

Chairman's letter to shareholders and Notice of Annual General Meeting



Registered Office:
2 More London Riverside
London, SE1 2AP
Registered number 5059077

1 February 2013

Dear Shareholder

The Annual General Meeting gives us the opportunity to present the Company's performance and strategy to shareholders, and allows us to listen to your comments, and respond to your questions as the Company enters an important phase of its development.

Following the strategic investment by Zhongrun International Mining Co. Ltd ("Zhongrun") in Vatukoula Gold Mines plc ("Vatukoula" or the "Company"), and as announced in October last year, Zhongrun is entitled to propose four nominees for election as Directors at this Annual General Meeting. Zhongrun has proposed three new directors and John Kearney as their nominees to your board. The appointment of the new directors is subject to shareholder approval.

After eleven years of overseeing Vatukoula's growth as a gold producer, I will be retiring as Chairman of Vatukoula. My retirement is subject to the appointment of the new directors and the appointment of a suitable replacement Chairman by the board.

On my retirement we anticipate the board to comprise of seven members with two executive directors, and five non-executive directors, one of whom will be the Chairman. This board composition is similar to what we have had in place over the last two year and we believe that the board will be of a suitable balance and that the recommendations of the Combined Code have been implemented to an appropriate level.

Annual General Meeting 2013

This year's Annual General Meeting of the Company will be held at Laytons Solicitors LLP, 2 More London Riverside, London SE1 2AP on 25 February 2013 at 11.00 a.m. Full details of the meeting and the resolutions that will be put to shareholders are set out in the enclosed Notice of Annual General Meeting (the "Notice").

If you are planning to attend the meeting please arrive by 10.45 to allow for registration. Additionally, if you cannot come to the meeting in person, your vote is still important and you are urged to complete, sign and return the enclosed proxy card to be received by 11.00 a.m. on 23 February 2013. If you cannot attend, but would like to raise any points, please send your comments to info@vgmplc.com and we will take them into account in planning the meeting.

Resolutions

In addition to the routine business, we are asking shareholders to approve some additional items of business at this year's Annual General Meeting.

Resolutions 3 to 6

As announced on the 31 October 2012, Vatukoula agreed as part of the completed subscription by Zhongrun International Mining Co. Ltd ("Zhongrun") that Zhongrun is entitled to propose four nominees for election as Directors at this Annual General Meeting. Zhongrun has proposed three new directors (details of whom are set out in the notes to the Notice) and John Kearney (who is an existing director retiring by rotation) as their nominees. For the purposes of Article 87 of the Articles of Association of the Company the Directors recommend each of the nominees for election.

Resolution 10

This resolution contains certain proposals to amend the Company's Articles of Association. The changes proposed are, first, to change the borrowing powers of the Company. When Vatukoula was formed the Articles of Association provided for a fixed sum for the power of the Company to borrow which was limited at £5,000,000. The Directors consider, first, that this is an amount considerably lower than is needed to provide for the potential capital requirements of the Group, and, moreover, that borrowing powers linked to the underlying capital base of the Group would be more appropriate. Accordingly the changes to be proposed are to replace the fixed amount with the power to borrow an amount up to equal to a multiple of four times the adjusted capital and reserves of the Group.

Second, in order to reflect technological changes, it is proposed to amend the Articles of Association to permit share certificates to be issued with a securities seal attached or printed by any mechanical, electronic, laser or other means approved by the Directors.

Recommendation

Your Directors are of the opinion that all resolutions which are to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders and therefore unanimously recommend that you vote in favour of the resolutions.



Colin Orr-Ewing,
Chairman of the Board

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your shares in Vatukoula Gold Mines plc, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

VATUKOULA GOLD MINES PLC

NOTICE OF ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting of the Company to be held at the offices of Laytons Solicitors LLP at 2 More London Riverside, London SE1 2AP on 25 February 2013 at 11.00 a.m. is set out in this Document.

A form of proxy accompanies this notice. **To be valid, forms of proxy for use at the meeting must be completed and returned so as to be received at the offices of the Company's registrars, Capita Registrars (Proxies), The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 11.00 a.m. on 23 February 2013.** The completion and depositing of a form of proxy will not preclude you from attending and voting in person at the Annual General Meeting should you wish to do so.

NOTICE OF ANNUAL GENERAL MEETING

of

VATUKOULA GOLD MINES PLC

(Incorporated in England and Wales with registered number 5059077)
("the Company")

NOTICE is hereby given that the Annual General Meeting of the Company will be held at the offices of Laytons Solicitors LLP at 2 More London Riverside, London SE1 2AP on 25 February 2013 at 11.00 a.m. to consider, and if thought fit pass, the following resolutions of which resolutions 1 to 8 will be proposed as Ordinary Resolutions and resolutions 9 and 10 will be proposed as Special Resolutions:

Accounts

1. To receive and adopt the Directors' Report and Accounts for the period ended 31 August 2012.

Directors

2. To re-elect John MacPherson as a director.
3. To re-elect John Francis Kearney as a director.
4. To elect Fengwen Zheng as a director.
5. To elect Yingbin Ian He as a director.
6. To elect Yeung Ng as a director.

Auditors

7. To re-appoint Mazars LLP auditors of the Company to hold office until the conclusion of the next annual general meeting at which accounts are laid before the Company and authorise their remuneration to be fixed by the Directors.

Directors' Authority to Allot Shares

8. To resolve that for the purposes of section 551 of the Companies Act 2006 ("the Act") the Directors be generally and unconditionally authorised to exercise all powers of the Company to allot ordinary shares in the Company and grant rights to subscribe for or convert any security into shares in the Company up to the maximum nominal amount of £1,959,305 PROVIDED that the authority granted under this resolution shall lapse at the end of the next annual general meeting of the Company to be held after the date of the passing of this resolution or, if earlier, fifteen months from the date of the passing of this resolution but so that the Company be authorised to make prior to the expiry of such period above any offer or agreement which would or might require relevant securities to be allotted after the expiry of the said period and the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution.

SPECIAL RESOLUTIONS

Disapplication of statutory rights of pre-emption

9. To resolve that, subject to the passing of Resolution 8 set out in the notice of annual general meeting dated 1 February 2013, the Directors be empowered in accordance with section 570 of the Companies Act 2006 ("the Act") to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred on them to allot relevant

securities (as defined in section 551 of the Act) by that resolution, as if section 561(1) of the Act did not apply to such allotment provided that the power conferred by this resolution shall be limited to equity securities for cash up to an aggregate nominal value not exceeding £1,959,305;

PROVIDED that this power, unless renewed, shall expire at the end of the next annual general meeting of the Company to be held after the date of the passing of this resolution or, if earlier, fifteen months from the date of the passing of this resolution but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

Amendment of Articles of Association

10. To resolve that the articles of association of the Company be amended:

10.1 by amending Article 104 (Borrowing Powers) as follows:

- (i) by deleting in 104.2 the sum of “£5,000,000” and replacing it with the words “*four times Adjusted Capital and Reserves*”;
- (ii) by replacing in Article 104.3.1(a) the words “*section 744 of the Act*” with the words “*section 738 of the Companies Act 2006*”;
- (iii) by replacing in Article 104.3.1(i) the words “*section 259 of the Act as amended by the Companies Act 1989*” with the words “*section 1161 of the Companies Act 2006*”;
- (iv) by replacing in Article 104.3.2 the words “*section 229 of the Act*” with the words “*section 405 of the Companies Act 2006*”;
- (iv) by renumbering Articles 104.6, 104.7 and 104.8 as 104.7, 104.8 and 104.9 respectively;
- (v) by inserting the following as Article 104.5

“104.5 *Adjusted Capital and Reserves:* *For the purposes of this Article:*

- (a) “*Group*” means the Company and its subsidiary undertakings for the time being;
- (b) “*relevant balance sheet*” means the most recent audited consolidated balance sheet of the Group at the relevant time; and
- (c) “*Adjusted Capital and Reserves*” means a sum equal to the aggregate, as shown by the relevant balance sheet, of the amount paid up or credited or deemed to be paid up on the issued or allotted share capital of the Company and the amount standing to the credit of the reserves (including, without limitation, the profit and loss account and any share premium account or capital redemption reserve) of the Company and its subsidiary undertakings included in the consolidation in the relevant balance sheet but after:
 - (i) making such adjustment as may be appropriate to reflect the profit or loss of the Company since the relevant balance sheet;
 - (ii) excluding any amount set aside for taxation (including any deferred taxation) or any amounts attributable to outside shareholders in subsidiary undertakings of the Company;

- (iii) *making such adjustments as may be appropriate in respect of any variation in the amount of such paid up share capital and or any reserves (other than the profit and loss account) after the date of the relevant balance sheet. For this purpose, if any issue or proposed issue of shares by the Company for cash has been underwritten then such shares shall be deemed to have been issued and the amount (including any premium) of the subscription monies paid for them (other than money to be paid more than six months after the allotment date) shall to the extent so underwritten be deemed to have been paid up on the date when the issue of such shares was underwritten (or, if such underwriting was conditional, on the date when it became unconditional);*
- (iv) *making such adjustments as may be appropriate in respect of any distribution declared, recommended, made or paid by the Company or its subsidiary undertakings (to the extent not attributable directly or indirectly to the Company) out of profits earned up to and including the date of the relevant balance sheet to the extent such distribution is not provided for in such balance sheet;*
- (v) *making such adjustments as may be appropriate in respect of any variation in the interests of the Company in its subsidiary undertakings (including a variation where an undertaking ceases to be a subsidiary undertaking) since the date of the relevant balance sheet; and*
- (vi) *making such adjustments as the auditors of the Company may consider appropriate.”*

10.2 by deleting the present article 30.2 and replacing it with the following new article:

“30.2 Execution and Contents of Certificates: If permitted by the Statutes and the rules of the AIM market of the London Stock Exchange (while any of the Company’s shares are listed on AIM), any signature, any representation of a signature, the Seal or any representation of the Seal may be made, produced or affixed to a certificate by any mechanical, electronic, laser or other means approved by the Directors.”

By order of the Board

Laytons Secretaries Limited
Company Secretary

Registered office:
2 More London Riverside
London
SE1 2AP

Dated: 1 February 2013

Notes

- (1) Holders of Ordinary Shares, or their duly appointed representatives, are entitled to attend and vote at the AGM. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the meeting. A Shareholder can appoint the chairman of the meeting or anyone else to be his/her proxy at the meeting. A proxy need not be a Shareholder. More than one proxy can be appointed in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or shares held by that Shareholder. To appoint more than one proxy, the Form of Proxy should be photocopied and completed for each proxy holder. The proxy holder’s name should be written on the Form of Proxy together with the number of shares in relation to which the proxy is authorised to act. If such is the case please indicate that the proxy instruction is one of multiple instructions being given. All Forms of Proxy must be signed and, to be effective, must be lodged

with the Company's registrar (Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU) so as to arrive not later than 48 hours before the time of the meeting, or in the case of an adjournment 48 hours before the adjourned time.

- (2) The return of a completed Proxy Form will not prevent a Shareholder attending the AGM and voting in person if he/she wishes to do so.
- (3) Only Shareholders whose names appear on the register of members of the Company as at 48 hours before the time of the meeting shall be entitled to attend the AGM either in person or by proxy and the number of ordinary shares then registered in their respective names shall determine the number of votes such persons are entitled to cast on a poll at the AGM.

Explanatory notes on the resolutions to be proposed at the Annual General Meeting.

Resolution 1 – Accounts

The Directors are required by company law to present each year the Company's financial statements and the Directors' and the Auditors' report on the financial statements to the Company in a general meeting.

Resolutions 2 to 6 – Directors

The Company's Articles of Association require, first, that any directors appointed during the year following the annual general meeting offer themselves for election at the next annual general meeting. In addition at each annual general meeting any director who was elected, or last re-elected, at or before the annual general meeting held in the third calendar year preceding that annual general meeting is required to retire from office by rotation but is eligible for re-election.

No directors have been appointed since the last annual general meeting and this year the following directors are required to retire by rotation. Each, being eligible, will be proposed for re-election:

John MacPherson, *Non-executive Director, age 68*

Mr MacPherson is a director of and founding chairman of Canadian Zinc Corporation. He has been active in public markets, corporate finance and corporate development for over 30 years. During this time he has led the strategic development of several successful ventures, primarily in the fields of mining and oil and gas. Throughout his career he has served as director of many private and public corporations listed on the Toronto, AMEX and London Stock Exchanges.

John Francis Kearney, *Non-executive Director, age 61*

Mr Kearney is the Chairman and President of Canadian Zinc Corporation with over thirty years experience in the mining industry worldwide. With degrees in law, economics and business administration, he has a strong background in corporate development, finance and managing public companies, primarily in the mining field.

As announced on the 31st October 2012 Vatukoula agreed as part of the completed subscription by Zhongrun International Mining Co. Ltd ("Zhongrun") that Zhongrun is entitled to propose four nominees for election as Directors at this Annual General Meeting. Zhongrun has proposed the following three new directors and John Kearney as their nominees:

Fengwen Zheng, *Non-executive Director, age 47*

Mr Zheng is currently the Chairman of Zhongrun Resource Investments Corp., Chairman of Shandong Shengji Investment Co., Ltd., and director of Huibang Investment Corp. Mr Zheng is instrumental in setting the business strategies of the companies and in steering implementation of the corporate development plans. He has over 20 years of experience in financing, investment, and corporate management. Mr Zheng obtained a BA degree in language art and an MBA degree from Shandong University, and an EMBA degree from Fudan University.

Yingbin Ian He, *Non-executive Director, age 50*

Mr He has 30 years experiences in the mining industry. Mr He obtained his Ph.D. degree in mineral process engineering from the University British Columbia in Canada. He is currently a director of Zhongrun Resources Investment Corp. which is listed on the Shenzhen Stock Exchange and China Gold International Resources, which is dual listed on the Toronto Stock Exchange and Hong Kong Stock Exchange. Mr He is currently the president and director of Tri-River Ventures Inc. Between 1995 and 2006, he served as president and director of Spur Ventures Inc., both listed on the TSX Venture Exchange in Canada. Prior to that, Mr He worked as a mineral

processing engineer and senior metallurgist with Canadian mining companies and an engineering consulting company.

Yeung Ng, Non-executive Director, age 33

Mr Ng has been a director of Zhongrun since May 2012. Mr Ng is also the Chief Financial Officer of Zhongrun and is primarily responsible for the overall management of the accounting and financial management of Zhongrun. He holds a Bachelor of Commerce (Information System, and International Business) degree from the University of New South Wales, and graduated from the University of Sydney with a Master of Professional Accounting degree. Mr Ng acquired 6 years of experience in the finance and accounting profession in Australia before joining the Hong Kong based company in 2011, and thereafter has been actively involved in overseas corporate acquisitions, valuations and due diligence.

Resolution 7 – Auditors

The Company is required at each general meeting at which financial statements are laid to appoint auditors who will remain in office until the next general meeting at which financial statements are laid. This resolution will, therefore, propose the reappointment of Mazars LLP as auditors and authorise the Directors to fix their remuneration.

Resolution 8 – Authority to allot shares

The Companies Act 2006 provides that the Directors may not allot shares unless authorised to do so by the Shareholders. Such a power cannot be granted for longer than five years at any one time and the total nominal value of shares which can be allotted under the authority must be specified.

To renew the Board's powers in respect of the allotment and issue of ordinary shares, it is proposed that the Directors be granted unconditional authority, in substitution for the existing authority granted by shareholders at the Company's annual general meeting held on 31 January 2012, to allot and issue or to agree to allot and issue Ordinary Shares up to a nominal value of £1,959,305 (39,186,113 Ordinary Shares) at any time before the expiry of 15 months from the Annual General Meeting, or, if earlier, on the date of the following annual general meeting.

This represents approximately one third of the Company's issued Ordinary Share capital as at the date of this notice and which complies with the guidelines issued by the Association of British Insurers and representative bodies of institutional investors.

Resolution 9 – Disapplication of Pre-emption Rights

This resolution, which is in substitution for the authority granted to the Directors at the Company's annual general meeting held on 31 January 2012, is to grant the power to the Directors to allot equity securities for cash without first offering such shares pro-rata to existing Shareholders in accordance with the statutory rights of pre-emption.

This authority will allow the Directors to allot or agree to allot equity securities for cash up to an aggregate nominal value of £1,959,305 (39,186,113 Ordinary Shares) without complying with the pre-emption requirements of the Companies Act 2006. This represents approximately 30 per cent. of the Company's issued ordinary share capital as at the date of this notice and therefore exceeds the 5 per cent. disapplication recommended in the guidelines issued by the Association of British Insurers and representative bodies of institutional investors. The proposed disapplication is however in line with other AIM listed companies that are similar to the Company and recognises the professional costs of a pre-emptive share issue would be disproportionate to the net funds raised and the cost and delay in seeking specific shareholder approval for such issues.

If granted, the authority will expire 15 months after the Annual General Meeting, or, if earlier, on the date of the next annual general meeting.

Resolution 10 – Amendments to the Articles of Association

Shareholder approval is required to amend the Company's Articles of Association. The changes proposed to be made to the Articles of Association are, first, to the borrowing powers of the Company.

When the Company was formed the Articles of Association provided for a fixed sum for the power of the Company to borrow which was limited at £5,000,000. The Directors consider, first that this is an amount considerably lower than is needed to provide for the potential capital requirements of the Group, and moreover that borrowing powers linked to the underlying capital base of the Group would be more appropriate. Accordingly the changes to be proposed are to replace the fixed amount with the power to borrow an amount up to equal to a multiple of four times the adjusted capital and reserves of the Group.

Second, in order to reflect technological changes it is proposed to amend the Articles to permit share certificates to be issued with a securities seal attached or printed by any mechanical, electronic, laser or other means approved by the Directors.