

26 January 2018

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

Operational Results for the Year Ended 31 December 2018

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 2018.

	12 months ended Dec 2018	12 months ended Dec 2017
<u>Underground Mining</u>		
Total underground tonnes mined (ore, waste & capital)	423,109	415,164
Operating development (metres)	9,989	7,372
Capital development (metres)	7,621	8,756
Total development (metres)	17,610	16,129
<u>Sulphide Plant</u>		
Sulphide ore delivered (tonnes)	335,139	336,994
Sulphide head grade (grams/tonne)	3.99	4.36
<u>Oxide Plant</u>		
Oxide ore delivered (tonnes)	7,009	2,945
Oxide head grade (grams/tonne)	2.19	2.90
<u>Tailing Retreatment Plant</u>		
Tailing ore delivered (tonnes)	335,447	343,640
Tailing head grade (grams/tonne)	1.42	1.49
<u>Total (sulphide+oxide+tailing retreatment)</u>		
Ore processed (tonnes)	677,595	683,577
Average ore head grade (grams/tonne)	2.70	2.91
Total recovery	70.8%	71.4%
Gold produced	42,206	45,673
Gold shipped	42,206	45,013
<u>Cash Costs</u>		
Operating cash cost per ounce shipped (US\$/ounce)	958	918
All in cash cost per ounce shipped (US\$/ounce)	1,462	1,632
Average realised gold price (US\$/ounce)	1,254	1,263

Underground Production and Development

Total tonnes of ore and waste mined increased by 2% to 423k tonnes in 2018 from 415k tonnes in 2017. A total of 335kt ore was delivered to the mill from underground in 2018, a 0.6% decrease from 337kt in 2017.

The waste tonne mined was 75kt in 2018, compared to 80kt in 2017 and in 2016, reflecting a continued decrease in capital development due to lack of capital funding. The capital development is required to sustain ore output in 2019 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 2018 was 3.99 grams per tonne, compared to 4.36 grams per tonne in 2017. The overall average ore grade in 2018 is 2.70 grams per tonnes, compared to 2.91 grams per tonne in 2017.

Vatukoula Treatment Plant (“VTP”)

Total ore processed was 678kt in 2018, including 335kt underground ore and 342kt tailings and surface oxide ore, compared to 684kt in 2017.

The average head grade decreased to 2.70 grams per tonne in 2018 from 2.91 gram per tonne in 2017 and 2.88 grams per tonne in 2016. This was due to lower grade of underground ore.

The overall mill recovery was 70.8% in 2018, compared to 71.4% in 2017 and 69.6% in 2016. The change in overall mill recovery rate was mainly due to percentage change in re-processed tailings, with much lower recovery rate at around 45%, over total ore processed.

Gold shipped was 42k ounces in 2018, a 7% decrease over 45k ounces in 2017 and 13% decrease over 48k ounces in 2016 due to lower head grades.

Cash Costs

The unit operating cash costs increased to US\$958 per ounce in 2018 from US\$918 per ounce in 2017 and US\$898 per ounce in 2016. The higher unit cash cost is mainly due to lower gold output since majority of operating cash costs are fixed costs. All-in sustaining costs decreased to US\$1,462 per ounce in 2018 from US\$ 1,632 per ounce in 2017 mainly due to significant capital expenditure on new Heavy Fuel Oil (HFO) power plant in 2017.

New Development and Events

A joint venture agreement with Pangea Gold Corporation Limited based in Hong Kong was signed on 26 September 2017 to build a new 2000t/day metallurgical plant to process underground ore and to retrofit the existing metallurgical plant to reprocess tailings to increase its capacity to 3000t/day. Construction of the new metallurgical plant is expected to be completed by June 2019. The total capital costs are approximately US\$30 million. Retrofitting of the existing metallurgical plant is expected to be completed by April 2019 with total capital costs of approximately US\$12 million.

Construction of new Ventilation/Skip Shaft (Dolphin Shaft) is underway with total investment of US\$5 million. This project is designed and constructed to access the orebodies at the north portion of Philip Section to secure additional underground ore production of 430,000 tonnes at 4.46g/t of gold in the first 5 years after the construction of the shaft is completed by January 2020. Moreover, Dolphin Shaft will be offering 120m³/s air returning capacity which will thoroughly solve the ventilation problem for the whole Philip Section and thus would increase significantly ore production in other mining areas of Philip Section.

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