

Macraes underground gold grades higher with depth; record gold sales

11 March 2009 - OceanaGold infill drilling in the deeper Panel 2 section of the Frasers underground mine at Macraes gold mine has continued to find increasing grade with depth in the ore body.

The company's report for the full 2008 year also says total annual gold sales increased by 49% to a record 264,124 oz from 177,722 oz in 2007. This includes gold from OceanaGold's three mines – Macraes open pit, Frasers underground and its Reefton mine – all processed through the Macraes processing plant.

OceanaGold expects to further raise production to between 280,000 and 300,000 oz of gold in 2009.

Exploration activities at Macraes focussed on both extending the Frasers underground and exploring for more open pit sites along strike of the Hyde Macraes Shear Zone.

During the year over 4,000 metres (m) of infill drilling on Panel 2 of Frasers underground was completed confirming the trend of higher grade with depth down dip.

Mining commenced in Panel 2 during the second half of the year. It is expected that the majority of the future exploration drilling will be conducted from underground. More exploration drilling is planned in 2009 to test for down dip extensions.

A drill programme was commenced mid-year to delineate three possible near surface, open-pittable resources. Best results were reported from the northeastern extension of the Coronation deposit. Significant intercepts with grades over 1g/t gold over 1-5 m within the hanging wall shear zone and a semi-concordant lode that occurs about 10 m below. Both define shallow, north-plunging shoots.

Modelling of this deposit is underway and will be included in the resource estimate update in the first half of 2009.

A 3-D model of all grade control data (collected over the life of the mine) is being compiled, and further work is planned over the northern extension of the Hyde Macraes shear zone through a collaboration of GNS Science and OceanaGold.

A soil sampling programme to track the trace of the shear zone northwards, beyond Coronation, is ongoing.

This area represents a 2-3 km long untested interval of strike and is regarded as the most prospective (for open-pittable resources) in the entire Macraes tenement package, OceanaGold says.

The company says higher gold prices and production saw gold revenue rise to US\$217.2 million in 2008, 108% up on 2007.

OceanaGold's earnings before interest, taxes, depreciation and amortisation (EBITDA) jumped to US\$66.1 million (approximately NZ\$125 million) in 2008 from \$US8.7 million (approximately NZ\$14 million) in 2007.

However the company's earnings were hit by substantial below line expenses including major depreciation and amortisation expenses associated with the start of the Reefton and Frasers underground mines, and increased interest cost from higher debt.

On top of this was an unrealised loss of US\$73,408,000 in 2008 on the fair value of undesignated hedges which under current accounting rules have been brought to account to reflect the movement in the spot gold price.

This left OceanGold with a net earning loss of US\$54,735,000 for 2008, slightly lower than the net earnings loss of US\$69,039,000 in 2007.

Sources: OceanaGold and Lindsay Clark