



OCEANAGOLD CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FIRST QUARTER REPORT
MARCH 31ST, 2010
UNAUDITED

For personal use only

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEET

As at March 31

(in thousands of United States dollars)

	Notes	March 31 2010 \$'000	December 31 2009 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		88 258	42 423
Accounts receivable and other receivables		2 608	3 460
Inventories	2	26 798	25 315
Prepayments		644	1 116
Derivatives	6	15	141
Future income tax assets	3	9 396	9 006
Total current assets		127 719	81 461
Non-current assets			
Inventories	2	36 066	33 133
Future income tax assets	3	5 304	8 684
Property, plant and equipment	4	110 976	118 156
Mining assets	5	554 073	546 272
Total non-current assets		706 419	706 245
TOTAL ASSETS		834 138	787 706
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		85 961	29 996
Employee benefits	7	2 635	2 358
Derivatives	6	-	89 875
Interest-bearing loans and borrowings	8	60 927	62 794
Asset retirement obligation		36	38
Total current liabilities		149 559	185 061
Non-current liabilities			
Other long term obligations		2 018	2 709
Employee benefits	7	71	69
Future income tax liabilities	3	79 400	77 753
Interest-bearing loans and borrowings	8	120 408	120 880
Asset retirement obligation		8 576	8 621
Total non-current liabilities		210 473	210 032
TOTAL LIABILITIES		360 032	395 093
SHAREHOLDERS' EQUITY			
Share capital	9	433 368	354 915
Accumulated deficit		(55 200)	(57 014)
Contributed surplus	13	32 899	32 690
Accumulated other comprehensive income	10	63 039	62 022
TOTAL SHAREHOLDERS' EQUITY		474 106	392 613
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		834 138	787 706

Contingencies (note 14)

Commitments (note 15)

On behalf of the Board of Directors:



James E. Askew
Director
April 28, 2010



J. Denham Shale
Director
April 28, 2010

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

For the Quarter ended March 31

<i>(in thousands of United States dollars except per share amounts)</i>	<i>Notes</i>	<i>Three months ended</i>	
		<i>March</i>	<i>March</i>
		<i>31</i>	<i>31</i>
		<i>2010</i>	<i>2009</i>
		<i>\$'000</i>	<i>\$'000</i>
Revenue			
Gold sales		48 299	55 270
		48 299	55 270
Cost of sales, excluding depreciation and amortisation		(35 364)	(22 342)
Depreciation and amortisation		(17 572)	(13 473)
General and administration expenses		(4 380)	(2 055)
Operating profit / (loss)		(9 017)	17 400
Other expenses			
Interest expense		(4 041)	(3 436)
Foreign exchange gain/(loss)		(115)	113
		(4 156)	(3 323)
Gain/(loss) on fair value of undesignated hedges		16 230	(2 265)
Interest income		250	72
Other income		39	46
Earnings/(loss) before income taxes		3 346	11 930
Income taxes benefit/(expense)		(1 532)	(2 876)
Net earnings		1 814	9 054
Net earnings per share:			
- basic	16	\$0.01	\$0.06
- diluted	16	\$0.01	\$0.05

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF ACCUMULATED DEFICIT

For the Quarter ended March 31

<i>(in thousands of United States dollars)</i>	<i>Three months ended</i>	
	<i>March</i>	<i>March</i>
	<i>31</i>	<i>31</i>
	<i>2010</i>	<i>2009</i>
	<i>\$'000</i>	<i>\$'000</i>
Accumulated deficit at beginning of period	(57 014)	(111 526)
Net earnings	1 814	9 054
Accumulated deficit at end of period	(55 200)	(102 472)

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

For the Quarter ended March 31

	<i>Three months ended</i>	
	<i>March</i>	<i>March</i>
	<i>31</i>	<i>31</i>
	<i>2010</i>	<i>2009</i>
	<i>\$'000</i>	<i>\$'000</i>
Net earnings	1 814	9 054
Other comprehensive income for the period, net of tax:		
Currency translation differences	1 017	(3 504)
Comprehensive income	2 831	5 550

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

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For Quarter ended March 31

	<i>Notes</i>	<i>Three months ended</i>	
		<i>March</i>	<i>March</i>
		<i>31</i>	<i>31</i>
<i>(in thousands of United States dollars)</i>		<i>2010</i>	<i>2009</i>
		<i>\$'000</i>	<i>\$'000</i>
Operating activities			
Net earnings/(loss)		1 814	9 054
<i>Charges / (credits) not affecting cash</i>			
Depreciation and amortisation expense		17 572	13 473
Net gain on disposal of property, plant & equipment		-	(13)
Non-cash interest charges		881	593
Unrealised foreign exchange (gains) / losses		115	28
Stock based compensation charge		216	9
(Gain)/Loss on fair value of undesignated hedges		(16 230)	2 265
Future tax expense		1 532	2 876
<i>Changes in non-cash working capital</i>			
(Increase)/decrease in accounts receivable and other receivables		802	(2 166)
(Increase) in inventory		(2 393)	(2 153)
(Decrease)/increase in accounts payable		(14 719)	323
(Decrease)/increase in other working capital		150	(1 326)
Net cash provided by/(used in) operating activities		(10 260)	22 963
Investing activities			
Proceeds from sale of property, plant and equipment		-	26
Payments for property, plant and equipment		(1 196)	(579)
Payments for mining assets: exploration and evaluation		(66)	(130)
Payments for mining assets: development		(1 081)	(1 532)
Payments for mining assets: in production		(15 752)	(9 355)
Net cash used for investing activities		(18 095)	(11 570)
Financing activities			
Proceeds from issue of shares		84 819	-
Payments for equity raising costs		(4 700)	-
Payment of finance lease liabilities		(2 200)	(1 506)
Repayments of borrowings		(3 139)	(2 578)
Net cash provided by/(used for) financing activities		74 780	(4 084)
Effect of exchange rates changes on cash held in foreign currencies		(590)	346
Net increase/(decrease) in cash and cash equivalents		45 835	7 655
Cash and cash equivalents at beginning of period		42 423	9 711
Cash and cash equivalents at end of period		88 258	17 366
Cash Interest Paid		(3 160)	(2 844)

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

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

For Quarter ended March 31

1 BASIS OF PREPARATION

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due.

The preparation of the financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. Where necessary, comparative information has been reclassified for consistency with current year disclosures.

The accompanying unaudited consolidated financial statements should be read in conjunction with the notes to the audited consolidated financial statements of OceanaGold Corporation (OceanaGold) for the year ended December 31, 2009, since they do not contain all disclosures required by Canadian GAAP for annual financial statements. These unaudited interim consolidated financial statements reflect all normal and recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

For the quarter ended March 31, 2010, the Company earned a profit of \$1.8 million. As at March 31, 2010, the current liabilities of the Company exceeded current assets by \$21.8 million. Cash flow forecasts reflect that debts will be repaid as they become due. Current liabilities include \$50.2 million of convertible notes with a call option held by the note holders, for repayment in December 2010. The Company has cash on hand of \$88.3 million and cash flow projections for unhedged gold sales, after settlement of derivative contracts indicate sufficient funds to meet all operating obligations for at least 12 months based on current gold prices.

Accounting policies effective for future periods

Business Combinations

In October 2008, the CICA issued Handbook Section 1582, "Business Combinations", which establishes new standards for accounting for business combinations. This is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Should the Company engage in a future business combination, it would consider early adoption to coincide with the adoption of IFRS.

Non-controlling Interests

Also in October 2008, the CICA issued Handbook Section 1602, "Non-controlling Interests", to provide guidance on accounting for non-controlling interests subsequent to a business combination. This is effective for fiscal years beginning on or after January 2011. Should the Company engage in a future business combination, it would consider early adoption to coincide with the adoption of IFRS.

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

For Quarter ended March 31

2 INVENTORIES

	<i>March 31</i>	<i>December 31</i>
	<i>2010</i>	<i>2009</i>
	<i>\$'000</i>	<i>\$'000</i>
Current		
Gold in circuit	6 308	4 416
Ore	4 002	3 289
Stores	16 488	17 610
	26 798	25 315
Non-Current		
Ore	36 066	33 133
	62 864	58 448
Total inventories	62 864	58 448

3 FUTURE INCOME TAX

	<i>March 31</i>	<i>December 31</i>
	<i>2010</i>	<i>2009</i>
	<i>\$'000</i>	<i>\$'000</i>
Future income tax		
Future income tax at period end relates to the following:		
<i>Future income tax assets</i>		
Losses available for offset against future taxable income	82 964	58 045
Revaluations of derivatives to fair value	-	26 963
Provisions	3 635	4 884
Accrued expenses	-	135
Share issue costs	-	1 849
Other	1 208	1 061
Gross future income tax assets	87 807	92 937
Set off future tax liabilities	(73 107)	(75 247)
	14 700	17 690
Less: current portion	(9 396)	(9 006)
Net non-current future tax assets	5 304	8 684
<i>Future income tax liabilities</i>		
Mining assets	(122 251)	(121 172)
Property, plant and equipment	(26 938)	(28 537)
Inventory	(1 329)	(1 264)
Interest Receivable	(430)	(463)
Accrued Revenue	(1 403)	(1 373)
Revaluations of derivatives to fair value	(5)	(42)
Other	(151)	(149)
Gross future income tax liabilities	(152 507)	(153 000)
Set off future tax assets	73 107	75 247
Net non-current future tax liabilities	(79 400)	(77 753)

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

For Quarter ended March 31

4 PROPERTY, PLANT AND EQUIPMENT

	<i>March 31</i> 2010 \$'000	<i>December 31</i> 2009 \$'000
Freehold land		
Cost	5 769	5 868
Buildings		
Cost	7 021	7 109
Accumulated depreciation	(2 995)	(2 957)
Net of accumulated depreciation	4 026	4 152
Plant and equipment		
Cost	234 625	237 618
Accumulated depreciation	(137 517)	(133 803)
Net of accumulated depreciation	97 108	103 815
Rehabilitation		
Cost	7 971	8 108
Accumulated amortisation	(3 898)	(3 787)
Net of accumulated amortisation	4 073	4 321
Net book value of property, plant and equipment	110 976	118 156

5 MINING ASSETS

	<i>March 31</i> 2010 \$'000	<i>December 31</i> 2009 \$'000
Mining Assets: Exploration and evaluation phase		
Cost	19 368	18 964
Mining Assets: Development phase		
Cost	388 549	379 233
Mining Assets: In production		
Cost	306 603	294 792
Accumulated amortisation	(160 447)	(146 717)
Net of accumulated amortisation	146 156	148 075
Net book value of mining assets	554 073	546 272

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

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For Quarter ended March 31

6 DERIVATIVES

	<i>March 31</i>	<i>December 31</i>
	<i>2010</i>	<i>2009</i>
	<i>\$'000</i>	<i>\$'000</i>
Current Assets		
Gold put options	15	141
	<hr/>	<hr/>
Current Liabilities		
Gold call options	-	35 318
Gold forward sales contracts	-	54 557
	<hr/>	<hr/>
	-	89 875
	<hr/>	<hr/>

On 31 March 2010, the Company closed out all its undesignated forward gold sales contracts (74,880 ounces), as well as its undesignated gold call options contracts (78,018 ounces) that were outstanding on that date.

At 31 March 2010, the Company held undesignated gold put options over 61,560 ounces (December 31, 2009: 82,080 ounces) with an average price of NZ\$1,000.

7 EMPLOYEE BENEFITS

(a) Employee benefit liability

	<i>March 31</i>	<i>December 31</i>
	<i>2010</i>	<i>2009</i>
	<i>\$'000</i>	<i>\$'000</i>
Aggregate employee benefit liability is comprised of:		
Accrued wages, salaries	1 196	1 166
Employee benefit provisions current	2 635	2 358
Employee benefit provisions non-current	71	69
	<hr/>	<hr/>
	3 902	3 593
	<hr/>	<hr/>

(b) Defined Contribution Plans

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

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

For Quarter ended March 31

8 INTEREST-BEARING LOANS AND BORROWINGS

	<i>Effective interest rate %</i>	<i>Maturity</i>	<i>March 31 2010 \$'000</i>	<i>December 31 2009 \$'000</i>
Current				
Capital leases	4.66%	5/31/2014	9 393	9 354
5.75% Convertible Notes (A\$55m)	9.16%	12/22/2012	50 184	48 735
Insurance Premium Loan	3.26%	2/28/2010	-	441
Project debt facility (NZ\$1.9m)	4.67%	6/30/2010	1 350	4 264
			60 927	62 794
Non-current				
Capital leases	4.66%	5/31/2014	27 933	30 872
7.00% Convertible notes (A\$70m)	10.13%	12/22/2013	64 732	63 006
7.00% Convertible notes (A\$30m)	10.64%	12/22/2013	27 743	27 002
			120 408	120 880

5.75% Convertible Notes (Unsecured)

The Notes bear interest at 5.75% per annum payable semi-annually in arrears. The convertible note liability has been classified as current at March 31, 2010 as the Note holder has the option to put the Note for redemption to the issuer on December 22, 2010 at a price equal to its Accredited Principal Amount as at the date fixed for redemption together with accrued interest to such date. The Notes mature in 2012 and are redeemable at 109% of their principal amount unless converted to common shares prior to this date at the option of the Note holder. The number of shares to be delivered upon conversion shall be determined by dividing the principal amount of the Notes by the conversion price of A\$4.1470 (subject to adjustment for certain specified events). Of the A\$52.9 million (US\$39.1 million) net proceeds of the issue A\$48.5 million (US\$35.8 million) was allocated to interest bearing liabilities and A\$4.4 million (US\$3.3 million) was allocated to equity.

7.00% Convertible Notes (Unsecured)

The Notes bear interest at 7.00% per annum, payable semi-annually in arrears and have a face value of A\$70 million. Interest accrued in respect of the Notes for the first two years is not payable but is instead capitalised into the redemption value of the Notes. The Notes are due for redemption in 2013 at a value equal to the sum of their principal amount plus the capitalised interest amount, unless converted to common shares prior to this date at the option of the 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. The conversion price is A\$3.9070 (subject to adjustment for certain specified events). Of the A\$67.4 million (US\$52.9 million) net proceeds of the issue A\$59.2 million (US\$46.5 million) was allocated to interest bearing liabilities and A\$8.2 million (US\$6.4 million) was allocated to equity.

On March 22, 2007 an additional A\$30 million (US\$24.2 million) in convertible Notes was issued under the same terms and conditions as the 7% convertible Notes. The conversion price is A\$4.1030 (subject to adjustment for certain specified events) and the Notes are due for redemption in 2013. Of the A\$28.8 million (US\$23.2 million) net proceeds of the issue A\$24.9 million (US\$20.1 million) was allocated to interest bearing liabilities and A\$3.9 million (US\$3.1 million) was allocated to equity.

Project debt Facility (Secured)

The consolidated entity has a project debt facility of NZ\$1.9 million (December 31, 2009: NZ\$5.9 million) provided by a consortium of banks. The facility was fully drawn at March 31, 2009. The project debt facility has a floating interest rate which is paid quarterly in arrears.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For Quarter ended March 31

9 SHARE CAPITAL

Movement in common shares on issue

	<i>March 31 2010 Thousands</i>	<i>March 31 2010 \$'000</i>	<i>December 31 2009 Thousands</i>	<i>December 31 2009 \$'000</i>
Balance at the beginning of the period	185 880	354 915	161 635	334 975
Shares issued	42 114	84 813	24 245	20 698
Options exercised	6	6	-	-
Share issue costs	-	(4 700)	-	(1 122)
Tax effect of share issue costs recognised/ (derecognised)	-	(1 664)	-	364
Balance at the end of the period	<u>228 000</u>	<u>433 368</u>	<u>185 880</u>	<u>354 915</u>

On March 30, 2010, the Company issued a total of 42,113,649 shares represented by 31,164,001 common shares in Canada at C\$2.05 per share and 10,949,648 CHESS Depository Interests ("CDI") in Australia at an issue price of A\$2.18 per CDI.

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

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

CDI holders have the same rights as holders of common shares.

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

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

10 ACCUMULATED OTHER COMPREHENSIVE INCOME / (LOSS) ("OCI")

	<i>March 31 2010 \$'000</i>	<i>December 31 2009 \$'000</i>
Balance at the start of the period		
Currency translation adjustments	<u>62 022</u>	<u>(10 690)</u>
OCI for the period:		
Currency translation differences	<u>1 017</u>	<u>72 712</u>
Accumulated OCI at the end of the period		
Currency translation adjustments	<u>63 039</u>	<u>62 022</u>
	<u>63 039</u>	<u>62 022</u>

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

For Quarter ended March 31

11 SEGMENT INFORMATION

The Group's operations are managed on a regional basis. The two reportable segments are New Zealand and the Philippines. Capital expenditure includes the cost of segment assets acquired by way of business combinations.

	New Zealand \$'000	Philippines \$'000	Corporate \$'000	Elimination	Total \$'000
Quarter Ended March 31, 2010					
Revenue					
Sales to external customers	48 299	-	-	-	48 299
Inter segment management and gold handling fees	-	-	97	(97)	-
Total Segment Revenue	48 299	-	97	(97)	48 299
Result					
Segment result excluding unrealised hedge losses	(5 362)	(159)	(3 322)	-	(8 843)
Inter segment management and gold handling fees	(97)	-	97	-	-
Gain on fair value of undesignated hedges	16 231	-	-	-	16 231
Total segment result before interest and tax	10 772	(159)	(3 225)	-	7 388
Income tax benefit/(expense)	(1 136)	-	(397)	-	(1 533)
Total segment result	9 636	(159)	(3 622)	-	5 855
Interest expense	-	-	-	-	(4 041)
Net earnings for the period	-	-	-	-	1 814
Assets as at March 31, 2010					
Segment assets	366 773	402 375	64 990	-	834 138

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For Quarter ended March 31

11 SEGMENT INFORMATION (continued)

	New Zealand \$'000	Philippine s \$'000	Corporate \$'000	Elimination \$'000	Total \$'000
Quarter Ended March 31, 2009					
Revenue					
Sales to external customers	55 270	-	-	-	55 270
Inter segment management and gold handling fees	-	-	103	(103)	-
Total Segment Revenue	55 270	-	103	(103)	55 270
Result					
Segment result excluding unrealised hedge losses	18 813	(316)	(763)	-	17 734
Inter segment management and gold handling fees	(103)	-	-	-	(103)
Loss on fair value of undesignated hedges	(2 265)	-	-	-	(2 265)
Total segment result before interest and tax	16 445	(316)	(763)	-	15 366
Income tax benefit	(4 626)	-	1 750	-	(2 876)
Total segment result	11 819	(316)	987	-	12 490
Interest expense	-	-	-	-	(3 436)
Net loss for the period	-	-	-	-	9 054
Assets at December 31, 2009					
Segment assets	372 176	392 909	22 621	-	787 706

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For Quarter ended March 31

12 STOCK-BASED COMPENSATION

(i) Stock Option movements

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

WAEP = *weighted average exercise price*

	<i>March 31, 2010</i>		<i>December 31, 2009</i>	
	No.	WAEP	No.	WAEP
Outstanding at the start of the period	5 637 259	A\$1.45	4 019 988	A\$2.74
Granted	-	-	3 756 155	A\$0.94
Forfeited	(408,887)	A\$1.57	(2 138 884)	A\$2.97
Exercised	(6,668)	A\$0.54	-	-
Balance at the end of the period	5,221,704	A\$1.44	5 637 259	A\$1.45
Exercisable at the end of the period	1,228,892	A\$2.79	774 453	A\$3.21

Options granted were priced using a binomial option pricing model. Where options had a single exercise date the Black Scholes valuation model was used. Where options do not have a performance hurdle they were valued as American style options using the Cox Rubenstein Binomial model.

The expected life used in the model has been based on the assumption that employees remain with the company for the duration of the exercise period and exercise the options when financially optimal. This is not necessarily indicative of exercise patterns that may occur.

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

Dividend yield is assumed to be nil on the basis that no dividends have been declared for the 2010 or 2009 financial years due to the large ongoing capital commitment.

(ii) Balance at end of the period

The share options on issue at the end of the financial period had an exercise price of between A\$0.00 and A\$3.825 and a weighted average remaining vesting period of 4.7 years.

13 CONTRIBUTED SURPLUS MOVEMENT

	<i>March 31</i>	<i>December 31</i>
	<i>2010</i>	<i>2009</i>
	<i>\$'000</i>	<i>\$'000</i>
Balance at start of period	32 690	33 897
Stock based compensation expense	518	1 261
Cancelled options	(306)	(2 116)
Exercised options	(3)	-
Equity component of convertible notes	-	(352)
Balance at end of period	<u>32 899</u>	<u>32 690</u>
Contributed surplus		
Employee stock based compensation	2 856	2 647
Fair value of options issued	18 083	18 083
Equity portion of Convertible notes	11 960	11 960
	<u>32 899</u>	<u>32 690</u>

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For Quarter ended March 31

14 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 \$16.3 million (NZ\$23.0 million) (December 31, 2009: \$16.6 million NZ\$23.0 million).
- b. The consolidated entity has provided a cash operating bond to the New Zealand Department of Conservation of \$0.3 million (NZ\$0.4 million) (December 31, 2009: \$0.3 million NZ\$0.4 million) which is refundable at the end of the Globe Progress mine. This amount is included in the total referred to in (a) above.
- c. In the course of normal operations the consolidated entity may receive from time to time claims 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.
- d. The Group has provided a guarantee in respect of a capital lease agreement for certain mobile mining equipment entered into by a controlled entity. At March 31, 2010 the outstanding rental obligations under the capital lease are \$37.3 million (December 31, 2009: \$40.4 million). Associated with this guarantee are certain financial compliance undertakings by the Group, including gearing covenants.
- e. The Didipio Project is held under a Financial and Technical Assistance Agreement (“FTAA”) granted by the Philippines Government in 1994. The FTAA grants title, exploration and mining rights with a fixed fiscal regime. Under the terms of the FTAA, after a period in which the company can recover development expenditure, capped at 5 years from the start of production, the Company is required to pay the Government of the Republic of the Philippines 60% of the “net revenue” earned from the Didipio Project. For the purposes of the FTAA, “net revenue” is generally the net revenues derived from mining operations, less deductions for, among other things, expenses relating to mining, processing, marketing, depreciation and certain specified overheads. In addition, all taxes paid to the Government shall be included as part of the 60% payable to the Government.

15 COMMITMENTS

Capital commitments

At March 31, 2010, the consolidated entity has commitments of \$0.1 million (December 31, 2009 \$0.3 million), principally relating to the development of mining facilities.

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

	<i>March 31</i>	<i>December 31</i>
	<i>2010</i>	<i>2009</i>
	<i>\$'000</i>	<i>\$'000</i>
Within one year:		
- purchase of property, plant and equipment/ construction	140	267
	140	267

There have been no material changes in the capital and operating lease commitments as disclosed in the December 31, 2009 audited financial statements.

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

For Quarter ended March 31

16 EARNINGS PER SHARE

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

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

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

	<i>Three months ended</i>	
	<i>March 31 2010 \$'000</i>	<i>March 31 2009 \$'000</i>
Numerator:		
Net income/(loss) attributable to equity holders from continuing operations (used in calculation of basic earnings per share)	1 814	9 054
Interest on convertible notes	2 346	1 667
Net income/(loss) attributable to equity holders from continuing operations (used in calculation of diluted earnings per share)*	4 160	10 721
	<i>Thousands</i>	<i>Thousands</i>
Denominator:		
Weighted average number of common shares (used in calculation of basic earnings per share)	186 353	161 635
Effect of dilution:		
Share options	4 114	1 460
Convertible notes	41 199	37 032
Adjusted weighted average number of common shares (used in calculation of diluted earnings per share)	231 666	200 127
Net loss per share:		
- basic	\$0.01	\$0.06
- diluted	\$0.01	\$0.05

For the period to March 31, 2010, conversion of employee share options and convertible notes are anti-dilutive as they increase earnings per share.