	50,917	—	—	11,351	69,317	131,585
M S Mazey	2006	—	—	—	—	—	—
Legal counsel	2005	—	—	—	—	—	—
	2004	52,130	4,545	—	—	909	57,584
Total compensation:	2006	380,908	39,643	20,000	81,483	614,018	1,136,052
key management	2005	316,368	20,112	20,000	147,281	533,265	1,037,026
personnel	2004	397,294	22,021	20,000	138,669	570,404	1,148,388

No proportion of the remuneration noted in the above table is performance related.

1. Mr J Askew, Chairman, is a director of International Mining & Finance Corp ('IMF') which provided international management and financial advisory services to the consolidated entity during the reporting period. During the reporting period, Mr Askew's director fees as Chairman of the Company totalling $72,000 and advisory fees amounting to $100,850 (2005: $70,493, 2004: $116,230) were paid to IMF. This arrangement is based on normal commercial terms and conditions.

2. Mr R Thomson, Chief Executive Officer, is a director and shareholder of Monterey Consolidated Services Pty Ltd who provided management services to the consolidated entity amounting to $220,000 (2005: $200,000, 2004: $182,336). This arrangement is based on normal commercial terms and conditions. Mr Thomson was appointed Chief Executive Officer on 26 August 2005. Mr Thomson holds a Bachelor of Engineering (Mining), MBA, is a fellow of the Australian Institute of Mining and Metallurgy, and has extensive experience in exploration, development, and mining operations.

3. Mr J Stewart, Exploration Manager Asia, provided consulting services to the consolidated entity amounting to $148,129 (2005: $149,400, 2004: Nil). This arrangement is based on normal commercial terms and conditions.

4. Mr J Leviste, Chairman of Australasian Philippines Mining Inc and Climax-Arimco Mining Corporation, is associated with Pacific Rim Innovation and Management Exponents Inc., which provided management and advisory services to the consolidated entity in the Philippines amounting to $145,039 (2005: $113,372, 2004: $69,317). This arrangement is based on normal commercial terms and conditions.

5. In accordance with the constitution of the Company, after a director retires or ceases to hold office, the directors may pay an amount not exceeding the amount permitted by the Corporations Law and the ASX Listing Rules.

6. The fair value of the options is calculated at the date of the grant using the Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options expensed in this reporting period. The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Expiry Date	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
05 June 2003	15 April 2007	$0.052	$0.075	$0.065	174.8%	4.53%	—
27 June 2003	15 April 2007	$0.087	$0.075	$0.105	174.8%	4.53%	—
17 June 2004	30 July 2008	$0.040	$0.120	$0.070	129.2%	5.00%	—

7. Directors' and officers' remuneration excludes an insurance premium of $58,000 paid by the parent entity in respect of directors' and officer's liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers.

3. Options and rights over equity instruments

All options refer to options over ordinary shares of Climax Mining Ltd, which are exercisable on a one-for-one basis under the ESOP plan.

a) Exercise of options granted as compensation

During the reporting period, the following shares were issued on the exercise of options previously granted as compensation:

Executive	Number of shares	Amount paid $/share
B E Wells	333,000	$0.12

There are no amounts unpaid on the shares issued as a result of the exercise of the options.

b) The movement during the reporting period in the number of options over ordinary shares in Climax Mining Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2005	Exercised	Held at 30 June 2006	Vested during the year	Vested and exercisable at 30 June 2006
Directors					
J E Askew	4,000,000	—	4,000,000	—	—
Executives					
R P Thomson	3,000,000	—	3,000,000	333,000	666,000
B E Wells	1,000,000	333,000	667,000	333,000	333,000
J P Leviste	1,000,000	—	1,000,000	—	1,000,000

	Held at 1 July 2004	Exercised	Held at 30 June 2005	Vested during the year	Vested and exercisable at 30 June 2005
Directors					
J E Askew	4,000,000	—	4,000,000	—	—
Executives					
R P Thomson	3,000,000	—	3,000,000	333,000	333,000
B E Wells	1,000,000	—	1,000,000	333,000	333,000
J P Leviste	1,000,000	—	1,000,000	1,000,000	1,000,000

	Held at 1 July 2003	Exercised	Held at 30 June 2004	Vested during the year	Vested and exercisable at 30 June 2004
Directors					
J E Askew	4,000,000	—	4,000,000	—	—
Executives					
R P Thomson	2,000,000	—	3,000,000	—	—
B E Wells	—	—	1,000,000	—	—
J P Leviste	—	—	1,000,000	—	—

No options held by key management personnel are vested but not exercisable.

4. **Movements in Shares**

The movement during the reporting period in the number of ordinary shares in Climax Mining Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2005	Purchases	Received on exercise of options	Sales	Held at 30 June 2006
Directors					
J E Askew	4,000,000	800,000	—	—	4,800,000
T N Fern	26,572,018	—	—	211,170	26,360,848
T V Willsteed	600,000	—	—	—	600,000
Executives					
R P Thomson	5,750,000	800,000	—	—	6,550,000
J P Leviste	3,075,000	400,000	—	—	3,475,000
B E Wells	—	—	333,000	95,000	238,000

No shares were granted to key management personnel during the reporting period as compensation.

	Held at 1 July 2004	Purchases	Received on exercise of options	Sales	Held at 30 June 2005
Directors					
J E Askew	4,000,000	—	—	—	4,000,000
T N Fern	26,572,018	—	—	—	26,572,018
T V Willsteed	600,000	—	—	—	600,000
Executives					
R P Thomson	5,750,000	—	—	—	5,750,000
J P Leviste	2,575,000	500,000	—	—	3,075,000

	Held at 1 July 2003	Purchases	Received on exercise of options	Sales	Held at 30 June 2004
Directors					
J E Askew	4,000,000	—	—	—	4,000,000
T N Fern	26,572,018	—	—	—	26,572,018
T V Willsteed	600,000	—	—	—	600,000
Executives					
R P Thomson	2,000,000	3,750,000	—	—	5,750,000
J P Leviste	2,575,000	—	—	—	2,575,000

22. Interests in joint ventures

Included in the assets of the Company and the consolidated entity are the following items which represent the Company and the consolidated entity's interest in the assets and liabilities in joint ventures:

	Consolidated		
	2006	2005	2004
	$'000	$'000	$'000
Non-current assets			
Exploration expenditure	—	268	273
Net assets	—	268	273

The principal activity of all the joint venture operations is minerals exploration. Listed below is the name of each joint venture operation and the percentage interest held in the joint venture by the consolidated entity:

		Interest held		
Joint venture	**Note**	**2006**	**2005**	**2004**
Mistry	i)	—	34.3%	70.0%
Junction Reefs	ii)	20.92%	42.7%	42.7%

Notes

i) ***Fiji***

Millennium Mining Pty Ltd (Fiji) ("Millennium") has advised that it has spent on exploration an amount in excess of its requirement to earn a 70% interest; Climax has elected not to fund its pro-rata share of future costs and opted to participate by way of a net smelter royalty of 2.1%.

ii) Australia

Junction Reefs, NSW

Climax interest: 20.92%

Operator: Cadia Holdings Pty Ltd ("Newcrest") has earned 51% and controlling interest

Newcrest gave notice that at 30 September 2005 it had incurred expenditure of $14 million in accordance with the second Joint Venture Agreement and earned a 51% participating interest. Climax's interest was correspondingly reduced to 20.92%.

Climax has given notice to the Operator that it will not be contributing further in respect of its participating interest. As a consequence of this election, Climax's participating interest will be further diluted as a direct proportion, to the expenditure it would be obliged to fund, as a participant to the total joint venture expenditure, taking past expenditures into account.

23. Segment reporting

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest, gain or loss on foreign exchange, corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Geographical segments

In presenting information on the basis of geographical segments, segment assets are based on the geographical location of the assets. The consolidated entity's geographical segments are as follows:

Australia	Minerals exploration.
Philippines	Minerals exploration.
Other	Minerals exploration in other regions.

Geographic segments

The consolidated entity's business segments are minerals exploration and corporate administration.

(a) Primary report — geographical segments

2006	Australia $'000	Philippines $'000	Other $'000	Unallocated $'000	Consolidated $'000
Segment result	(2,802)	(523)	(180)	646	(2,859)
Income tax benefit	—	—	—	—	—
Net profit/(loss)	(2,802)	(523)	(180)	646	(2,859)
Depreciation and amortisation of segment assets	28	33	—	—	61
Segment assets	209	36,616	1	13,317	50,143
Segment liabilities	1,269	3,455	3	—	4,727
Acquisition of non-current assets	15	8,540	—	—	8,555

2005	Australia $'000	Philippines $'000	Other $'000	Unallocated $'000	Consolidated $'000
Segment result	(3,000)	(505)	—	440	(3,065)
Income tax benefit	—	—	—	—	—
Net profit/(loss)	(3,000)	(505)	—	440	(3,065)
Depreciation and amortisation of segment assets	25	17	—	—	42
Segment assets	326	28,021	155	4,594	33,096
Segment liabilities	1,072	2,121	3	—	3,196
Acquisition of non- current assets	33	1,844	—	—	1,877

2004	Australia $'000	Philippines $'000	Other $'000	Unallocated $'000	Consolidated $'000
Segment result	(1,423)	(1,065)	—	421	(2,067)
Income tax benefit	—	—	—	—	—
Net profit/(loss)	(1,423)	(1,065)	—	421	(2,067)
Depreciation and amortisation of segment assets	3	1	—	—	4
Segment assets	371	26,300	146	8,775	35,592
Segment liabilities	866	2,298	—	—	3,164
Acquisition of non- current assets	89	1,558	—	—	1,647

(b) **Secondary report — business segments**

2006	Exploration $'000	Corporate $'000	Unallocated $'000	Consolidated $'000
Total revenue	—	—	—	—
Segment assets by location of assets	36,616	209	13,318	50,143
Acquisition of non-current assets	8,540	15	—	8,555

2005	Exploration $'000	Corporate $'000	Unallocated $'000	Consolidated $'000
Total revenue	—	—	440	440
Segment assets by location of assets	28,324	178	4,594	33,096
Acquisition of non-current assets	1,848	29	—	1,877

2004	Exploration $'000	Corporate $'000	Unallocated $'000	Consolidated $'000
Total revenue	—	144	421	565
Segment assets by location of assets	26,599	218	8,775	35,292
Acquisition of non-current assets	1,497	150	—	1,647

24. Investments in associates

The consolidated carrying value of investments in associates is nil, as shown below (2005: Nil, 2004: Nil).

The consolidated entity has a 50.97% (2005: 50.97%, 2004: 50.97%) interest, which under the terms of a shareholder agreement does not represent a controlling interest, in the issued capital of Argentina Mineral Development S.A. incorporated in Argentina and a 47.5% (2005: 47.5%, 2004: 47.5%) interest in Minera Climax Del Ecuador S.A. incorporated in Ecuador. These companies are in the process of deregistration with the respective statutory authorities.

25. Reconciliation of cash flows from operating activities

	2006 $'000	2005 $'000	2004 $'000
Loss after income tax	(2,859)	(3,065)	(2,067)
Adjust for items classified as investing/financing activities:			
Profit (loss) from sale of investment and shares held for trading	—	—	(30)
Finance charges on long term loan			63
Adjust for non-cash items:			
Provisions for:			
— employee entitlements	43	136	18
— rehabilitation	(53)	259	—
— write down exploration expenditure	140	9	971
— unrealised foreign exchange gain	(332)	(95)	(257)
— discounted interest on long term loan	66	178	—
Share based payment expense	81	157	144
Depreciation of plant and equipment	61	42	4
Net cash used in operating activities before changes in assets and liabilities	(2,853)	(2,379)	(1,154)
Increase/(decrease) in trade, other debtors and prepayments	(38)	39	(112)
(Increase)/decrease in trade creditors and accruals	287	(96)	(32)
Net cash used in operating activities	(2,604)	(2,436)	(1,298)

26. Events subsequent to reporting date

Subsequent to the balance sheet date, on 11 July 2006, Climax Mining and Oceana Gold Limited announced their intention to merge by scheme of arrangement. The Climax Directors unanimously supported the merger.

Under the terms of the Share Scheme, Climax shareholders received 62 Oceana shares and 31 Oceana options for every 100 Climax shares they held. Under the terms of the Listed Option Scheme, Climax option holders received 29.41 Oceana shares and 14.7 Oceana options for every 100 Climax options they held. Oceana options to be issued as a result of the merger are a new class of Oceana security. Each Oceana option entitles the holder to subscribe for one Oceana share at a price of 92.5c. The Oceana options can be exercised during the period from 1 January 2008 to 1 January 2009.

The Board of Climax unanimously supported the proposed merger between Oceana and Climax and recommended that Climax shareholders and option holders voted in favour of the transaction at a meeting that took place on 24 October 2006. At the Climax Mining Share and Option Scheme Meetings held on 30 October 2006, the proposed merger was approved by a majority of shareholders and option holders.

On 6 November 2006 the merger of Climax Mining with Oceana Gold Ltd by way of a scheme of arrangement was completed. Upon completion of the merger Oceana Gold Ltd acquired 100% of the voting shares of Climax Mining.

Subsequent to the balance sheet date, on 28 September 2006 Sercor Limited gave notice to exercise 12.5 million options. These options had an exercise price of 32 cents. This contributed $4 million of additional capital.

Other than as stated elsewhere in this report, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction, or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of the affairs of the consolidated entity, in subsequent financial years.

27. Impact of applying Canadian Generally Accepted Accounting Principles ("CGAAP")

There is no impact on the reported net loss, balance sheet or cash flow statement for the years ended 30 June 2005 and 30 June 2006 for the purposes of applying CGAAP.

For the year ended 30 June 2004 the audited financial statements were prepared under Australian Generally Accepted Accounting Principles ("AGAAP"). Adjustments have been made to the reported AGAAP results and balances for the year ended 30 June 2004, and the opening balance sheet as at 1 July 2003, to bring these accounts into compliance with AIFRS. There is no impact on this reported net loss, balance sheet or cash flow statement for the year ended 30 June 2004 for the purposes of applying CGAAP.

DIRECTORS' DECLARATION

In the opinion of the directors of Climax Mining Ltd ("the Company"):

(a) the financial statements and notes are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 September 2006 and of their performance, as represented by the results of their operations and their cash flows, for the period ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

(Signed) JAMES E. ASKEW
Director
Melbourne, Australia
May 15, 2007

OCEANAGOLD CORPORATION
Pro Forma Consolidated Financial Statements
December 31, 2006

OCEANAGOLD CORPORATION

COMPILATION REPORT ON PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

To the Directors of
OceanaGold Corporation

We have read the accompanying unaudited pro forma consolidated balance sheet of OceanaGold Corporation (the "Company") as at December 31, 2006 and unaudited pro forma consolidated statement of loss for the year then ended, and have performed the following procedures.

1. Compared the figures in the columns captioned "OceanaGold Corporation" to the audited opening balance sheet of OceanaGold Corporation as at March 22, 2007 and found them to be in agreement.
2. Compared the figures in the columns captioned "Oceana Gold Limited" to the audited consolidated financial statements of Oceana Gold Limited as at December 31, 2006 and for the year then ended, and found them to be in agreement.
3. Compared the figures in the column "Climax Mining Limited" to the reconciliation of Climax results for the period January 1, 2006 to November 6, 2006 as shown in Note 6 to the pro forma financial statements, and found them to be in agreement.
4. Recalculated the figures in the column "Climax results for the 6 months ended June 2006" based on a schedule prepared by management to calculate the USD equivalent for the 6 months then ended using the audited financial statements for the period July 1, 2005 to June 30, 2006 and the unaudited financial statements for the period July 1, 2005 to December 31, 2005, each of which have been presented in Australian dollars, and found them to be in agreement.
5. Recalculated the figures in the column "Climax results for the 3 months ended September 30, 2006" based on a schedule prepared by management to calculate the USD equivalent for the 3 months then ended using the unaudited financial statements for the period from July 1, 2006 to September 30, 2006, which have been presented in Australian dollars, and found them to be in agreement.
6. Compared the figures in the column "Climax results for the period October 1, 2006 to November 6, 2006" to a schedule prepared by management to calculate the USD equivalent for the period then ended using the accounting records of Climax comprising the unaudited results for the period from October 1, 2006 to November 6, 2006, which have been presented in Australian dollars, and found them to be in agreement.
7. Recalculated the figures in column "Climax Mining Limited January 1, 2006 to November 6, 2006" as the sum total of those figures in columns "Climax results for the 6 months ended June 2006", "Climax results for the 3 months ended September 30, 2006" and "Climax results for the period October 1, 2006 to November 6, 2006", and found them to be in agreement.
8. Made enquiries of certain officials of the company who have responsibility for financial and accounting matters about:
   (a) the basis for determination of the pro forma adjustments; and
   (b) whether the pro forma consolidated financial statements comply as to form in all material respects with Canadian securities requirements.

   The officials:

   (a) described to us the basis for determination of the pro forma adjustments, and
   (b) stated that the pro forma consolidated financial statements comply as to form in all material respects with Canadian securities requirements.
9. Read the notes to the pro forma consolidated financial statements, and found them to be consistent with the basis described to us for determination of the pro forma adjustments.
10. Recalculated the application of the pro forma adjustments to the aggregate of the amounts in the columns captioned "Oceana Gold Limited", "OceanaGold Corporation" and "Climax Mining Limited" as at December 31, 2006, and for the year then ended, and found the amounts in the column captioned "Pro forma OceanaGold Corporation" to be arithmetically correct.

A pro forma financial statement is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the pro forma adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the pro forma financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

(Signed) *"Ernst & Young"*
Chartered Accountants
Melbourne, Australia
June 25, 2007

OCEANAGOLD CORPORATION

PRO FORMA CONSOLIDATED BALANCE SHEET
As at December 31, 2006
(Unaudited — see compilation report)

	OceanaGold Corporation Historical	Oceana Gold Limited Historical	Pro forma adjustments	Note	Pro forma OceanaGold Corporation (Consolidated)
		(in thousands of United States dollars)			
ASSETS					
Current assets					
Cash and cash equivalents	—	80,025	76,428	5(c)	156,453
Accounts receivable and other receivables	—	2,488	—		2,488
Inventories	—	10,498	—		10,498
Prepayments	—	508	—		508
Current portion of future tax assets	—	22,894	—		22,894
Derivatives	—	4,298	—		4,298
Total current assets	—	120,711	76,428		197,139
Non-current assets					
Accounts receivable and other receivables	—	26	—		26
Inventories	—	21,452	—		21,452
Property, plant and equipment	—	155,032	—		155,032
Mining assets	—	316,338	—		316,338
Derivatives	—	10,170	—		10,170
Total non-current assets	—	503,018	—		503,018
TOTAL ASSETS	—	623,729	76,428		700,157
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	—	14,700	—		14,700
Derivatives	—	73,978	—		73,978
Current portion of employee benefits	—	1,550	—		1,550
Interest-bearing loans and borrowings	—	957	—		957
Current income taxes payable	—	—	—		—
Total current liabilities	—	91,185	—		91,185
Non-current liabilities					
Other long term obligations	—	3,466	—		3,466
Employee benefits	—	81	—		81
Derivatives	—	—	—		—
Interest-bearing loans and borrowings	—	140,652	—		140,652
Future income tax liabilities	—	90,763	—		90,763
Asset retirement obligation	—	8,422	—		8,422
Total non-current liabilities	—	243,384	—		243,384
TOTAL LIABILITIES	—	334,569	—		334,569
SHAREHOLDERS' EQUITY					
Capital stock	—	246,146	(246,146)	3, 5(a)	—
			246,146	3, 5(a)	246,146
			76,428	5(c)	76,428
Retained earnings	—	11,768	—		11,768
Equity portion of convertible debt	—	9,239	—		9,239
Contributed surplus	—	18,932	—		18,932
Accumulated other comprehensive income	—	3,075	—		3,075
TOTAL SHAREHOLDERS' EQUITY	—	289,160	76,428		365,588
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	—	623,729	76,428		700,157

On behalf of the Board of Directors:

(Signed) James E. Askew
Director

(Signed) J. Denham Shale
Director

The accompanying notes are an integral part of these financial statements

OCEANAGOLD CORPORATION

PRO FORMA CONSOLIDATED STATEMENT OF LOSS

For the year ended December 31, 2006
(Unaudited — see compilation report)

	OceanaGold Corporation Historical	Oceana Gold Limited Historical Year ended December 31, 2006	Climax Mining Limited January 1, 2006 to November 6, 2006	Note	Pro forma OceanaGold Corporation (Consolidated)
	(in thousands of United States dollars)				
Revenue					
Gold sales	—	94,750	—		94,750
Release from other comprehensive income of deferred unrealised loss on designated hedges	—	(27,684)	—		(27,684)
	—	67,066	—		67,066
Cost of sales, excluding depreciation and amortization	—	(72,684)	—		(72,684)
Depreciation and amortization	—	(14,031)	—		(14,031)
Other expenses					
Interest expense	—	(6,594)	(99)	5(b)	(6,693)
Other	—	(6,212)	(3,628)	5(b)	(9,840)
	—	(12,806)	(3,727)		(16,533)
Loss on fair value of undesignated hedges	—	(5,079)	—		(5,079)
Other income	—	2,766	304	5(b)	3,070
Loss before income taxes	—	(34,768)	(3,423)		(38,191)
Income tax benefit	—	11,341	—		11,341
Net loss	—	(23,427)	(3,423)	5(b)	(26,850)
Net loss per share:					
— basic (cents per share)				4	(20.23)
— diluted (cents per share)				4	(20.23)

The accompanying notes are an integral part of these financial statements

OCEANAGOLD CORPORATION

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended December 31, 2006
(Unaudited — see compilation report)

1. Basis of preparation

OceanaGold Corporation ("OceanaGold" or the "Corporation") was incorporated under the *Business Corporations Act* (British Columbia) on March 22, 2007. OceanaGold was established for the purpose of becoming the Canadian holding company of Oceana Gold Limited ("Oceana"), a company incorporated under the Australian Corporations Act 2001 (Cth), pursuant to court-approved schemes of arrangement under Australian law and an implementation agreement dated March 30, 2007 between OceanaGold and Oceana. OceanaGold intends to list on the Toronto Stock Exchange subject to the above mentioned schemes of arrangement

The accompanying unaudited pro forma consolidated balance sheet and unaudited pro forma consolidated statement of loss of the Corporation have been prepared by the management of Oceana on behalf of the Corporation in accordance with Canadian generally accepted accounting principles, using the significant accounting policies disclosed in the audited consolidated financial statements of Oceana. They have been prepared as part of a prospectus filed in each of the provinces and territories of Canada by OceanaGold to effect an initial public offering of 25,715,000 common shares of OceanaGold net of equity issuance costs including underwriting fees.

Oceana is an international mining and exploration company that has been an active explorer since listing on the Australian Stock Exchange during 2004. Pursuant to the court-approved schemes of arrangement, holders of ordinary shares of Oceana will exchange their shares for either OceanaGold common shares or OceanaGold CHESS Depositary Interests ("CDIs"), on the basis of one (1) common share or one CDI for every five (5) ordinary shares of Oceana held.

On November 6, 2006, Oceana acquired all of the outstanding shares of Climax Mining Ltd ("Climax"), a listed public company based in Australia engaged in minerals exploration, pre-development of the Didipio Gold-Copper Project in the Philippines and investment.

The unaudited pro forma consolidated balance sheet gives effect to the proposed acquisition of Oceana by OceanaGold as well as the equity issuance described above, as if they had occurred on December 31, 2006. It has been prepared using the audited consolidated financial statements of Oceana as at December 31, 2006 and the audited balance sheet of OceanaGold as at March 22, 2007. The unaudited pro forma consolidated statement of loss gives effect to the proposed acquisition of Oceana by OceanaGold as if it had occurred on January 1, 2006, as well as the historical acquisition of Climax by Oceana as if it had occurred on January 1, 2006. It has been prepared using the audited consolidated financial statements of Oceana for the year ended December 31, 2006, the audited consolidated financial statements of Climax for the year ended June 30, 2006 and the unaudited consolidated financial statements of Climax for the six months ended December 31, 2005 and the three months ended September 30, 2006, and a schedule prepared by management of Oceana from the accounting records of Climax comprising the unaudited results for the period from October 1, 2006 to November 6, 2006.

This unaudited pro forma consolidated balance sheet and unaudited pro forma consolidated statement of loss of OceanaGold should be read in conjunction with the audited balance sheet of OceanaGold as at March 22, 2007, the audited consolidated financial statements of Oceana for the year ended December 31, 2006, the audited consolidated financial statements of Climax for the year ended June 30, 2006 and the unaudited consolidated financial statements of Climax for the three months ended September 30, 2006, all included elsewhere in this prospectus.

2. Accounting treatment for acquisition

The unaudited pro forma consolidated financial statements reflect the acquisition of Oceana using the continuity-of-interests method of accounting as there has been no substantive change in the ultimate ownership interests in Oceana. Accordingly, the assets acquired and liabilities assumed by OceanaGold will be measured at Oceana's historical carrying amounts.

Shareholders of Oceana will receive 1 common share or CDI of OceanaGold for every 5 ordinary shares held in Oceana.

These pro forma adjustments are tentative and are based on available financial information and certain estimates and assumptions. The actual adjustments to the consolidated financial statements of OceanaGold will depend on a number of factors including, but not limited to, changes in net carrying amounts, and operating results of Oceana between December 31, 2006 and the date of the acquisition. Therefore, the actual adjustments will differ from the pro forma adjustments. Management believes that the assumptions provide a reasonable basis for presenting all of the significant effects of the transactions contemplated and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma consolidated financial statements.

The unaudited pro forma consolidated financial statements are not intended to reflect the results of operations which would have actually resulted had the acquisition of OceanaGold and other pro forma transactions and adjustments been effected on the dates indicated below. Further, the unaudited pro forma consolidated statement of loss is not necessarily indicative of the results of operations that may be obtained by the Corporation in the future.

3. Share capital

Share capital as at December 31, 2006 in the pro forma consolidated balance sheet is comprised of the following:

	Number of common shares	Amount $'000
OceanaGold		
Balance as at December 31 2006, prior to proposed share exchange	—	—
Oceana		
Balance as at December 31 2006, prior to proposed share exchange	663,802	246,146
	663,802	246,146
Shares issued by OceanaGold to effect 1:5 share exchange in relation to the acquisition	132,760	—
Adjustment on acquisition	(663,802)	—
Balance as at December 31 2006	132,760	246,146

4. Earnings per share

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

	$'000
Numerator:	
Net loss (used in calculation of basic and diluted earnings per share)	(26,850)

	Thousands
Denominator:	
Weighted average number of common shares (used in calculation of basic earnings per share)	132,760
Effect of dilution:	
Share options*	—
Convertible notes*	—
Adjusted weighted average number of common shares (used in calculation of diluted earnings per share)	132,760

* The conversion of share options and convertible notes would decrease the loss per share and hence are non-dilutive.

5. Pro forma adjustments

The unaudited pro forma consolidated financial statements have been presented assuming that the following transactions had been completed and adjustments had been effected as of January 1, 2006 for the unaudited pro forma consolidated statement of income and as of December 31, 2006 for the unaudited pro forma consolidated balance sheet:

a) An adjustment has been recorded to reflect the exchange of all outstanding ordinary shares of Oceana for common shares in OceanaGold.

b) An adjustment has been recorded to reflect the consolidation of the results of Climax for the period from January 1, 2006 to November 6, 2006, the date of acquisition by Oceana. Refer to note 6 which reconciles the Climax results for the period January 1, 2006 to November 6, 2006 to reported interim period financial results for the Corporation.

c) An adjustment of $76,427,547 has been recorded to reflect public offering proceeds, net of underwriting costs of $4,636,794 and other estimated issuance costs of $3,241,000.

6. **Reconciliation of Climax results for period January 1, 2006 to November 6, 2006**

	Climax results for 6 months ended June 30, 2006	Climax results for 3 months ended September 30, 2006	Climax results for the Period October 1, 2006 to November 6, 2006	Climax Mining Limited January 1, 2006 to November 6, 2006 per Statement of Loss
	(in thousands of United States dollars)			
Revenue				
Gold sales	—	—	—	—
Release from other comprehensive income of deferred unrealised loss on designated hedges	—	—	—	—
	—	—	—	—
Cost of sales, excluding depreciation and amortisation	—	—	—	—
Depreciation and amortisation	—	—	—	—
Other expenses				
Interest expense	—	(68)	(31)	(99)
Other	(1,177)	(1,503)	(948)	(3,628)
	(1,177)	(1,571)	(979)	(3,727)
Gain/(loss) on fair value of undesignated hedges	—	—	—	—
Other income	152	151	1	304
Earnings/(loss) before income taxes	(1,025)	(1,420)	(978)	(3,423)
Income taxes (expense)/benefit	—	—	—	—
Net earnings/(loss)	(1,025)	(1,420)	(978)	(3,423)

AUDITORS' CONSENT

We have read the prospectus of OceanaGold Corporation (the "Company") dated June 25, 2007 relating to the offering and issuance of 25,715,000 common shares of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above named prospectus of our report dated June 25, 2007 to the Board of Directors of the Company on the following financial statement of the Company:

- Balance sheet as at March 22, 2007.

We also consent to the use in the above named prospectus of our report dated May 15, 2007 to the Board of Directors of the Oceana Gold Limited on the following consolidated financial statements of Oceana Gold Limited:

- Consolidated balance sheets as at December 31, 2006 and 2005;
- Consolidated statements of earnings/(loss), retained earnings, comprehensive income/(loss) and cash flows for each of the years in the three-year period ended December 31, 2006.

(Signed) *"Ernst & Young"*
Chartered Accountants
Melbourne, Australia
June 25, 2007

CERTIFICATE OF THE COMPANY

Dated: June 25, 2007

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act (*British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Part 6 of the *Securities Act* (New Brunswick), by Section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act, 1990* (Newfoundland and Labrador), by the *Securities Act* (Yukon), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

OCEANAGOLD CORPORATION

By: (Signed) STEPHEN A. ORR
Chief Executive Officer

By: (Signed) ROSS GLOSSOP
Chief Financial Officer

On behalf of the Board of Directors of OceanaGold Corporation

By: (Signed) JAMES E. ASKEW
Director

By: (Signed) J. DENHAM SHALE
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: June 25, 2007

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 9 of the *Securities Act* (Alberta), by Part XI of *The Securities Act, 1988* (Saskatchewan), by Part VII of *The Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Part 6 of the *Securities Act* (New Brunswick), by Section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act, 1990* (Newfoundland and Labrador), by the *Securities Act* (Yukon), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. To our knowledge, this prospectus does not contain any misrepresentation likely to affect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

BMO NESBITT BURNS INC.

By: (Signed) Egizio Bianchini

HAYWOOD SECURITIES INC.

By: (Signed) John Willett

WESTWIND PARTNERS INC.

By: (Signed) Nick Pocrnic

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