29 May 2009 AIM: VGM

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

Interim Results to 28 February 2009

Highlights:

- Turnover for the period ended 28 February 2009 was £9.5 million; compared to a turnover of £0.05 million for the period ended 29 February 2008;
- The increase in turnover is attributable to commencement of gold production at the Vatukoula Gold mine in Fiji (April 2008);
- Gross profit increasing to £0.23 million period ended 28 February 2009 (period ended 29 February 2008: £0.05); and
- Major advances in the Group's ongoing production ramp up at the Vatukoula Gold Mine with gold produced totalling some 17,990 ounces (an average of just under 3,000 ounces per month).

Post Period Highlights:

- As announced at the end of March 2009 to achieve a production target of 110,000 ounces of gold per annum, the Company needed to embark on a capital expenditure programme to acquire refurbished underground equipment;
- The equipment will include an additional five underground dump trucks and six underground loaders, more reliable power generating capacity and spare pumping capacity;
- The completion of a financing in April 2009 raised £3.8 million;
- The April 2009 financing has enabled Vatukoula Gold Mines to embark on the necessary capital expenditure programme.
- In May 2009 a conditional financing of £1.2 million was announced, this will be completed in early June subject to shareholder approval at the 10 June 2009 EGM.

David Paxton, CEO of Vatukoula commented – **"The period in review has been particularly challenging and productive for Vatukoula. We have continued to work on increasing production at the mine and we are currently progressing towards our target production rate of 110,000 ounces per annum. Our recent fundraising will allows us to purchase the necessary equipment which will facilitate and assist in achieving that target production rate."**

Enquiries:

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Chairman's Statement:

I have the pleasure in presenting the interim report for the Company for the period ending 28 February 2009.

Results Summary

Turnover for the period ended 28 February 2009 was £9.5 million; compared to a turnover of £0.05 million for the period ended 29 February 2008. The increase in turnover is attributable to the commencement of gold production at the Vatukoula Gold mine in Fiji, which effected gross profits increasing to £0.23 million period ended 28 February 2009 (period ended 29 February 2008: £0.05 million). The consolidated loss on ordinary activities for the period ended 28 February 2009 was £3.89 million; compared to a loss of £0.59 million for the period ending 29 February 2008. The increase in the loss on ordinary activities can be attributed to the increase fixed costs associated with operating an underground mine.

Review of Operations

Vatukoula Gold Mine – Fiji – (100% holding)

The Vatukoula Gold Mine is one of the longest continuously operating high grade mines in the world with an operational history that extends over 70 years. The mine commenced production in 1933 and has produced some 7 million troy ounces of gold and over 2 million troy ounces of silver from the treatment of around 30 million tonnes of ore. In the last 10 years of full operation the plant has processed on average 560,000 tonnes per annum at a mined grade of 7.8 grams of gold per tonne producing 122.1 thousand ounces of gold per annum.

The mining operations are designed using conventional labour intensive stoping methods, together with trackless ground handling and haulage followed by skip hoisting via the vertical shafts. Stoping will be a mixture of Long Wall Breast, Shrinkage and Cut and Fill. The processing plant comprises a crushing circuit, flotation, roasting and calcines cyanidation circuit and tailings cyanidation.

The JORC-compliant gold resources at the mine total 16.84 million tonnes at an average grade of 9.49 grams of gold per tonne or 5.15 million ounces of gold. Currently, the mine employs approximately 700 personnel

The current reporting period has seen major advances in the Group's ongoing production ramp up at the Vatukoula Gold Mine in Fiji, with gold produced totalling some 17,990 ounces (an average of just under 3,000 ounces per month). This increase in production and a higher average gold price has more than doubled our revenue over the period to £ 9.5 million compared to the previous period ending September 2008.

Production

The build up of mine production from our restart in April 2008 has been steadily increasing which resulted in our highest production month in November 2008. Production in December 2008 as anticipated was slightly below the November level due to public holidays. However, in the last week of December we began to get lower utilisations rates from our underground equipment and we began experiencing problems with our power generation capacity. This resulted in us having to reduce our mining and mineral processing rates to counteract these bottlenecks in the operational process flow. As announced at the end of March 2009 it was evident that to achieve our production target of 110,000 ounces of gold per annum, we needed to embark on a capital expenditure programme to acquire additional refurbished underground equipment. That will include, amongst other items, an additional five underground dump trucks and six underground loaders, more reliable power generating capacity and spare pumping capacity. The capital expenditure programme requires between US$6 million to US$8 million to allow the mine to remove current production bottlenecks and enable us to achieve our production target.

The completion of a financing in April 2009 raised £3.8 million and the additional proposed financing announced on 15 May 2009 has enabled the Group to embark on the required capital expenditure programme. The refurbished equipment items have been ordered and are currently en route to the mine.

This investment programme we believe will enable the mine to achieve a pro-rata production rate of 110,000 ounces of gold during the first half of 2010. This rate of production should lower our cash costs per ounce (assuming an oil price of 60$ / barrel) to between US$ 500/ounce and US$ 550/ounce.

During current reporting period we undertook a review of mining operations and identified additional opportunities that existed within the current mining operations. A significant amount of oxide ore was recognized on the surface at the mine. It was decided that we should refurbish our second milling circuit, the Smith Mill, as the start of an oxide circuit, which would use our Carbon-in-pulp (CIP) leaching tanks for oxide gold recovery. A number of studies were undertaken, which resulted in our decision to instigate an oxide circuit. Further announcements will be made in this regard in due course.

In January 2009, in particular from January the 9th to the 15th the Northern part of Fiji, which includes the mine region, suffered excessive rains with over 1 meter of rain fall recorded over that 7 day period. January's rainfall was the highest since records began in 1936. The region suffered from extensive flooding and numerous bridges in the region were destroyed. Although the region surrounding the mine is regularly subjected to high rainfall in the winter months (November to April) and mine management had taken precautions against seasonal downpours the excessive rains overwhelmed these measures. The mine took immediate action including diverting all power to pumping and diverting underground water flows to allow the continual operation of the underground pumping stations. The mine staff performed exceptionally well under extremely difficult conditions and my congratulations to all those involved who were working long into the night to maintain the mine. It is a great credit to the mine staff that only one day's operation was lost.

The longer term effect of the water ingress was that the dewatering that we had achieved since the start of operations had been undone. Dewatering once again began in haste and the water level in some parts of the mine is now currently below the level prior to the water ingress in January.

Local Relations
The Company has been operating the mine since April 2008. We have had to overcome perceived expectations from within the local community. Previous operators of the mine employed a larger workforce of approximatley 2,000 employees at the mine. It is our intention to employ less than half that number once at full production. The mine supplies housing to its senior workforce. The local mine management, fully supported by both the board and the Government of Fiji, have undertaken to resolve these issues in the near future. We are negotiating with the government of Fiji to provide retraining opportunities for the currently unemployed personnel from the mine. It is Vatukoula management's commitment to our local workforce to provide an

agreeable living environment, however our primary priority at this time must be to maintain the mine as a profitable operation, and to secure the long term future of the mine, its' employees and other stakeholders.

Fijian Government

Our relationship with the Fijian Government is excellent, they have listened to our difficulties regarding the mine restart, and in particular the requirement for additional mine equipment. They have responded to assist us in re-establishing profitable production. This was demonstrated by our announcement on 7 January 2009 that the Company reached an agreement with the Ministry of Finance and National Planning of Fiji (MFNP) in relation to the grant of key concessions and exemptions to the Company's 100%-owned subsidiary Vatukoula Gold Mines Ltd (Fiji). In that agreement the MFNP agreed to remove a 25% levy on gross gold proceeds and cease the withholding of value added tax refunds effective immediately. In addition to the above concessions the MFNP granted an exemption from fiscal and value added tax payable on fuel used in power generation at the mine. The Company is still in discussions with the Fijian government and the exemptions stipulated in the 10 August Deed are still being negotiated. I would like to take this opportunity to thank the Government of Fiji for their long term vision despite the last year's difficult economic conditions.

Rio Novo – Brazil – (100% holding)

The site is located within the Tapajós gold province, in central Brazil, and has undergone very little modern exploration. The mineralisation in the area is associated to quartz veining and hydrothermal alteration related to the veins. Detailed exploration over the area is limited to Rio Tinto's undertaking a systematic mineral exploration across the province in the 1980's and the Brazilian geological survey undertaking a regional mapping and geophysical survey in 2000. In November 2006 we undertook a geological review of the area focusing on historic and current artisanal workings of both alluvial and vein hosted origin. The work included mapping and grab sampling.

The Company is currently assessing a strategy for the development of this project, and hence only minimal expenditure is currently being incurred in Brazil.

Corporate

In November 2008 David Paxton was appointed Chief Executive Officer of the Company. Mr Paxton is a professional Engineer with over 35 years experience in the mining industry in South Africa and other countries around the world. His most recent appointment was with Hichens Harrison & Co plc as a mining analyst. The experience and knowledge that Mr. Paxton brings to the Company is consistent with our long term requirements and, with his leadership, we look forward to an acceleration and expansion of the initiatives now underway to advance the Company and deliver increased returns to our shareholders.

In December 2008 Mr. Donald Strang resigned as a non-executive director of the Company due to personal reasons. We thank him for his involvement.

Post period end events

In April 2009 the Company announced it had placed 634 million new ordinary shares in the Company to placees at a price of 0.6 pence per share which raised £3.804 million. The placing was effected by way of the subscription on behalf of the placees of new ordinary shares in the capital of the Company's wholly owned subsidiary Viso Gero International Inc. ("VGI"), immediately following which the newly issued shares in VGI were transferred to the Company in consideration of the allotment and issue of the Placing Shares to the placees.

In May 2009 the Company announced that it had entered into a conditional subscription agreement with Canadian Zinc Corporation (“CZN”) (TSX: CZN; OTCBB: CZICF) for CZN to subscribe for 200 million new ordinary shares in the Company at a price of 0.6 pence per share (“Subscription Shares”) to raise £1.2 million (the “Subscription Agreement”).

The Subscription Shares will be subject to “lock in” undertakings, whereby CZN, subject to certain exceptions, undertakes not to dispose of the shares for a period of 9 months from the date of their issue.

In addition, under the Subscription Agreement, the Company has conditionally agreed to grant to CZN an option to acquire up to 250 million further ordinary shares in the Company (the “Further Share Option”) in order to maintain its equity stake in VGM if a call option previously granted by CZN over 200 million of CZN’s existing shares in the Company (the “Call Option”) is exercised. The Call Option is in favour of Viso Gero Global Inc and is exercisable until 9 January 2010 in whole or in part at the purchase price of £0.01 (1p) per share in the Company.

The Further Share Option is exercisable only over such number of shares as will restore CZN’s holding to same proportion of the equity of the Company as enlarged as CZN held immediately prior to exercise of the Call Option. The Further Share Option will be exercisable at the subscription price of 95% of the volume weighted average price for shares in the Company in respect of the 5 trading days prior to exercise of the Further Share Option. The Further Share Option is, conditional upon the Call Option being exercised and completed on or before 9 January 2010 and upon CZN not having disposed of any of either their current holding of shares in the Company (other than by reason of exercise of the Call Option) or the Subscription Shares.

Under the Subscription Agreement, VGM has also undertaken that, subject to CZN retaining a holding of more than 20% of the issued share capital of the Company, in the event of any future equity financing within the twelve months following the completion of the subscription CZN will be invited to participate on the same terms in such financing pro rata to its holding so as to maintain its equity position immediately prior to the completion of such equity financing.

The issue of the Subscription Shares and grant of the Further Share Option are conditional upon resolutions ("the Resolutions") being passed at an extraordinary general meeting of the Company (the “EGM”) to confer sufficient authorities under sections 80 and 95 of the Companies Act 1985. The EGM is to be held on the 10th June.

The Company will also appoint subject only to the passing of the Resolutions two persons nominated by Canadian Zinc to join the Board of VGM.

Outlook

In spite of several setbacks which reduced our production in the second quarter of the current reporting period, the management has promptly identified the shortcomings and bottlenecks in the operations and has been actively solving them. We therefore still anticipate producing at a pro-rata rate of 110,000 ounces of gold in the first half of 2010. We believe that with the combination of stringent cost controls, management expertise and strong gold prices, together with the fact that the operations are unburdened by any historical hedging obligations; this represents a significant opportunity to bring the mine back to profitability.

On behalf of the Board I also wish to record the Company’s appreciation of the efforts of my fellow directors, our senior management and operational staff, who have shown continuing support and commitment to the Group. It is this commitment and support that has brought the company to the strong position it is in today, and that will continue this success in the future.

Finally we would like to take this opportunity of thanking you - the shareholders - for your continued support throughout this difficult period and your encouragement. We look forward to keeping you updated on the progress of our Company.

Ian Colin Orr-Ewing
29 May 2009

VATUKOULA GOLD MINES PLC

CONSOLIDATED INCOME STATEMENT

	Six months to 28 February 2009 (unaudited) £'000	Six months to 29 February 2008 (unaudited) £'000	Twelve months to 31 August 2008 (audited) £'000
Turnover	9,500	54	3,817
Cost of sales	9,267	(8)	(4,442)
Gross profit	**233**	**46**	**(625)**
Administration expenses	(1,389)	(603)	(1,786)
Depreciation and amortisation expense	(1,206)	(43)	(764)
Impairment charge	(1,580)	-	(1,213)
Rehabilitation charge	(101)	-	(484)
Operating loss	**(4,043)**	**(600)**	**(4,372)**
Other income	162	-	-
Other interest receivable and similar income	2	15	304
Interest payable and similar charges	(15)	-	-
Loss on ordinary activities before taxation	**(3,894)**	**(585)**	**(4.068)**
Taxation	-	-	-
Loss for the financial period	**(3,894)**	**(585)**	**(4.068)**
	pence	pence	Pence
Loss per share			
Basic	(0.29)	(0.06)	(0.30)
Diluted	(0.29)	(0.06)	(0.30)

CONSOLIDATED BALANCE SHEET

	As at 29 February 2008 (unaudited) £'000	As at 29 February 2009 (unaudited) £'000	As at 31 August 2008 (audited) £'000
Non-current assets			
Intangible asset	38,414	-	38,414
Goodwill	-	1,213	-
Property, plant and equipment	14,061	398	13,466
Investments	-	4,650	400
Mine properties and development	179	-	949
Total non-current assets	**52,654**	**6,261**	**53,229**
Current assets			
Inventories	4,825	-	3,363
Trade and other receivables	3,797	1,592	4,666
Cash and cash equivalents	689	40	2,249
Total current assets	**9,311**	**1,632**	**10,278**
Total Assets	**61,965**	**7,893**	**63,507**
Total equity and liabilities			
Current liabilities			
Trade and other payables	5,139	1,548	4,358
Provisions	1,803	-	1,599
Borrowings	99	-	278
	7,041	**1,548**	**6,235**
Non Current Liabilities			
Provisions	1,933	-	1,661
Convertible Loan	76	89	75
Deferred tax liability	10,756	-	10,756
Total Liabilities	**19,806**	**1,637**	**18,727**
Shareholders' Equity			
Share capital	1,902	1,089	1,902
Share premium account	49,127	9,217	49,427
Merger reserve	2,166	2,166	2,166
Other reserve	168	154	168
Foreign exchange reserve	2,520	5	947
Retained loss	(13,724)	(6,375)	(9,830)
Total equity	**42,159**	**6,256**	**44,780**
Total equity and liabilities	**61,965**	**7,893**	**63,507**

GROUP CASH FLOW STATEMENT

	Six months to 29 February 2008 (unaudited) £'000	Six months to 29 February 2009 (unaudited) £'000	Twelve months to 31 August 2008 (audited) £'000
Net cash outflow from operating activities	(1,668)	(553)	(7,540)
Net cash outflow from investing activities	(601)	(2,023)	(3,790)
Net cash outflow from financing activities	-	2,586	13,544
Increase/ (Decrease) in cash and cash equivalents	(2,269)	10	2,214
Foreign exchange differences on translation	709	-	-
Net funds brought forward	2,249	30	35
Net funds carried forward	689	40	2,249

Consolidated Statement of Changes In Shareholders' Equity

	Ordinary share capital £'000	Share premium £'000	Merger Reserve £'000	Foreign exchange reserve £'000	Other Reserves £'000	Accumulated Losses £'000	Total £'000
Balance at 1 Sep 2007	835	6,885	2,166	(28)	154	(5,762)	4,250
Loss for the year	-	-	-	-	-	(4,068)	(4,068)
Issue of shares	1,067	46,571	-	-	-	-	47,638
Cost of share issue	-	(4,029)	-	-	-	-	(4,029)
Exchange adjustment	-	-	-	975	-	-	975
Convertible loan	-	-	-	-	14	-	14
Balance at 31 Aug 2008	1,902	49,427	2,166	947	168	(9,830)	44,780
Loss for the period	-	-	-	-	-	(3,894)	(3,894)
Issue of shares	-	-	-	-	-	-	-
Cost of share issue	-	(300)	-	-	-	-	(300)
Exchange adjustment	-	-	-	1,573	-	-	1,573
Convertible loan	-	-	-	-	-	-	-
Balance at 28 February 2009	1,902	49,127	2,166	2,520	168	(13,724)	42,159

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2009

1. Basis of preparation

The interim financial information for the period 1 September 2008 to 28 February 2009 has been prepared on the basis of the accounting policies set out in the August 2008 annual report and accounts.

The interim report is unaudited and does not constitute financial statements. The financial information for the period ended 28 February 2009 does not constitute statutory accounts, as defined in section 240 of the companies act 1985, but is based on the latest statutory accounts. The Group's financial statements for the year ended 31 August 2008, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

The interim report for the six months ended 28 February 2009 was approved by the Directors on 29th May 2009.

2. Segmental information

The primary sector results are attributable to the operation of gold production in Fiji. Turnover, operating results and net assets are mainly attributable to activities in this sector for both 2007 and 2008.

The directors consider that the Group's activities represent a single class of business. The analysis of the Group's turnover and gross profit, assets and liabilities by geographical origin of customers is set out below:

	Six months to 29 February 2009 (unaudited) £'000	Six months to 28 February 2008 (unaudited) £'000	Twelve months to 31 August 2008 (audited) £'000
Turnover			
United Kingdom	-	-	-
Brazil	38	54	85
Sierra Leone	-	-	-
Fiji	9,462	-	3,732
BVI	-	-	-
	9,500	**54**	**3,817**
Gross profit			
United Kingdom	-	-	-
Brazil	35	46	77
Sierra Leone	-	-	-
Fiji	198	-	(702)
BVI	-	-	-
	233	**46**	**(625)**

Carrying amount of assets			
United Kingdom	38,917	7,229	42,467
Brazil	451	664	607
Sierra Leone	-		-
Fiji	22,581	-	20,417
BVI	16	-	16
	61,965	**7,893**	**63,507**

Liabilities			
United Kingdom	11,812	1,591	11,166
Brazil	15	46	12
Sierra Leone	-	-	-
Fiji	7,979	-	7,549
BVI	-	-	-
	19,806	**1,637**	**18,727**

3. Share capital

(a) Share capital

	29 February 2009 £'000	31August 2008 £'000
Authorised		
3,550,000,000 Ordinary shares of 0.1p each	3,550	3,550
Allotted, issued and fully paid		
1,902,371,072 Ordinary shares of 0.1p each	1,902	1,902

(b) Warrants and options

Exercise price	Number of warrants 1p	Number of warrants 2.5p	Total
Balance at 1 September 2008	5,000,000	22,500,000	27,500,000
Granted during the period	-	-	-
Exercised during the period	-	-	-
Expired during the period	-	-	-
Balance at 28 February 2009	5,000,000	22,500,000	27,500,000

4. Basic and diluted loss per ordinary share

The calculation of basic loss per share is based on loss after taxation of £3.89 million (29 February 2008: £0.58 million; 31 August 2008: £4.06 million) and on ordinary shares of 1,363,426,183 (29 February 2008: 1,031,183,593 and 31 August 2008:1,363,426,183), being the weighted average number of shares in issue during the year.

In accordance with IAS 33 and as the Group has reported a loss for the period, the diluted loss per share is not included.

5. Investment in group companies

Name of subsidiaries	Country of incorporation	Principal activities	% held
Viso Gero International Inc	BVI	Holding company	100
Vatukoula Gold Pty Ltd	Australia	Holding company	100
Vatukoula Australia Pty Ltd	Australia	Holding company	100
Vatukoula Finance Pty Ltd	Australia	Holding company	100
Koula Mining Company Ltd	Fiji	Dormant	100
Jubilee Mining Company Ltd	Fiji	Dormant	100
Vatukoula Gold Mine Ltd	Fiji	Mining	100
River Diamonds UK Ltd	England & Wales	Mining	100
Panguma Diamonds Ltd	Sierra Leone	Mining	100
São Carlos Mineração Limitada *	Brazil	Mining	100

* The investment in this entity is held by River Diamonds UK Ltd, a 100% owned subsidiary of the Company.

6. Non Current Assets

Group – net book value	Mine Properties and Development £'000	Plant and equipment £'000
At 1 September 2008	949	13,466
Additions	190	285
Depreciation	(430)	(775)
Reclassification to Income Statement	(551)	-
Foreign exchange differences on translation	21	1,085
As at 28 February 2009	179	14,061

7. Post balance sheet events

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The Company will also appoint subject only to the passing of the Resolutions two persons nominated by Canadian Zinc to join the Board of VGM.