

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

Operational Results for the Year Ended 31 December 2015

Vatukoula Gold Mines Plc (VGM) announces its unaudited operational results from its 100% owned Vatukoula Gold Mine in Fiji for the year ended 31 December 2015.

	12 months ended Dec 2015	12 months ended Dec 2014
<u>Underground Mining</u>		
Total underground tonnes mined (ore, waste & capital)	386,148	376,901
Operating development (metres)	7,378	8,902
Strike drive development (metres)	3,927	2,080
Capital development (metres)	3,887	1,204
Total development (metres)	15,192	12,186
<u>Sulphide Plant</u>		
Sulphide ore delivered (tonnes)	332,473	250,221
Sulphide head grade (grams/tonne)	4.64	5.20
<u>Oxide Plant</u>		
Oxide ore delivered (tonnes)	89,376	89,857
Oxide head grade (grams/tonne)	2.11	2.36
<u>Tailing Retreatment Plant</u>		
Tailing ore delivered (tonnes)	58,395	-
Tailing head grade (grams/tonne)	1.76	-
<u>Total (sulphide+oxide+tailing retreatment)</u>		
Ore processed (tonnes)	473,937	338,179
Average ore head grade (grams/tonne)	3.79	4.47
Total recovery	75.5%	80.6%
Gold produced	43,982	38,193
Gold shipped	43,148	39,160
<u>Cash Costs</u>		
Operating cash cost per ounce shipped (US\$/ounce)	1,121	1,478
All in cash cost per ounce shipped (US\$/ounce)	1,307	1,930
Average realised gold price (US\$/ounce)	1,155	1,264

Underground Production and Development

Total tonnes of ore and waste mined increased by 2% to 386k tonnes in 2015 from 377k tonnes in 2014. A total of 332kt ore was delivered to the mill from underground in 2015, a 33% increase from 250kt in 2014.

The waste tonne mined was 54kt in 2015, compared to 127kt in 2014 and 151kt in 2013, reflecting a continued decrease in capital development due to lack of capital funding. The capital development is required to sustain ore output in 2016 and beyond. In order to achieve the mine's nameplate capacity of 680kt per annum and to reduce unit cost, substantial funding is required for mine development and mill retrofitting. We continue to discuss with some strategic investors for major funding, which has been very challenging with the currently depressed gold market.

The average underground ore grade in 2015 was 4.64 grams per tonne, compared to 5.20 grams per tonne in 2014. The overall average ore grade in 2015 is 3.79 grams per tonnes, compared to 4.47 grams per tonne in 2014.

Vatukoula Treatment Plant (“VTP”)

Total ore processed was 474kt in 2015, including 332kt underground ore, 43kt waste fine, 46kt oxidised ore, and 58kt tailings, compared to 338kt in 2014.

The average head grade decreased to 3.79 grams per tonne in 2015 from 4.47 grams per tonne in 2014. This was due to lower grade of underground ore and higher percentage of low-grade oxidised ore and re-processed tailings.

The overall mill recovery was 76% in 2015, compared to 81% in 2014. The lower recovery in 2015 was mainly due to significantly lower recovery rates of oxidised ore and re-processed tailings, which were around 55% and 40% respectively.

Gold shipped was 43k ounces in 2015, a 10% increase over 39k ounces in 2014, attributed to higher throughput, offset by lower head grades and lower gold recovery rates.

Gold Output and Cash Costs

The operating cash costs decreased to US\$1,121 per ounce in 2015 from US\$1,478 per ounce in 2014. The lower cash cost is mainly attributed to lower fuel prices, and lower supplies and consumables costs. All in cash costs decreased to US\$1,307 per ounce in 2015 from US\$ 1,930 per ounce in 2014.

Update on purchase of VGM shares

The matched bargain facility has been open to take up VGM shares on Monday, January 11, 2016. The share purchase will end on Friday, February 12, 2016. During the first week of the share uptake between January 11 and 15, 2016, about 24.6 million VGM shares were sold to the account of Zhongrun International Mining Co. Ltd. (“Zhongrun”), accounting for about 32% of VGM public floats.

For details on matched bargain facilities, please refer to our early announcements made in September 2015. Shareholders who decide to sell their shares should contact WH Ireland at vgm@wh-ireland.co.uk. WH Ireland will handle the share purchase transactions on behalf of Zhongrun. If you hold your shares in certificated form you will need have your shares dematerialised and deposited into CREST. Your stockbroker should be able to facilitate this process for you. If they are unable to assist or you do not have a stockbroker, please advise WH Ireland and they will endeavour to assist you.

Although the Board of the company and Zhongrun believe that, in the longer term, the prospects for the mine remain attractive, the company’s gold mining operation in Fiji remains a high cost producer in the bottom quartile among its peer producers in the industry. Considerable further investment will be required to develop and expand the mine to a capacity that will enable economies of scale to reduce the unit costs of production to a level which enables an economic return to be achieved. Accordingly, the future of the mine will remain dependent on the financial backing of its major shareholder for the near and medium term, which will have the effect of diluting further the interests of other shareholders. Moreover, it is likely a number of years before the Company will be in a position to pay dividends or provide any sort of shareholder return, both because of the need to first repay the shareholder loans and then to make further significant investment in order to improve the mine operations and reduce production costs.

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