

31 August 2016

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

Operational Results for the six months ended 30 June 2016

Vatukoula Gold Mines Plc (VGM) announces its operational results from its 100% owned Vatukoula Gold Mine in Fiji for the six months ended 30 June 2016.

	6 months ended June 2016	6 months ended June 2015
<u>Underground Mining</u>		
Total underground tonnes mined (ore, waste & capital)	177,163	191,506
Operating development (metres)	3,569	3,227
Capital development (metres)	3,255	3,998
Total development (metres)	6,824	7,225
<u>Sulphide Plant</u>		
Sulphide ore delivered (tonnes)	148,898	165,374
Sulphide head grade (grams/tonne)	4.71	4.54
<u>Oxide Plant</u>		
Oxide ore delivered (tonnes)	-	53,041
Oxide head grade (grams/tonne)	-	2.15
<u>Tailing Retreatment Plant</u>		
Tailing ore delivered (tonnes)	170,397	-
Tailing head grade (grams/tonne)	1.52	-
<u>Total (sulphide + oxide + tailing retreatment)</u>		
Ore processed (tonnes)	318,051	216,891
Average ore head grade (grams/tonne)	2.99	3.96
Total recovery	73.8%	78.5%
Gold produced	22,387	22,370
Gold shipped	22,387	21,733
<u>Cash Costs</u>		
Cash cost per ounce shipped (US\$/ounce)	856	918
Total production cost per ounce shipped (US\$/ounce)	1,173	1,368
Average realised gold price (US\$/ounce)	1,225	1,211

Underground Production and Development

Total tonnes of ore and waste mined decreased by 7% to 177k tonnes for the half year ended 30 June 2016 from 192k tonnes for the same period last year, mainly due to production losses in February caused by Cyclone Winston, the strongest tropical cyclone ever in Fiji.

The ore delivered from underground for the six months ended 30 June 2016 was 149k tonnes compared to 165k tonnes in the same period last year, a decrease by 10%. The average underground ore grade for the six months was 4.71 grams per tonne, compared to 4.54 grams per tonne for the same period last year.

The cost per tonne ore mined decreased by 9% to US\$81 per tonne for the six months ended 30 June 2016, from US\$89 per tonne ore for the same period in 2015.

Vatukoula Treatment Plant (“VTP”)

Total throughput at Vatukoula Treatment Plant was 318kt for the half year period ended 30 June 2016, an increase of 47% from 217kt for the same period in 2015. The substantial increase was attributed to the 170kt of tailings re-processed in 2016, while during the same period last year, no tailings and 53kt of oxidised ore were processed. The average head grade decreased to 2.99 grams per tonne in 2016 from 3.96 grams per tonne in 2015, mainly due to a higher percentage of low-grade tailings blended into the feed.

The overall mill recovery was 74% in 2016, compared to 79% in 2015. The lower recovery in 2016 was mainly due to a significantly lower gold recovery rate with re-treatment of tailings, which was around 50%.

Gold shipped for the six months period increased slightly to 22,387 ounces in 2016 from 21,733 ounces in 2015. The ounce contribution from tailings retreatment was offset by lower sulphide ore tonnage delivered from underground mine operations.

Production Costs

The cash cost was US\$856 per ounce during the six months period ended 30 June 2016, compared to US\$ 918 per ounce during the same period in 2015. The total production cost was US\$1,173 per ounce in 2016, compared to US\$1,368 per ounce in 2015, driven by lower operating cash costs, lower capital expenditures and lower Fiji dollar against US dollar.

Yingbin Ian He, Non-Executive Chairman of Vatukoula Gold Mines, commented:

"The lower fuel prices, a substantial depreciation of Fijian dollar against US dollar, and recovery of gold from retreatment of tailings have helped decrease the cash costs per ounce, even though the mine lost over 1,500 ounces of production in February due to Cyclone Winston, the strongest tropical cyclone ever in Fiji. We are seeing a general downward trend in our costs with the cash cost for the six months ended 30 June 2016 at US\$856 per ounce compared to US\$918 per ounce in the same period last year. However, certain factors that contribute to the lower cash costs may change during the future periods. To achieve a sustained low production cost, substantial investment is needed in underground mine development to achieve the mine's nameplate capacity, and in building a heavy oil power plant to replace the diesel power supply which is the single largest cost component in our operation."

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