21 May 2012

Vatukoula Gold Mines plc
("Vatukoula" or "the Company")

Interim Results to 29 February 2012

Vatukoula Gold Mines plc, the AIM listed (AIM: VGM) gold producer, is pleased to announce its Interim Results for the half-year ended 29 February 2012.

- Cash generated from operations up 57% to £4.38m
- Exceeded targets on capital development metres - 105% rise compared to the same period last year
- 142 000oz of Inferred Mineral Resource defined
- New high mineralised system discovered during exploration drilling - most significant composite intersection was 124.70 grams of gold per tonne over 0.46 metres
- JV on biomass power plant in negotiation with The Fiji Sugar Corporation

Financial Highlights:

	Half Year ended 29 February 2012	Half Year ended 28 February 2011	% Variance
Revenue (£'000)	30,383	25,202	21%
EBITDA (£'000)	4,283	3,696	16%
Cash generated from operating activities (£'000)	4,375	2,795	57%
Underlying operating profit (£'000)	1,201	1,040	15%
Cash cost per ounce sold	1,420	1,131	26%
Average realised gold price (US$/ounce)	1,678	1,328	26%
Basic earnings per share (pence)	1.27	1.65	(23%)
Capital investment (£'000)	6,865	5,230	31%

Operational Highlights:

	Half Year ended 29 February 2012	Half Year ended 28 February 2011	% Variance
Total underground tonnes mined (ore and waste)	242,769	195,832	24%
Strike drive development (metres)	2,632	681	287%
Capital development (metres)	1,978	966	105%
Ore processed (tonnes)	243,284	238,126	2%
Average ore head grade (grams / tonne)	4.77	4.38	9%
Total recovery (%)	80.00%	83.40%	(4%)
Gold produced (ounces)	29,999	30,092	(0%)
Gold shipped (ounces)	28,456	29,743	(4%)

David Paxton, CEO of Vatukoula, commented:
"Gold production for the first half of the current year was in line with the same period last year but at a significantly higher rate than the second half of last year. In addition, and importantly, we continued to exceed our mine development targets for the half year. Achieving these development targets will enable us, in the longer term, to mine higher tonnages and at higher grades and will result in a lower cash cost per ounce of gold.

The heavy rainfall that occurred in Fiji in January, and again in April, affected road transportation and bridge access to and from the mine area; however I am pleased to report that the mine itself remained secure and protected, albeit with some water ingress which caused temporary disruptions in production and will reflect in third quarter gold sales being lower than planned.

Our focus remains on building towards long-term cost effective sustainable gold production, at a target level of 100,000 ounce gold per annum, and we are pleased with the steady progress we have made toward that goal in the six months under review."

Webcast
The Company will host a live investor and analyst webcast at 9:30 am BST, today 21 May 2012. The webcast can be accessed from a link on the Company's website, www.vgmplc.com, and via the below dial-in details:UK Access: +44 (0)20 7136 2050 /Access Code: 7743163#

A replay facility will also be available shortly after the conclusion of the presentation as an audio file on the Company's website and via the following access numbers: UK C/Paid: +44 (0)20 7111 1244: Access Code: 7743163#. In addition a copy of the presentation will be available for on the Company's website.

Enquiries:

Vatukoula Gold Mines plc		**Cannacord Genuity Limited**	
David Paxton	+ 44 (0)20 7440 0643	John Prior	+ 44 (0)20 7523 8350
Kiran Morzaria		Sebastian Jones	
W.H. Ireland Limited		**Pelham, Bell Pottinger**	
James Joyce	+ 44 (0)20 7220 1666	Daniel Thole	+ 44 (0)20 7861 3232
James Bavister		Philippe Polman	

Review of Operations

The half year has been one of increased activity at the Vatukoula Gold Mine, with significant increases in total underground tonnes mined and increased capital and strike drive development metres.

At the end of the last financial year we stated that it is our intention to continue a programme of capital investment at the Vatukoula Gold Mine, which would allow it to sustainably and cost effectively produce 100,000 ounces of gold per annum. To achieve this, it is important to continue the accelerated mine development programme, and we set a yearly target of 26,000 metres of total development. I am happy to report that over the first six months of the year we have been able to meet our targets with over 13,000 metres total development completed.

Total development at Vatukoula includes both in-stope development and infrastructure development. It is infrastructure development, which is comprised of strike drive and capital development, that will allow access to new mining areas and ultimately ensure that the mine reaches its long term production targets. In this regard we significantly increased both our strike drive and capital development to 2,632 metres and 1,978 metres, respectively, in the period under review.

Over the past two years, with the focus on total development, the overall head grade and gold production has been adversely affected by the dilutionary effect of strike drives. However, with improved mining practices and mining some high grade remnant stopes, we were able to improve the overall head grade and remain on target in terms of gold production, with just under 30,000 ounces produced for the first half of the current year.

Subsequent to the end of the period, heavy rainfall in Fiji during the month of April affected production and underground mining, which will have the net effect of reducing our gold shipped for the third quarter by approximately 2,000 to 3,000 ounces, indicating gold production of between 12,000 and 13,000 ounces for the quarter. Mine management have implemented several mitigating measures and every effort is being made to ensure that the adverse effect on our production guidance of 65,000 ounces for the year ending 31 August 2012 will be kept to the minimum possible.

Underground Production and Development

During the first half of the year we mined a total of 242,769 tonnes of ore and waste, a 24% increase on 195,832 tonnes mined in the same period last year. This was primarily driven by capital metres developed, which increased to 1,978 metres compared to 966 metres during the same period last year.

The ore delivered from underground was 165,339 tonnes, a 7% increase compared to the previous year as complexities in the ore bodies and heavy rains in early January 2012 affected tonnes delivered.

Operating Results	Half Year ended 29 February 2012	Half Year ended 28 February 2011	% Variance
Underground Mining			
Total underground tonnes mined (ore and waste)	242,769	195,832	24%
Operating development (metres)	8,628	9,707	(11%)
Strike drive development (metres)	2,632	681	287%
Capital development (metres)	1,978	966	105%
Total development (metres)	13,238	11,354	17%
Sulphide Plant			
Sulphide ore delivered (tonnes)	165,339	154,000	7%
Sulphide head grade (grams / tonne)	5.68	5.97	(5%)
Oxide Plant			
Ore delivered (tonnes)	78,994	82,825	(5%)
Oxide head grade (grams / tonne)	2.09	1.40	49%
Total (Sulphide + Oxide)			
Ore processed (tonnes)	243,284	238,126	2%
Average ore head grade (grams / tonne)	4.77	4.38	9%
Total recovery (%)	80.00%	83.40%	(4%)
Gold produced (ounces)	29,999	30,092	(0%)
Gold shipped (ounces)	28,456	29,743	(4%)

Cash Costs			
Cash cost per ounce sold (US$)	1,420	1,131	26%
Cash cost per tonne mined and milled (US$/tonne)	166	141	18%
Average realised gold price (US$ / ounce)	1,678	1,328	26%

The average underground grade for the half-year was 5.68 grams per tonne, which was marginally lower than the same period last year (5.97 grams per tonne). Although this is below our long-term underground mining grade target, we are pleased that we were able to maintain the grade whilst increasing the operating development metres achieved.

Total development increased to 13,238 metres, a 17% increase compared to the same period last year. We have further segmented development into three different types of development, which we will be reporting on going forward.

- Operating development include all mining to access stopes within an orebody (e.g. rises, cross-cuts and gullies). This type of development is expensed as it normally contains the orebody within the development and once the stope is mined out the development has no further use. Operating metres are correlated to sulphide ore tonnes mined. Therefore, as we increase the tonnages from underground we will see an increase in operating development metres. Operating development decreased by 11% to 8,628 metres compared to the same period last year. This reduction is a result of increased resources being assigned to strike drive and capital development tasks and planned mining areas being below cut-off grade, which were therefore not mined.

- Strike drive development is a unique category. Strike drives are long-term (more than one year) horizontal access drives along the strike of the orebody and provide access to the operating development and mining the stopes. As these contain the mineralisation within the drives, they are currently fully expensed. Strike drives are dilutive and while we continue the current accelerated development programme they will lower the sulphide head grade. The accelerated development programme is due to complete in August 2013. After this point strike drive development should stabilise to sustainable levels and therefore the overall sulphide head grade should increase. Strike drive development increased dramatically this half year to 2,683 metres (681 metres: HY 2011) as a result of the continued accelerated development programme.

- Capital development metres are primarily comprised of inclines, declines and footwall drives. In general, this type of development is carried out in waste and provides long term access to the orebodies, and is capitalised. Capital development increased by 105% to 1,978 metres compared to the same period last year. This is the result of incline and decline access development (inclusive of the 18 level Philip Shaft decline development). These capital development projects are being carried out by two mechanised development machines ("Jumbos").

Going forward, the mine will continue to focus on the development of new working areas. The mine's long-term target is to have 1,000 metres of available operating face length, which will allow the mine to achieve its long term production goals. Currently, we are operating with approximately 550 metres of available operating face length. We believe that it will take approximately 18 months to achieve a level of 1,000 metres of available operating face length. We would then look to increase this level by approximately an additional 30% after 18 months to provide extra flexibility to combat local variations in the orebody and surrounding structures.

In January 2012, the mine and surrounding area was affected by a cyclonic rainfall event. Rainfall at the mine over three days was measured as 823mm (average rainfall during the whole month of January is 305mm). The mine is situated under several historic open pit workings, a mining area that has the tendency to funnel rainwater towards the underground operations. We maintain the open pit water defences to limit the amount of rainwater that enters the mine. However, with these massive storms over a prolonged period, some rainwater entered the mining operations. The January rainfall that entered the mine collected at the lower levels of the Philip Shaft. The other disruption to mining was as a result of employees having difficulties with road transportation to and from the mine as all access roads became impassable for approximately four days. Localised water ingress affected production from the lower levels at the Philip Shaft, including the 18 level Philip Shaft decline development. Surface operations were also suspended for a period of approximately three weeks. Nonetheless we were able to achieve our production targets for the half year by mining some high grade remnant stopes in February.

Surface Production

During the six months, production from the surface oxides delivered 78,994 tonnes at an average grade of almost 2.09 grams per tonne. This included additional material sourced from waste dumps near the Philip Shaft. The surface oxide material is a supplemental source of gold production and will be phased out in the current year.

Vatukoula Treatment Plant ("VTP")

The VTP continues to operate satisfactorily. Ore processed for the half year was 243,284 tonnes, a 2% increase compared to the half year ending 28 February 2011 (238,126 tonnes). The increase was driven by the increased mining activities from underground, which increased ore delivered to the mill by 7%. This increase was off-set by a 5%

decrease in surface ore delivered to the mill, from 82,825 tonnes in the half year ending February 2011 to 78,994 tonnes in the half year ending February 2012.

The average grade processed increased from 4.38 grams of gold per tonne in the half year ending February 2011, to 4.77 grams of gold per tonne in the half year ending February 2012. This was driven by higher grades delivered from surface mining operations. Recoveries ran at 80% for the period compared to 83.4% in the same period last year. The lower recovery is attributable to the mixed nature of the material delivered from the waste dump at the Philip Shaft. This material is somewhat higher grading than the traditional oxide material but is a mixture of sulphide and oxide material, which results in a lower recovery in the Carbon-In-Pulp circuit.

The mine shipped and sold 28,456 ounces of gold during for the six months ended 29 February 2012 compared to 29,743 ounces in the same period last year.

Capital Projects

As part of Vatukoula's strategy to expand, sustain, optimise and grow the mining operations in Fiji we are currently investing in several projects that exceed the sustaining capital investment normally required at a mine of this nature. The major capital projects that are currently being undertaken, and their progress and anticipated completion dates, are outlined below.

Capital Projects	Operational Drivers	Measures / Target	Progress	Planned Completion Quarter (Fiscal Year)
18 Level Philip Decline Development	The planned decline is between the 18 level and 21 levels of the Philip Shaft. This decline will provide access to the bottom of the current Philip Shaft, allowing for removal of spillage and re-equipping of the lower level loading pocket. The decline will also provide access to the lower levels of the higher grade Prince William orebody	*Metres developed* Full Year: 400 metres	180 metres	Q1 2013 for completion of Decline to shaft holing Q1 2014 full mining from ore bodies
Increased Mineral Resource Drilling	Further define the Mineral Resource inventory and convert these to Proven and Probable Mineral Reserves to replace the ounces mined. Better define the life of mine plan.	*Metres Drilled* Full Year: 15,000 metres *Mineral Reserve Increase*	8,892 metres Mineral Reserve calculated at year end	Q4 2013 at increased rate after which drilling will continue at required level to sustain production targets
Accelerated Development Programme	Develop sufficient underground access, or development, allowing access to the required mining areas and therefore tonnages and grade.	*Total Development (metres)* Full Year: 26,000 metres	13,238 metres	Q4 2013
	This type of development is referred to as operating or capital development metres, the latter being capitalised on the balance sheet.	*Available operating face length* Total target: 1,000 metres	550 metres	Q4 2013
Improved Haulage Fleet	With the gradual introduction of footwall drives and the associated benefits of higher extraction of the orebody, management have identified that a change in the structure of the mining fleet will be required. Increased ore and waste movement will require additional trucking capacity. However reduced loader capacity will be required through the use of truck chutes to load ore from stopes. A number of the small 151 loaders will be stood down or re-equipped for other uses such as materials supply. On-going sustaining capital will then be required for change out of older/high maintenance cost machines as required.	Equipment ordered	3 out of 8 on order	Q1 2014

New Tailings Dam Construction	The current tailings dams are estimated to reach full capacity by Q3 2014. To date we have identified the site and carried out the large majority of the required technical works for the new tailings dam.	% completed	Environmental plans submitted. Construction to commence next year	Q2 2014

Resource Definition

As mentioned above, we are currently undertaking an extensive diamond drilling campaign to further define the Mineral Resource inventory. To date, the majority of this drilling has been focused on the Matanagata NE deposit, where a total of 8,892 metres has been drilled over eleven holes. Results from the drilling programme have been as expected given the variability of the orebody and confirm the continuation of the mineralised structures. The current and future drill data will be included in a revised Mineral Resource report due for publication along with our annual accounts in December 2012.

At the end of the period we had two surface rigs operating with a third being commissioned. These three rigs will focus solely on upgrading the underground Mineral Resources until Q4 2013, after which we expect to assign one of the rigs to exploration activities.

Exploration

In the first quarter of the year we announced the intersection of three new high-grade mineralised structures at Vatukoula, subsequently named the Nielsen Deposit. These mineralised structures were intersected by three drill holes. Significant composite mineralised intersections include:

- 124.7 grams of gold per tonne over 0.46 metres;
- 33.60 grams of gold per tonne over 2.86 metres;
- 25.46 grams of gold per tonne over 1.07 metres; and
- 39.00 grams of gold per tonne over 0.48 metres.

Subsequent to the initial discovery we continued to define the mineralised structures at higher levels and along strike. We drilled and completed a further three holes, which all intersected the mineralised structures, and confirmed our interpretation of an open system along strike. (The results of these holes are provided below at the end of the Interim Statement, including those reported on in October 2011.)

This discovery is contained on the current mining leases as well as on the special prospecting licenses and is approximately 300 metres north of current mine workings. The drilling has identified up to four mineralised structures. Three of these structures are sub-vertical, which have been intersected between 300 metres and 700 metres below surface (11 and 23 level), and the fourth is a horizontal structure approximately 700 metres below surface.

The vertical structures are roughly orientated in a north-east south-west direction consistent with some of the local and regional controls. The horizontal structure is thought to be a faulted block of a flatmake structure, which is typically mined at Vatukoula.

A total of 4,744 metres over eight exploration holes were drilled in the period. The majority of this drilling was undertaken in the first quarter, with all the rigs being assigned to resource definition drilling in the second quarter.

Exploration drilling will continue once we have spare capacity in our current drilling fleet. This exploration programme will focus on the above mentioned Nielsen deposit and the Prince William Deeps, which has two historic holes with multiple high-grade mineralised intersections.

During the last year's exploration programme, drilling was completed on two targets with near-surface potential.

As a result of subsequent interpretative work we have completed a mineral resource assessment on one of the targets and have defined a JORC compliant Inferred Mineral Resource of 5.1 million tonnes at 0.9 grams of gold per tonne, containing 142,000 ounces.

The resource lies approximately 4 km north of the VTP processing plant. The mineralisation strikes northeast over a length of approximately 1 km, dips to the south between 20 and 50 degrees, and extends to a depth of approximately 180 metres. The geology is comprised of andesite, tuff and recent cover units overlying the caldera contact breccia. Basalt units form the footwall to the caldera contact breccia. Stockwork mineralisation occurs within the caldera contact breccias, andesite and tuff units.

We are now assessing the potential of the second target, which is situated near the processing plant. Once this has been completed we will investigate the economic potential of both deposits in aggregate.

Safety & Training

For the period under review we had an overall decrease in the safety performance at the Vatukoula Gold Mine as measured by the Lost Time Injury Frequency rate (“LTIFR”). The LTIFR increased to 12.67 vs. 10.70 in the same period last year. In order to address these slight increases and improve on the mine's safety performance a number of initiatives have commenced. A dedicated manager has been appointed to lead the safety, health, environment and training teams. Dedicated safety and training superintendents are in the process of being locally recruited. We are working with external (Australian based) training providers for the provision of specialised training materials and software to recognised standards and a review of all policies, procedures and standards is in progress on the mine. The mine has also introduced a bonus scheme for local employees, a major component of which is safety performance.

Biomass Power Project
On-going discussions with The Fiji Sugar Corporation ("FSC"), the Government of Fiji and our financing representatives have been successful. A presentation was made to the Prime Minister of Fiji, on 1 December 2011, presenting the Companies' suggested options for the financing of the project. The Government of Fiji reported that it was a successful meeting and both parties were given the mandate to negotiate a joint venture, with the purpose of commissioning and operating a bio mass power station.

The FSC has stated that the Rarawai Biomasse power project will provide power to VGM at a cost of F$ 0.23 per kWh (US$ 0.12 per kWh). Our current total cost of power at Vatukoula is approximately F$0.54 per kWh (US$ 0.30 per kWh).

On 6 March 2012, the FSC formally announced that it will be partnering VGM on the Rarawai Biomasse power project. Vatukoula and the FSC are currently negotiating a joint venture agreement and we will inform the market when this is complete.

Financial Review
During the period the Company benefited from the increased gold price, which resulted in a higher turnover figure. The increase in gold price offset the increases in mining, processing and overheads, which provided a gross profit for the period of £4.9 million (£4.2 million: HY 2011). Underlying operating profit was affected by increased depreciation and amortisation expenses resulting in £1.2 million compared to £1.0 million during the same period last year. Net profit for the period was £1.0 million, a reduction compared to the same period last year that can be attributed to the net effect of non-cash items such as share based payments and an impairment charge on freehold land.

Revenue
Revenue for the half year of £30.4 million was 21% higher than the prior year period (£25.2 million). The Group's year on year sales volume decreased by 1,286 ounces, this adversely affected revenue. However the Group benefited from the large increases in gold prices. The average realised gold price was US$1,678 in the half year ended February 2012 compared to US$1,328 per ounce in the same period in 2011.

Cost of Sales and Operating Expenses
Cost of Sales and Operating Expenses increased to £29.2 million in the half year ended February 2012 from £24.2 million during the same period last year. A 23% increase in the expensed waste and ore mined during the year elevated costs by £2.5 million. Adjusting for the increased waste and ore mined the remaining £2.5 million is attributable like for like to:

- increases in mining and milling costs, which represented £0.6 million in additional costs. This level of increase is similar to those seen at comparable operations around the world, all of which are being affected by upward pressures on energy, labour and other consumable costs.
- a net £1.0 million increase in overhead and administrative costs this increase is as a result of a net increase in technical and supervisory staff, and;
- higher amortisation and depreciation charges of £0.8 million

Cost of Sales and Operating Expenses	Half Year ended 29 February 2012 (£'000)	Half Year ended 28 February 2011 (£'000)
Mining	(16,606)	(14,465)
Processing	(5,279)	(4,273)
Overheads	(2,725)	(1,420)
Gold Duty	(920)	(759)
Administrative expenses	(1,024)	(1,343)
Foreign exchange gains	901	754
Depreciation and amortisation	(3,529)	(2,656)
Total	**(29,182)**	**(24,162)**

Depreciation and amortisation was £3.5 million for the half year ended 29 February 2012. This represents an increase of 33% from the same period last year (£2.7 million). This increase is due to the higher capital investment base we continue to employ while we expand the production on the mine.

Cash Costs

Cash costs for the half year ending 29 February 2012 were US$1,420 per ounce sold (2011: US$1,131 per ounce). Improved mining grades did improve the cash costs by US$133 per ounce. However, this rise was offset by increases in cash cost per tonne as outlined above which elevated the cash cost by US$237 per ounce. The remaining increase of US$185 per ounce is attributable to lower recovery rates and the effects of foreign exchange. The table below provides reconciliation between cost of sales, operating expenses and cash costs to calculate the cash cost per ounce sold.

Cash Costs	Half Year ended 29 February 2012	Half Year ended 28 February 2011
Mining (£'000)	(16,606)	(14,465)
Processing (£'000)	(5,279)	(4,273)
Overheads (£'000)	(2,725)	(1,420)
Gold duty (£'000)	(920)	(759)
Mine administrative costs (£'000)	(175)	(548)
Total cash costs of production (£'000)	**(25,705)**	**(21,465)**
GB£ / US$ foreign exchange rate	0.64	0.64
Gold sold (Oz)	28,456	29,743
Tonnes mined and milled	243,284	238,126
Cash cost per ounce sold (US$/Oz)	**1,420**	**1,131**
Cash cost per tonne mined and milled (US$/tonne)	**166**	**141**

Administrative Expenses
Administrative expenses totalled £1.0 million for the half year ended 29 February 2012, which was a 24% reduction in costs from the same period in the prior year of £1.3 million. The administrative expenses are those costs associated with maintaining the London office and the administrative expenses in Fiji not directly attributable to operating activities. Costs include salaries, office rent, regulatory, audit, legal fees and investor related expenses. The decrease is primarily due to lower insurance and lower realised foreign exchange charges in the current period.

Exploration and Resource Definition Costs
As highlighted in the operations review, the Company continues an extensive exploration and resource definition campaign. In the half year ended 29 February 2012 we drilled 13,636 metres and incurred £1.6 million exploration and resource definition costs compared to the £0.8 million in the same period last year. All the exploration and resource definition costs were capitalised as an Intangible Asset in accordance with the requirements of IFRS 6 Exploration for and Evaluation of Mineral Assets.

Taxation and Other Expenses
During the period the Company had a tax credit of £0.3 million (H1 2011: £0.3 million). This tax credit arises as a result of the release of the deferred tax liability.

Other expenses amounted to £0.5 million in the half year ended 29 February 2012 up from a credit of no charges in the previous year. This increase was primarily due to the write down of freehold land of £0.3 million and a charge of £0.3 million was incurred as a result of the issue of share options issued to staff employed in Fiji and strategic advisors.

EBITDA
For the year half year ended 29 February 2012 EBITDA increased to £4.3 million from £3.7 million in the same period last year. This increase was driven by the effect of the higher depreciation and amortisation charges in the current period which was added back in the EBITDA calculation. This increase was partly offset by increases in mining and milling unit costs which affected the profit for the period. Reconciliation between net profit for the period and EBITDA is presented below:

	Half Year ended 29 February 2012 (£,000)	Half Year ended 28 February 2011 (£,000)
Profit for the period	1,035	1,363
Less income tax credit	304	341
Plus depreciation and amortisation expense	(3,529)	(2,656)
Less finance income	36	36
Plus finance expense	(59)	(54)
EBITDA	**4,283**	**3,696**

Cash Flow

Net cash generated in operating activities was £4.4 million for the half year ended 29 February 2012, an increase of £1.6 million compared to the same period last year (cash generated of £2.8 million). Prior to working capital movements the net operating income was £3.7 million compared to £3.3 million in the same period last year. The net operating income before changes in working capital was further increased by the changes in working capital which generated £0.7 million (H1 2011: used £0.5 million). These changes in working capital were a result of an increase in payables.

Cash flow used in investing activities equated to £6.9 million for the year which represents a 31% increase from the same period last year of £5.2 million. Of the £6.9 million used in investing activities £3.2 million (HY1 2011: £3.7 million) was used in the purchase of plant and equipment and £3.7 million (H1 2011: £1.6 million) was used in underground development and resource / exploration drilling. The continued investment in the Vatukoula Gold Mine represents the capital expenditure required to achieve our production expansion strategy.

At 29 February 2012 the Group had cash and cash equivalents of £4.5 million (HY 1 2011: £11.6 million).

Post period events

In early April the Fiji islands experienced a second cyclonic rainfall event. This rainfall amounted to over 1,100mm over a four-day period being recorded at the mine location (average rainfall during the whole month of April is 330 mm). For one 24-hour period a total of 371mm was recorded. The region surrounding the mine was badly affected, with bridges being washed away and access roads becoming impassable. An amount of water entered the mine and caused some disruptions. A water surge occurred underground in the Smith Shaft area, which resulted in debris being transported by the water into the shaft. Unfortunately, this occurred while a man-riding cage was in the shaft. The cage was damaged and there were some injuries to 11 miners. All of the employees have since returned to work with the majority being available for work within a week of the accident.

The mine predominantly remained operational. A larger than normal amount of water entered into the mine, and settled in the lower levels of the Smith, R1 and Philip areas. Water ingress was limited to a small number of stopes and development headings; those areas were in the Philip and R1 areas. Production areas at Smith Shaft were unaffected by water ingress but were constrained for a period due to loss of shaft hoisting capacity. The largest effect on the mine was the access for personnel to the mine site.

Fiji experiences cyclones and the mine prepares for such events. We prepare the surface to minimise the water ingress, have diversion tactics for water ingress underground, have sufficient pumping capacity to remove the water from underground and we maintain additional supplies of diesel for power generation.

The effect of the heavy rainfall in April impacted mine production for almost one week. Reduced shaft capacity was also experienced for about 12 days whilst inspections and repairs to the Smith Shaft were undertaken and the shaft returned to normal operation. Limited hoisting occurred during this time. It is expected that the disruption will reduce anticipated gold sold for the third quarter to between 12,000 to 13,000 ounces. As a result of the lower production in the current quarter we expect a temporary increase in the cash costs per tonne, as the fixed costs will be divided by lower tonnes milled. This will also have the effect of temporarily increasing the cash cost per ounce above our yearly guidance of US$1,400 per ounce

On the 4 April 2012 the Company announced that it had entered into a subscription agreement with Zhongrun International Mining Co. Ltd. ("Zhongrun") whereby Zhongrun subscribed for 9,000,000 new ordinary shares in the Company at a price of £0.60 per share (the "Subscription Shares") to raise £5.4 million (the "Subscription Agreement"). The Subscription Shares represent approximately 9.2% of the enlarged issued share capital of the Company.

In addition, under the Subscription Agreement, the Company has granted to Zhongrun an option to acquire an additional 9,000,000 ordinary shares in the Company (the "Option"). The Option is exercisable at a subscription price of £0.77 per share and is exercisable any time on and before 23 July, 2012. If exercised, the Option would represent approximately 8.4% of the enlarged issued share capital of the Company.

Directorate role change

To bring the Company more in line with general corporate governance principles Colin Orr-Ewing changes his role from Executive Chairman to Non-Executive Chairman. In addition he will also join the audit, remuneration and nomination committee. These changes are effective immediately.

Outlook

Daily tonnes have now returned to normal production levels following the disruptions of the floods in January and April. Development and capital development in particular remain a focus of the operation in order to provide the required available face length for mining. Capital development rates increased substantially over the first half when compared with the previous six months. Two development jumbos are currently in operation and a third is expected to be in operation by the end of the third quarter. Additional underground loaders have been sourced in order to provide for the increased overall tonnages expected and additional trucking capacity is currently being sourced.

The gradual introduction of footwall access development in suitable areas will have the effect of reducing the dilution effects of the current strike drive methods as well as increasing current extraction ratios.

Whilst the flooding in January and April affected mine production in those months the flooding also prompted several initiatives to increase mine pumping capacity. As a result of this, site management is anticipating that it will be possible to gain access much earlier than previously expected to some higher grade areas of the mine that have been flooded for many years. These areas include the lower levels of the Smith Shaft workings (20L to 23L) and the 19L Philip area.

Although the mine suffered production hurdles both during and subsequent to the reporting period, Mine management have identified several mitigating measures and every effort is being made to ensure that there will be no materially adverse effect on our guidance of 65,000 ounces for the year ending 31 August 2012.

Dave Paxton
21 May 2012

Drilling Summary and Mineralised Intersections

Hole Number (GSE)	Co-ordinates			Azimuth	Angle	Advance	Mineralised Intersections		Au (g/t)	Width (m)	Orebody / Target
	East	North	RL	(degrees)	(degrees)	(metres)	From	To			
GSE-173A	7957	11461	10084	244.3	-60.4	916	620.62	625.8	4.45	5.49	DBX-5 (Nielsen)
							844.87	845.33	124.73	0.46	P-1 (Nielsen)
							899.5	900.09	57.2	0.59	DBX-7 (Nielsen)
GSE-173B	1906228	3944238	10080	235.5	-66.7	1122	648	648.25	25.45	0.25	DBX-5 (Nielsen)
							863.55	864.77	26.99	0.42	P-1 (Nielsen)
							869.5	870	4.146	0.5	DBX-6 (Nielsen)
							886.45	886.8	14.56	0.35	DBX-7 (Nielsen)
GSE-173C	1906228	3944238	10080	235.5	-66.7	933	625.42	631	0.53	5.58	DBX-5 (Nielsen)
							855	859.45	33.57	2.86	P-1 (Nielsen)
							867	868.07	25.46	1.07	DBX-6 (Nielsen)
							874.52	875	39.64	0.48	DBX-7 (Nielsen)
GSE-175	1906233	3944234	10084	235	-45	432	359.6	359.74	1.74	0.14	DBX-5 (Nielsen)
							359.74	359.96	0.18	0.22	DBX-5 (Nielsen)
							359.96	360.18	2.21	0.22	DBX-5 (Nielsen)
							360.18	360.38	0.005	0.2	DBX-5 (Nielsen)
							360.38	360.51	2.26	0.13	DBX-5 (Nielsen)
							360.51	360.7	5.27	0.19	DBX-5 (Nielsen)
GSE-176	1906234	3944234	10084	215	-45	405	344.3	344.5	1.45	0.2	DBX-5 (Nielsen)
							344.5	344.6	1.97	0.1	DBX-5 (Nielsen)
							344.6	344.7	0.56	0.1	DBX-5 (Nielsen)
							344.7	344.8	0.46	0.1	DBX-5 (Nielsen)
							344.8	344.9	1.21	0.1	DBX-5 (Nielsen)
							344.9	345	0.99	0.1	DBX-5 (Nielsen)
GSE-177	1906228	3944238	10084	236	-50	84					Hole lost
GSE-177A	1906228	3944238	10084	255	-60	852	571.17	571.5	0.33	0.33	DBX-5 (Nielsen)
							571.5	571.68	2.58	0.18	DBX-5 (Nielsen)
							571.68	571.82	3.57	0.14	DBX-5 (Nielsen)
							571.82	572	3.12	0.18	DBX-5 (Nielsen)
							795.5	795.62	1.66	0.12	DBX-7 (Nielsen)
							795.62	795.86	0.05	0.24	DBX-7 (Nielsen)
							795.86	795.93	16.59	0.07	DBX-7 (Nielsen)
							795.93	796.13	3.9	0.2	DBX-7 (Nielsen)
							796.13	796.31	5.28	0.18	DBX-7 (Nielsen)
							796.31	796.43	4.8	0.12	DBX-7 (Nielsen)
							809.56	809.8	0.71	0.24	P-1 (Nielsen)
							809.8	810.23	29.68	0.43	P-1 (Nielsen)
							810.23	810.49	45.5	0.26	P-1 (Nielsen)
							810.49	810.66	25.4	0.17	P-1 (Nielsen)
GSE-174	1906642	3942442	10080	220	-50	1002					NSV
GSE-174A	1906642	3942442	10080	220	-50	694					Hole Lost
GSE-174B	1906642	3942442	10080	220	-50	1312					NSV
GSE-178	1905991	3944868	10047	320	-83	852					NSV
GSE-179	1905990	3944867	10055	265	-85	901					NSV
MA-805	1906047	3944669	10053	306	-63	164					Hole Lost

MA-806	1906047	3944669	10053	291	-77	800					NSV
MA-805A	1906047	3944669	10053	306	-63	852					NSV
MA-807	1906047	3944669	10053	310	-72	900	646.74	647.5	4.97	0.76	Matanagata-FM-HW
							647.5	647.78	3.74	0.28	Matanagata-FM-HW
							647.78	648	4.35	0.22	Matanagata-FM-HW
							650.35	650.74	1.06	0.39	Matanagata FM
							650.74	651	2.24	0.26	Matanagata FM
							651	651.5	7.87	0.5	Matanagata FM
							651.5	651.95	1.86	0.45	Matanagata FM
							651.95	652.1	1.17	0.15	Matanagata FM
MA-808	1906047	3944669	10053	320	-83	612					Hole Lost
MA-814	1906035	3944676	10053	306	-69	805	618.600	619.300	2.08	0.700	Matanagata FM
							619.300	619.850	0.08	0.550	Matanagata FM
							619.850	620.150	5.27	0.300	Matanagata FM
							624.000	624.250	6.76	0.250	Veining
							793.380	793.570	9.39	0.190	Veining

Qualified Person

Qualified Person Kiran Morzaria B.Eng. (ACSM), MBA, has reviewed and approved the information contained in this announcement. Kiran holds a Bachelor of Engineering (Industrial Geology) from the Camborne School of Mines and an MBA (Finance) from CASS Business School. Kiran is the Finance Director of the Company.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	6 months 29-Feb-12 (Unaudited) £'000	Restated 6 months 28-Feb-11 (Unaudited) £'000
Turnover		30,383	25,202
Cost of sales		(25,530)	(20,917)
Gross profit		**4,853**	**4,285**
Operating expenses			
Administrative expenses		(1,024)	(1,343)
Foreign exchange gains		901	754
Depreciation and amortisation expense		(3,529)	(2,656)
Underlying operating profit		**1,201**	**1,040**
Impairment charge		(250)	-
Inventory obsolescence write back		106	-
Provision for mine rehabilitation		46	-
Provision for doubtful debt write back		(4)	-
Share based payments expense		(345)	-
Operating profit		**754**	**1,040**
Interest receivable and other income		36	36
Interest payable and similar charges		(59)	(54)
Net profit before taxation		**731**	**1,022**
Taxation		304	341
Profit for the period		**1,035**	**1,363**
Attributable to:			
Owners of the Parent		1,035	1,363
Non Controlling interest		**-**	**-**
		1,035	**1,363**
Other comprehensive income and (expenses)			
Currency translation differences		(604)	(18)
Total comprehensive income for the period		**431**	**1,345**
Attributable to:			
Owners of the Parent		431	1,345
Non Controlling interest		-	-
Earnings per share			
		Pence	**Pence**
Basic	5	1.27	1.65
Diluted	5	1.27	1.59

All activities relate to continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	29-Feb-12 (Unaudited) £'000	31-Aug-11 (Audited) £'000
Assets			
Non-current assets			
Intangible assets	6	34,655	34,057
Property, plant and equipment	7	25,070	23,533
Mine properties and development	8	9,065	6,955
Total non-current assets		**68,790**	**64,545**
Current assets			
Inventories		9,978	8,034
Trade and other receivables		7,165	7,794
Cash and cash equivalents		4,516	6,892
Total current assets		21,659	22,720
Total assets		**90,449**	**87,265**
Current liabilities			
Trade and other payables		5,710	4,229
Provisions	9	840	664
Borrowings		117	5
Vatukoula Social Assistance Trust Fund		1,202	1,558
Total current liabilities		**7,869**	**6,456**
Non-current Liabilities			
Provisions	9	4,261	4,141
Convertible loan		312	341
Borrowings		-	-
Vatukoula Social Assistance Trust Fund		13	13
Deferred tax liability		7,472	7,776
Total non-current liabilities		**12,058**	**12,271**
Shareholders' Equity			
Share capital	10	4,378	4,378
Share premium account		76,709	76,709
Merger reserve		2,167	2,167
Foreign exchange reserve		1,186	582
Other reserves		2,703	2,358
Accumulated losses		(16,621)	(17,656)
Total shareholders' equity		**70,522**	**68,538**
Total liabilities and shareholders' equity		**90,449**	**87,265**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	6 months 29-Feb-12 (Unaudited) £'000	Restated 6 months 28-Feb-11 (Unaudited) £'000
Cash flows from operating activities			
Operating profit for the period:		754	1,040
Adjustments for:			
Share based payments		345	-
Depreciation and amortisation		3,529	2,656
Impairment		250	-
Loss on disposal of property plant equipment		-	3
Reversal of allowance for inventory obsolescence		(106)	-
Foreign exchange gains		(810)	(171)
Provision for bad debts		4	-
Payment to Vatukoula Social Assistance Trust Fund		(356)	-
Provision for mine rehabilitation		(46)	(107)
Movements in Employment Provisions		161	(84)
Net operating income before changes in working capital		3,725	3,337
Increase in inventories		(1,524)	(1,515)
Decrease in receivables		850	1,015
Increase / (decrease) in accounts payable		1,324	(42)
Net cash generated in operating activities		4,375	2,795
Cash flows from investing activities			
Payments for intangible assets	6	(1,582)	(752)
Purchase of property plant and equipment	7	(3,182)	(3,676)
Payments for mine properties and development	8	(2,137)	(838)
Interest received		36	36
Net cash used in investing activities		(6,865)	(5,230)
Cash flows before financing activities		(2,490)	(2,435)
Cash flows from financing activities			
Proceeds from issuance of shares	10	-	1,065
Costs of issue of shares		-	(66)
Interest paid		(65)	(54)
Proceeds from borrowings		112	219
Net cash provided by financing activities		**47**	**1,164**
Net decrease in cash and cash equivalents		**(2,443)**	**(1,271)**
Cash and cash equivalents at beginning of the period		6,892	12,849
Effect of foreign exchange on cash and cash equivalents		67	15
Cash and cash equivalents at the end of the period		**4,516**	**11,593**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Ordinary share capital	Share premium	Merger reserve	Foreign exchange reserve	Share based payment reserve	Equity component of convertible loan note	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 September 2011	**4,378**	**76,709**	**2,167**	**582**	**2,313**	**45**	**(17,656)**	**68,538**
Profit for the period	-	-	-	-	-	-	1,035	1,035
Other comprehensive income								
– Currency translation differences	-	-	-	604	-	-	-	604
Total comprehensive income	-	-	-	604	-	-	1,035	1,639
Issue of shares	-	-	-	-	-	-	-	-
Cost of share issue	-	-	-	-	-	-	-	-
Share option expired	-	-	-	-	-	-	-	-
Convertible loan	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	345	-	-	345
Balance at 29 February 2012	**4,378**	**76,709**	**2,167**	**1,186**	**2,658**	**45**	**(16,621)**	**70,522**

	Ordinary share capital	Share premium	Merger reserve	Restated Foreign exchange reserve	Share based payment reserve	Equity component of convertible loan note	Accumulated losses	Restated Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 September 2010	**4,031**	**69,699**	**2,167**	**404**	**1,539**	**53**	**(15,378)**	**62,515**
Profit for the period	-	-	-	-	-	-	1,363	1,363
Other comprehensive income								
– Currency translation differences	-	-	-	18	-	-	-	18
Total comprehensive income	-	-	-	18	-	-	1,363	1,381
Issue of shares	71	1,019	-	-	-	-	-	1,090
Cost of share issue	-	(66)	-	-	-	-	-	(66)
Share option expired	-	-	-	-	(380)	-	380	-
Convertible loan	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-
Balance at 28 February 2011	**4,102**	**70,652**	**2,167**	**422**	**1,159**	**53**	**(13,635)**	**64,920**

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2012

1. General information

Vatukoula Gold Mines Plc. is registered in England and Wales under number 5059077. The Company is governed by its articles of association and the principal statute governing the Company is the Companies Act 2006. The Company's registered office is at 2 More London Riverside, London, SE1 2AP. The company is listed on the AIM market of the London Stock Exchange. The principal activity of the Group is the mining of gold ore and the refining of the ore into gold Dore bars which are sold to be smelted into gold.

2. Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

These interim condensed consolidated financial statements are unaudited and does not constitute statutory financial statements. The interim condensed consolidated financial statements incorporate the results of the Group for the period from 1 September 2011 to 29 February 2012. The results for the year ended 31 August 2011 have been extracted from the statutory financial statements for Vatukoula Gold Mines plc. for the year ended 31 August 2011 which are prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 August 2011.

The same accounting policies, presentations and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended August 2011.

3. Turnover and Segmental Analysis

All turnovers in the Group in the current and prior periods is derived from the sales to one customer, which is included in the Gold Mining Segment.

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2012

3. Turnover and Segmental Analysis (continued)

6 months 29-Feb-12 (Unaudited)	Unattributed Head Office Costs £'000	Restated Gold Mining £'000	Other Activity £'000	Total £'000
Turnover	-	30,383	-	30,383
Mining	-	(16,606)	-	(16,606)
Processing	-	(5,279)	-	(5,279)
Gold duty	-	(920)	-	(920)
Overheads	-	(2,725)	-	(2,725)
Cost of sales	-	(25,530)	-	(25,530)
Gross Profit	-	4,853	-	4,853
Administrative expenses	(758)	(175)	(90)	(1,023)
Foreign exchange gains	-	901	-	901
Depreciation and amortisation	(1,218)	(2,302)	(10)	(3,530)
Underlying operating (loss) / profit	(1,976)	3,277	(100)	1,201
Impairment	(250)	-	-	(250)
Inventory obsolescence	-	106	-	106
Rehabilitation charge	-	46	-	46
Provision for doubtful debt	-	(4)	-	(4)
Share based payments	(224)	(121)	-	(345)
Operating (loss) / profit	(2,450)	3,304	(100)	754
Interest receivable and other income	27	9	-	36
Interest payable and similar charges	(28)	(27)	(4)	(59)
Net (loss) / profit before taxation	(2,451)	3,286	(104)	731
Taxation	304	-	-	304
(Loss) / Profit for the period	(2,147)	3,286	(104)	1,035
Other Segment Items				
Additions to intangible assets	-	1,582	-	1,582
Additions to property, plant, and equipment	-	3,182	-	3,182
Additions to mine properties and development	-	2,137	-	2,137
Current assets	2,292	19,315	52	21,659
Non currents assets	29,883	38,678	229	68,790
Current liabilities	(115)	(7,746)	(8)	(7,869)
Non current liabilities	(7,783)	(4,275)	-	(12,058)

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2012

3. Turnover and Segmental Analysis (continued)

6 months 28-Feb-11 (Unaudited)	Unattributed Head Office Costs £'000	Gold Mining £'000	Other Activity £'000	Total £'000
Turnover	-	25,202	-	25,202
Mining	-	(14,465)	-	(14,465)
Processing	-	(4,273)	-	(4,273)
Gold duty	-	(759)	-	(759)
Overheads	-	(1,420)	-	(1,420)
Cost of sales	-	(20,917)	-	(20,917)
Gross profit	-	4,285	-	4,285
Administrative expenses	(731)	(548)	(64)	(1,343)
Foreign exchange gains	-	754	-	754
Depreciation and amortisation expense	(1,216)	(1,418)	(22)	(2,656)
Underlying operating (loss) / profit	(1,947)	3,073	(86)	1,040
Inventory obsolescence write back / (provision)	-	-	-	-
Rehabilitation charge	-	-	-	-
Provision for doubtful debt write back	-	-	-	-
Share based payments expense	-	-	-	-
Operating (loss) / profit	(1,947)	3,073	(86)	1,040
Interest receivable and other income	36	-	-	36
Interest payable and similar charges	(20)	(32)	(2)	(54)
Net (loss) / profit before taxation	(1,931)	3,041	(88)	1,022
Taxation	341	-	-	341
(Loss) / profit for the period	(1,590)	3,041	(88)	1,363
Other Segment Items				
Additions to intangible assets	-	752	-	752
Additions to property, plant, and equipment	-	3,675	1	3,676
Additions to mine properties and development	-	838	-	838
Current assets	9,686	13,567	81	23,334
Non currents assets	32,732	27,819	245	60,796
Current liabilities	998	4,950	5	5,953
Non current liabilities	9,381	4,656	-	14,037

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2012

4. Results for the period

The Interim results are not affected by seasonality or cyclicity.

5. Earnings per share

(a) Basic

Basic (loss) / earnings per share is calculated by dividing the (loss) / profit for the year from continuing operations of the Group by the weighted average number of ordinary shares in issue during the year.

The calculation of consolidated earnings per share is based on the following earnings and number of shares:

	6 months (Unaudited) 29-Feb-12 £'000	6 months (Unaudited) 28-Feb-11 £'000
Profit after tax	**1,035**	**1,363**

	6 months 29-Feb-12 Number	6 months 28-Feb-11 Number
Basic weighted average ordinary shares in issue during the period	**81,622,820**	**82,389,420**

	6 months 29-Feb-12 Pence	6 months 28-Feb-11 Pence
Basic Earnings per share	1.27	1.65

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2012

5. Earnings per share (continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume the conversion of dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible loan notes and share options / warrants. The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	6 months (Unaudited) 29-Feb-12 £'000	**6 months (Unaudited) 28-Feb-11 £'000**
Profit after tax	1,035	1,363
Interest expense on convertible loan note (net of tax)	18	21
Profit used to determine diluted earnings per share	**1,053**	1,384

	6 months 29-Feb-12 Number	**6 months 28-Feb-11 Number**
Basic weighted average ordinary shares in issue during the period	81,622,820	82,389,420
Adjustments for:		
Assumed conversion of convertible loan note	660,000	680,500
Share options / warrants	329,715	3,742,266
Diluted weighted average ordinary shares in issue during the period	**82,612,535**	**86,812,186**

	6 months 28-Feb-11 Pence	**6 months 28-Feb-11 Pence**
Diluted Earnings per share	1.27	1.59

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2012

6. Intangible assets

Group	Mining Rights £'000	Computer Software £'000	Exploration expenditure £'000	Total £'000
Cost				
As at 1 September 2011	38,414	243	2,769	41,426
Additions	-	-	1,582	1,582
Transferred from tangible assets	-	80	28	108
Exchange difference	-	9	122	131
As at 29 February 2012	**38,414**	**332**	**4,501**	**43,247**
Amortisation				
As at 1 September 2011	7,313	56	-	7,369
Current charge	1,217	5	-	1,222
Exchange difference	-	1	-	1
As at 29 February 2012	**8,530**	**62**	**-**	**8,592**
Carrying value as at 29 February 2012	**29,884**	**270**	**4,501**	**34,655**
Carrying value as at 31 August 2011	**31,101**	**187**	**2,769**	**34,057**

Group	Mining Rights £'000	Computer Software £'000	Exploration expenditure £'000	Total £'000
Cost				
As at 1 September 2010	38,414	140	36	38,590
Additions	-	-	2,667	2,667
Transferred from tangible assets	-	97	27	124
Exchange difference	-	6	39	45
As at 31 August 2011	**38,414**	**243**	**2,769**	**41,426**
Amortisation				
As at 1 September 2010	4,866	-	-	4,866
Current charge	2,447	55	-	2,502
Exchange difference	-	1	-	1
As at 31 August 2011	**7,313**	**56**	**-**	**7,369**
Carrying value as at 31 August 2011	**31,101**	**187**	**2,769**	**34,057**
Carrying value as at 31 August 2010	**33,548**	**140**	**36**	**33,724**

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2012

6. Intangible assets (continued)

The Mining rights represent the mining rights acquired on the acquisition of the Vatukoula Gold Mine in April 2008. The amortisation of the Mining Rights is calculated on a unit of production basis, based on forecast production and the total Mineral Reserves. At the current production, reserves and gold price, the useful economic life is expected to be 7 years. This rate will vary from year to year and is dependent on the mineral reserves which are reassessed every year. Amortisation is included in depreciation and amortisation in the Statement of Comprehensive Income.

For the year ended August 2011 the directors carried out an impairment review. As in previous years, this was based on an estimate of discounted future cash flows from the development and operation of the Vatukoula Gold Mine. The directors have used past experience and an assessment of future conditions, together with external sources of information, to determine the assumptions which were adopted in the preparation of a financial model to estimate the cashflows.

The recoverable amount of the mine is determined by using a net present value calculation based on the estimated economically recoverable portion of the total Mineral Resource and the life of mine plan. The life of mine plan is currently 14 years. This Mineral Resource is used rather than the Mineral Reserve as the Mineral Reserve will not represent the total recoverable amount from the mine. This is because it excludes ore deposits that are above the economic cut off grade within the Inferred Mineral Resource category.

The key assumptions therein are those regarding discount rates, and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the mine and the rate used was 10%.

The production is based on the directors' forecast of the mine's maximum output and based on the mine achieving its operating capacity. The directors believe this rate is justified based on the current progress of the mine. A deferred tax liability of £10,757,000 arose in 2008 in respect of the intangible assets recognised on the acquisition in the prior periods. The deferred tax liability is in respect of future taxable profits potentially generated from the exploration of the mining rights.

The Exploration expenditure is an internally generated intangible asset, and represents costs associated with the exploration and evaluation of mineral deposits on our mining and special prospecting licenses and are capitalised under IFRS 6. The directors believe that there are no indicators of impairment.

The Computer Software expenditure represents the costs associated with the purchase of specialised mining and inventory software.

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2012
7. Property, plant and equipment

Group	Freehold and leasehold land £'000	Work in progress £'000	Plant and machinery £'000	Motor vehicles £'000	Mine assets £'000	Fixtures fittings and equipment £'000	Total £'000
Cost							
As at 1 September 2011	1,165	201	28,087	370	2,869	148	32,840
Additions	-	3,182	-	-	-	-	3,182
Transferred on completion	90	(1,988)	1,898	-	-	-	-
Transferred to intangible	-	(80)	(28)	-	-	-	(108)
Exchange difference	29	26	1,464	(6)	92	(1)	1,604
As at 29 February 2012	**1,284**	**1,341**	**31,421**	**364**	**2,961**	**147**	**37,518**
Accumulated depreciation							
As at 1 September 2011	-	-	8,643	251	315	98	9,307
Charge for the period	7	-	1,902	1	117	1	2,028
Impairment	250	-	-	-	-	-	250
Transferred to intangible	-	-	-	-	-	-	-
Exchange difference	-	-	853	(3)	13	-	863
As at 29 February 2012	**257**	**-**	**11,398**	**249**	**445**	**99**	**12,448**
Net book value							
At 29 February 2012	**1,027**	**1,341**	**20,023**	**15**	**2,516**	**48**	**25,070**
At 31 August 2011	1,165	201	19,444	119	2,554	50	23,533

Group	Freehold and leasehold land £'000	Work in progress £'000	Plant and machinery £'000	Motor vehicles £'000	Mine assets £'000	Fixtures fittings and equipment £'000	Total £'000
Cost							
As at 1 September 2010	1,134	2,881	18,399	405	3,086	148	26,053
Additions	-	6,521	1	10	-	-	6,532
Transferred on completion	-	(9,172)	9,172	-	-	-	-
Disposals	-	-	-	(53)	-	(1)	(54)
Revaluation	-	-	-	-	(331)	-	(331)
Transfer to Mine Properties and development	-	-	(946)	-	-	-	(946)
Transferred to intangible	-	(97)	-	-	-	-	(97)
Exchange difference	31	68	1,461	8	114	1	1,683
As at 31 August 2011	**1,165**	**201**	**28,087**	**370**	**2,869**	**148**	**32,840**
Accumulated depreciation							
As at 1 September 2010	-	-	4,793	287	154	96	5,330
Charge for the period	-	-	2,976	8	153	3	3,140
Disposals	-	-	-	(48)	-	(1)	(49)
Transfer to Mine Properties and development	-	-	(32)	-	-	-	(32)
Transferred to intangible	-	-	27	-	-	-	27
Exchange difference	-	-	879	4	8	-	891
As at 31 August 2011	**-**	**-**	**8,643**	**251**	**315**	**98**	**9,307**
Net book value							
At 31 August 2011	**1,165**	**201**	**19,444**	**119**	**2,554**	**50**	**23,533**
At 31 August 2010	1,134	2,881	13,606	118	2,932	52	20,723

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2012

8. Mine properties and development

	6 months 29-Feb-12 (Unaudited) £'000	12 months 31-Aug-11 (Audited) £'000
Cost		
Balance beginning of period	8,695	5,614
Additions	2,137	1,898
Transfers from Property, Plant and Equipment	-	946
Foreign exchange difference	313	237
Balance at end of period	**11,145**	**8,695**
Depreciation		
Balance beginning of period	1,740	1,227
Current charge	278	432
Transfers from Property, Plant and Equipment	-	32
Foreign exchange difference	62	49
Balance at end of period	**2,080**	**1,740**
Carrying value		
Balance at end of period	**9,065**	**6,955**

9. Provisions

	6 months 29-Feb-12 (Unaudited) £'000	12 months 31-Aug-11 (Audited) £'000
Current		
Provision for annual leave	254	224
Provision for workers compensation	90	63
Other employee related provisions	496	377
	840	664
Non current		
Provision for mine rehabilitation	4,200	4,092
Provision for Long Service Leave	61	49
	4,261	4,141
	5,101	**4,805**

Group	**Employee related provisions £'000**	**Mine rehabilitation £'000**	**Long Service Leave £'000**	**Total £'000**
Balance at 1 September 2011 (Restated)	664	4,092	49	4,805
Additional provisions made during the period	5,740	-	29	5,769
Reversed during the period	(5,589)	(46)	(19)	(5,654)
Unwinding of discount	-	23	-	23
Exchange difference	25	131	2	158
Balance at 29 February 2012	**840**	**4,200**	**61**	**5,101**

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2012

9. Provisions (continued)

Employee related provisions include a provision for unpaid annual leave based on Fijian labour legislation, and a provision for legally required workers compensation relating to work injuries. Based on current estimates, these are expected to realise in approximately 10 years.

The provision for mine rehabilitation represents the current mine closure plan. The present value of the estimated cost is capitalised as property, plant and equipment. Over time the discounted liability will be increased for the change in the present value based on the discount rates that reflect the current market assessments and the risks specific to the liability. The provision for Mine Rehabilitation is expected to be expensed over 10 years. This is based on the current economic useful life of seven years plus a further three years of rehabilitation. The economic useful life is dependent on the economic viability of extracting the contained Mineral Reserves and may vary on a year by year basis dependant on the mining / processing costs and the price of Gold. In addition the quantum of the provision may vary on a year by year basis dependant on the costs associated with executing the Mine Rehabilitation Plan.

Long service leave is a contractual obligation for additional leave days earned by employees with 10 years or more service. Based on current estimates, these are expected to realise in approximately 10 years.

10. Share capital

(a) Share Capital

	29-Feb-12 (Unaudited) £	31-Aug-11 (Audited) £
Allotted, issued and fully paid		
87,558,339 ordinary shares of 5p each (31 Aug 2011: 87,558,339 ordinary shares of 5p each)	4,377,917	4,377,917

(b) Share issues during the period

There were no share issues during the period ended 29 February 2012.

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2012

10. Share capital (continued)

(c) Warrants and options

During the period ending 29 February 2012 the following movements occurred on the warrants and options to purchase 5p ordinary shares in Vatukoula Gold Mines Plc.

	Average exercise price per share	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of warrants and options	Number of options	Number of options	Number of warrants	
Exercise price		**£0.50**	**£0.60**	**£0.70**	**£0.88**	**£0.90**	**£0.95**	**£0.97**	**£1.00**	**£1.39**	**£1.75**	**£3.00**	**Total**
Balance at 1 September 2011	1.1	863,000	-	-	235,000	400,000	365,000	700,000	4,200,000	484,112	-	-	7,247,112
Granted during the period	1.4	-	-	360,000	-	-	-	-	-	-	800,000	-	1,160,000
Exercised during the period	-	-	-	-	-	-	-	-	-	-	-	-	-
Expired during the period	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 29 February 2012	**1.1**	**863,000**	**-**	**360,000**	**235,000**	**400,000**	**365,000**	**700,000**	**4,200,000**	**484,112**	**800,000**	**-**	**8,407,112**

	Average exercise price per share	Number of options	Number of warrants	Number of options	Number of warrants	Number of options	Number of options	Number of options	Number of warrants and options	Number of options	Number of options	Number of warrants	
Exercise price		**£0.50**	**£0.60**	**£0.70**	**£0.88**	**£0.90**	**£0.95**	**£0.97**	**£1.00**	**£1.39**	**£1.75**	**£3.00**	**Total**
Balance at 1 September 2010	1.1	1,378,000	280,518	-	-	400,000	-	-	5,490,000	-	-	841,858	8,390,376
Granted during the period	1.1	-	-	-	235,000	-	365,000	700,000	-	484,112	-	-	1,784,112
Exercised during the period	0.8	(515,000)	(280,518)	-	-	-	-	-	(1,290,000)	-	-	-	(2,085,518)
Expired during the period	3.0	-	-	-	-	-	-	-	-	-	-	(841,858)	(841,858)
Balance at 31 August 2011	**1.1**	**863,000**	**-**	**-**	**235,000**	**400,000**	**365,000**	**700,000**	**4,200,000**	**484,112**	**-**	**-**	**7,247,112**

At the period end 6,347,112 options (31 August 2011: 6,347,112 options) are exercisable.

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2012

11. Post balance sheet events

On 4 April 2012 the Company announced that it had entered into a subscription agreement with Zhongrun International Mining Co. Ltd. ("Zhongrun") whereby Zhongrun subscribed for 9,000,000 new ordinary shares in the Company at a price of £0.60 per share (the "Subscription Shares") to raise £5.4 million (the "Subscription Agreement"). The Subscription Shares represent approximately 9.2% of the enlarged issued share capital of the Company.

In addition, under the Subscription Agreement, the Company has granted to Zhongrun an option to acquire an additional 9,000,000 ordinary shares in the Company (the "Option"). The Option is exercisable at a subscription price of £0.77 per share and is exercisable any time on and before 23 July, 2012. If exercised, the Option would represent approximately 8.4% of the enlarged issued share capital of the Company.

12. Capital Commitments

Capital commitments as at 29 February 2012 amounted to £1,392,125 (31 August 2011; £912,000). These commitments are in relation to projected expenditure on mine properties and development.

13. Related party transactions

During the period, the Company paid consultancy fees of £nil (31 August 2011: £96,500) to Promaco Ltd, a company related to J I Stalker, director of Vatukoula Gold Mines Plc. There were no amounts payable to Promaco Ltd at the period end.

14. Contingent liabilities

No significant changes in contingent liabilities occurred since the end of last annual reporting period.

15. Restatement of prior year numbers

Comparative numbers for the 6 months ended 28 February 2011 have been restated to present the restatements described in the annual financial statements for the year ended 31 August 2011 regarding the impact of the reclassification of foreign exchange differences, and the reclassification of gold duty from operating expenses to cost of sales.

16. Cautionary Statement

The interim results announcement contains forward looking statements. These have been made by the Directors in good faith based on the information available to them up to the time of their approval of this report. The Directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward looking information, actual results may differ materially from those expressed or implied by these forward looking statements. The Directors undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remainder of the financial year and could cause actual results to differ materially from expected and historical results. These include but are not limited to, competitor activity and competition risk, changes in foreign exchange and commodity price and the political and economic risks of operating in Fiji.

17. Approval of interim financial statements

The interim financial statements for the six months ended 29 February 2012 were approved by the board of directors on 18 May 2012.