28 May 2010 AIM: VGM

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

Interim Results to 28 February 2010

Financial Highlights of the first half year:

- Turnover for the period reached £16.5 million (2009: £9.5 million)
- Gross margin increased to £7.5 million (2009: £0.23 million)
- Profit after tax of £4 million (2009: loss £3.9 million)
- Capital expenditure for the period £5.5 million (2009: £1.4 million)
- Cash balance of £8.2 million as at 28 February 2010

Operational Highlights:

- Gold shipped increased to 24,092 ounces (2009: 17,920 ounces)
- Ore mined and processed increased to 188,631 tonnes (2009: 94,592 tonnes)
- Cash cost per ounce of gold recovered reduced to US$ 635 (2009: US$857 / ounce)
- Average price of gold received increased to US$1,102 / ounce (2009: US$834 / ounce)
- Average underground grade mined 7.52 grams per tonne (2009: 6.90 grams / tonne)
- Average surface grade mined 1.96 grams per tonne
- Continued underground development programme achieved 3,700 metres for the six months.

David Paxton, CEO of Vatukoula commented – **"The first half year has been particularly productive for Vatukoula. Our continuing efforts to increase production at the mine resulted in higher gold production, increased gross margins and £4 million of profit after tax. The fundraising during the period has enabled the purchase of capital equipment and continue the much needed capital development programme."**

"We now expect production for the year to be about 50,000 ounces and anticipate reaching our targeted production rate of 100,000 ounces per annum in the first calendar quarter of 2011. Our cash costs per ounce are expected to fall as production ramps up, providing further scope for growth."

"Additionally, we remain fully committed to our exploration programme, which itself could provide further potential upside and we have engaged a minerals consultancy group to develop an exploration programme both within the mining lease, and within exploration leases surrounding the mine."

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Chief Executive's Statement:

I have the pleasure in presenting the interim report for the Company for the period ended 28 February 2010.

Review of Operations

During the period the Group continued its ongoing production ramp up at the Vatukoula Gold Mine in Fiji, with a 34% increase in gold shipped to 24,092 ounces (2009: 17,920 ounces).

Production
Underground production for the period provided 107,711 tonnes of ore at a grade of 7.52 grams of gold per tonne (2009: 94,592 tonnes at a grade of 6.90 grams of gold per tonne). The mine benefitted from the mining of a high-grade section toward the end of the first and some of the second quarter.

Our oxide circuit, which was commissioned in the final quarter of last year, has performed exceptionally well. For the period, we treated 87,372 tonne of oxide material at a grade of 1.96 grams per tonne gold.

A total of 188,631 tonnes of sulphide and oxide ore was processed during the period, shipping 24,092 ounces, which was an improvement of 99% in ore processed and an improvement of 34% in terms of gold shipped compared to the previous period.

Operating cash cost on a per ounce basis for the period was US$635 (2009: US$857 per ounce). We remain confident that we can reduce our cash costs to between US$550 and US$600 per ounce once the Company achieves its target of 100,000 ounces of gold per annum.

During the period we purchased a further three pieces of underground equipment which takes the balance of the underground mobile equipment purchased during Vatukoula's ownership to twelve. This equipment along with our extensive maintenance programme has resulted in higher availability and utilisation rates from our underground mobile equipment. We have budgeted for an additional five pieces of underground equipment which includes a further four Toro 151 loaders and one Toro 006 loader.

Via our "accelerated underground development programme" we are actively increasing the available stoping faces. However, even with this accelerated development programme (3,700 metres during the period) we remain below our targeted development rates needed for the type of ore bodies encountered at Vatukoula. The Company is continually reviewing the development strategy so as to maximise the rate of underground development.

Fijian Government
We have maintained our relationship with the Fijian Government and the local community. In December 2009 the Company signed the Vatukoula Trust Deed with the Minister for Lands and Minerals.

The Trust Deed formalises a number of key concessions and exemptions to the mine as well as establishing the Social Assistance Trust. Vatukoula Gold Mines Ltd will provide a total of Fijian $6.0 million (US$ 3.23 million), payable over 5 years to the fund, the first amount of Fijian $1.5 million (US$ 0.78 million) was paid in March 2010. This fund will finance the retraining and relocation of previous employees of Vatukoula who have not regained employment, and has been well received.

As announced in December the concessions granted to Vatukoula in relation to the Vatukoula Trust Deed include an exemption on the payment of corporation tax for a total of 5 years; and exemption on the payment of export tax for a period of five years and other exemptions in relation to the fiscal duties payments an payment of import excise duty.

Financial Overview

Turnover for the period ended 28 February 2010 was £16.5 million; compared to a turnover of £9.5 million for the period ended 28 February 2009. This increase is predominantly attributable to both the planned ramp up in gold production at the Vatukoula Gold mine and a higher average gold price received (US$1,102/ounce). Gross margins increased to £7.5 million up from £0.23 million in the previous period ended 28 February 2009. This substantial increase is due to the increased revenue as mentioned above, and a relatively stable cost of sales (£9 million) compared to the previous period (2009: £9.2 million). The cost of sales have remained at this level in part due to the nature of operations at the mine which has a high fixed cost base, which includes generating power onsite, continual pumping to keep the mine dry, ongoing mine and equipment maintenance, etc. These costs are incurred whether the mine produces any gold or not. However, once production crosses a certain threshold (i.e. covering the fixed cost base), gross margins increase as every unit of production is effectively variable.

Administrative costs decreased to £0.9 million compared to the equivalent period in 2009 (£1.1 million). This reduction can be attributed to lower legal and regulatory costs. Of the £0.9 million, £0.76 million is attributable to head office costs in London while the balance of £0.24 million was incurred at the mine and other operating subsidiaries.

The result after tax was a profit of £4.0 million (2009: loss £3.9 million). The earnings per share in the six months ended 28 February 2010 was 0.12 pence per share (2009: loss per share of 0.29 pence).

Investment in property, plant and equipment increased by £1.2 million prior to depreciation and amortisation. The Company expects this to increase further during the remainder of the year, in particular with the rehabilitation of the Philip shaft which is expected to cost approximately £1.8 million. Investment in mine development increased by £4.3 million prior to depreciation and amortisation, as result of the increased underground development programme (3.7 km over the period).

Inventories increased by approximately £0.4 million largely due to an increase of gold in circuit. Trade and other receivables increased by £4.7 million primarily due to the increase in prepaid items of £3.4 million of which approximately £1 million are prepaid capital items.

Total liabilities increased by £1.4 million primarily as a result of a £1.2 million increase in provisions in relation to the Vatukoula Social Assistance Trust Fund and an increase in employment related provisions.

The net cash flow generated in operating activities was £1 million (2009: net outflow of £0.97 million). After deducting the cash flows used in investing activities of £5.5 million) the cash out flows prior to financings were £4.5 million (2009: net outflow of £1.4 million). The net cash provided by financing activities of £10.8 million was mainly attributable to the equity issue carried out in September and October 2009, which raised a total of £11 million. As result of the above there was a net cash increase over the period of £6.3 million resulting in a cash position of £8.3 million at the end of February 2010.

Post Period Highlights

We continue to plan for an increase in production to a rate of 100,000 ounces of gold per annum which we now expect to occur in the first quarter of the calendar year beginning 2011.

Daily production from underground has continued to increase in the third quarter post the period end. However while we have opened up new production areas, our “accelerated underground development program”, has not progressed at a rate that we had expected. Therefore, we have not yet opened sufficient mining areas at high enough grades to achieve our planned production rate for the period ending August 2010.

As such we anticipate a reduction in gold production for the third quarter, but a stronger production for the fourth quarter, which should result in gold production for the financial year in the region of 50,000 ounces of gold, which is approximately 83% of our previously stated target.

Philip Shaft repair

Historical extraction had damaged the Philip shaft barrel between levels 15 and 16 and has prevented mining below these levels. In house geological and production data suggests this area to be good grade and to contain significant partially areas.

Together with our geotechnical consultants, we have undertaken an investigation on the condition of the shaft. A refurbishment programme has been detailed by our consultants and we have engaged an engineering group to undertake the repairs to the shaft. Preliminary work on the shaft repair has commenced and is expected to be complete by the end of the financial year. In addition the lower levels of the Philip shaft are being prepared in readiness for mining.

Alternative Power Supply

Management has commenced a feasibility study of the economic potential for the construction of a low cost alternative sourced power station at Vatukoula. This decision was taken due to the length of time it has taken to date for the Fiji Sugar Corporation ("FSC") to resolve its strategy of producing power, from locally sourced agricultural products. We expect a feasibility study to be completed by the end of August 2010.

Regional Exploration program

Via a continuous exploration programmes the Vatukoula Mine has historically uncovered new underground ore bodies on a regular basis. However this was curtailed by the previous owners in the late 1990's because of the prevailing low gold price, and as result no major new mining areas have been discovered since then. We recognise that to achieve our longer term strategy of increasing our resource and reserve base, and ultimately investigating the potential of Vatukoula producing at over and above the 100,000 ounces per year, we will need to embark on an extensive exploration programme. As such we have engaged a minerals consultancy group, that have experience with the Vatukoula ore bodies, to develop an exploration program both within the mining lease, and within the exploration licences surrounding the mine. This group has commenced with a desk-top study which will prioritise the exploration targets after which we will begin surface exploration in early September 2010.

Outlook

Our long term planning for production at a rate of 100,000 ounces gold per year remains on course and our initial capital replacement program is nearing an end. We have encountered some setbacks which reduced our production in the current quarter, but through the efforts of the mine management these issues are being progressively dealt with.

To place Vatukoula into a sustainable production profile of 100,000 ounces per annum we need an underground mine that has sufficient flexibility in all areas to be able to maintain production. We are targeting to get to that position and we anticipate producing at a pro-rata rate of 100,000 ounces of gold in the first calendar quarter of 2011.

On behalf of the Board I 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 Vatukoula. 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 I would like to take this opportunity of thanking you - the shareholders - for your continued support and your encouragement. We look forward to keeping you updated on the progress of your Company throughout 2010.

Dave Paxton
28 May 2010

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Notes	6 months 28-Feb-10 (Unaudited) £'000	6 months 28-Feb-09 (Unaudited) £'000	12 months 31-Aug-09 (Audited) £'000
Turnover		16,528	9,500	18,837
Cost of sales		(9,010)	(9,267)	(17,429)
Gross margin		**7,518**	**233**	**1,408**
Operating expenses:				
Gold duty		(496)	(285)	(560)
Administration expenses		(913)	(1,104)	(2,541)
Depreciation and amortisation expense		(1,388)	(1,206)	(3,903)
Underlying operating surplus / (deficit)		**4,721**	**(2,362)**	**(5,596)**
Impairment charge		-	(1,580)	(400)
Rehabilitation charge		(788)	(101)	(192)
Provision for doubtful debt		-	-	(2,712)
Share based payments		(55)	-	(1,091)
Operating surplus / (deficit)		**3,878**	**(4,043)**	**(9,991)**
Other interest receivable and similar income		19	164	130
Interest payable and similar charges		(74)	(15)	(45)
Net surplus / (deficit) before taxation		**3,823**	**(3,894)**	**(9,906)**
Taxation		176	-	524
Profit/(loss) for the period		**3,999**	**(3,894)**	**(9,382)**
Other comprehensive income				
Currency translation differences		1,042	1,573	(210)
Total comprehensive income and (expenses) for the period		**5,041**	**(2,321)**	**(9,592)**
		Pence	Pence	Pence
Profit/(loss) per share				
Basic	4	0.12	(0.29)	(0.43)
Diluted	4	0.12	(0.29)	(0.43)

CONDENSED STATEMENT OF FINANCIAL POSITION

	Notes	28-Feb-10 (Unaudited) £'000	28-Feb -09 (Unaudited) £'000	31-Aug-09 (Audited) £'000
Non-current assets				
Intangible asset	5	35,913	38,414	36,542
Property, plant and equipment	6	13,999	14,061	13,017
Mine properties and development	7	4,964	179	592
Total non-current assets		54,876	52,654	50,151
Current assets				
Inventories		5,049	4,825	4,681
Trade and other receivables		6,634	3,797	1,843
Cash and cash equivalents		8,255	689	1,086
Total current assets		19,938	9,311	7,610
Total assets		**74,814**	**61,965**	**57,761**
Current liabilities				
Trade and other payables		3,881	5,139	3,822
Provisions	8	2,238	1,803	1,616
Borrowings		250	99	-
Total current liabilities		6,369	7,041	5,438
Non current liabilities				
Provisions	8	2,404	1,933	1,869
Convertible loan		573	76	501
Deferred tax liability		10,056	10,756	10,232
Borrowings		10	-	-
Total non-current liabilities		13,043	12,765	12,602
Shareholders' equity				
Share capital		3,652	1,902	2,736
Capital reduction		(50)	-	(50)
Share premium account		62,745	49,127	53,076
Merger reserve		2,166	2,166	2,166
Foreign exchange reserve		1,779	2,520	737
Other reserves		1,292	168	1,237
Accumulated losses		(16,182)	(13,724)	(20,181)
Total shareholders' equity		55,402	42,159	39,721
Total liabilities and shareholders' equity		**74,814**	**61,965**	**57,761**

CONDENSED STATEMENT OF CASH FLOWS

	6 months 28-Feb-10 (Unaudited) £'000	6 months 28-Feb -09 (Unaudited) £'000	12 months 31-Aug-09 (Audited) £'000
Cash flows from operating activities			
Operating profit/(loss) for the period:	3,878	(4,043)	(9,991)
Adjustments for:			
Share based payments	55	-	1,091
Depreciation and amortisation	1,388	1,206	3,903
Impairment	-	1,580	400
Loss on disposal of property plant equipment	-	(433)	332
Provision for bad debts	-	-	2,112
Foreign exchange gains and losses	-	-	98
Mine rehabilitation expense	-	-	193
Provision for rehabilitation trust deed	788	101	-
Net operating income /(loss) before working capital changes	6,109	(1,589)	(1,862)
Changes in working capital			
Decrease / (increase) in inventories	(368)	(1,462)	(1,319)
(Increase) / decrease in receivables	(4,785)	869	111
Increase / (decrease) in accounts payable	59	781	(1,069)
Net cash generated /(used) used in operating activities	1,015	(1,401)	(4,139)
Cash flows from investing activities			
Purchase of property plant and equipment	(1,179)	(1,370)	(1,238)
Payments for mine properties and development	(4,372)	(211)	(439)
Interest received	19	164	10
Net cash used in investing activities	(5,532)	(1,417)	(1,667)
Cash flows before financing	(4,517)	(2,818)	(5,806)
Cash flows from financing activities			
Proceeds from issuance of shares	11,120	-	5,004
Costs of issue of shares	(535)	(300)	(521)
Interest paid	(74)	(15)	(44)
Equipment leases	10	-	-
Borrowings	250	-	-
Proceeds from issuance of convertible loan note	-	-	485
(Repayment)/proceeds from loan	-	-	(281)
Net cash provided by financing activities	**10,771**	**(315)**	**4,643**
Net increase/(decrease) in cash and cash equivalents	**6,254**	**(3,133)**	**(1,163)**
Cash and cash equivalents, beginning of period/year	1,086	2,249	2,249
Effect of foreign exchange on cash and cash equivalent	915	1,573	-
Cash and cash equivalents, end of period	**8,255**	**689**	**1,086**

Condensed Changes in Shareholder 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 2009	**2,686**	**53,076**	**2,166**	**737**	**1,237**	**(20,181)**	**39,721**
Profit for the year	-	-	-	-	-	3,999	3,999
Exchange adjustment	-	-	-	1,042	-	-	1,042
Total comprehensive income for the period	-	-	-	1,042	-	3,999	5,041
Issue of Shares	916	10,204	-	-	-	-	11,120
Cost of share issue	-	(535)	-	-	-	-	(535)
Share based payments	-	-	-	-	55	-	55
Balance at 28 Feb 2010	**3,602**	**62,745**	**2,166**	**1,779**	**1,292**	**(16,182)**	**55,402**

	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 2008	**1,902**	**49,427**	**2,166**	**947**	**168**	**(9,830)**	**44,780**
Loss for the period	-	-	-	-	-	(3,894)	(3,894)
Exchange adjustment	-	-	-	1,573	-	-	1.573
Total comprehensive loss for the period	-	-	-	1,573	-	(3,894)	(2,321)
Cost of share issue	-	(300)	-	-	-	-	(300)
Balance at 28 Feb 2009	**1,902**	**49,127**	**2,166**	**2,520**	**168**	**(13,724)**	**42,159**

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2010

1. General information

Vatukoula Gold Mines plc ("Vatukoula" or "the Group") was incorporated in England and Wales on 1 March 2004. Since that date, the Group acquired its interests in its subsidiaries (together "the Group") such that Vatukoula is now the holding company for the Group. The principal activity of the Group is the mining of gold ore and the refining of the ore into gold Dore bars which are sold to be smelted into gold.

2. Basis of preparation

This interim condensed consolidated statement is unaudited and does not constitute statutory financial statements. The interim condensed consolidated statement incorporates the results of the Group for the period from 1 September 2009 to 28 February 2010. The results for the year ended 31 August 2009 have been extracted from the statutory financial statements for Vatukoula Gold Mines for the year ended 31 August 2009 which are prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 August 2009.

The interim consolidated financial statements for the six months ended 28 February 2010 have been prepared in accordance with the principles of IFRS.

The accounting policies, presentation and methods of computation have been followed in these unaudited interim financial statements as were applied in the preparation of the Group's annual financial statements for the year ended 31 August 2009, except for the impact of the adoption of the Standards and Interpretations described below:

IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009)

IFRS 8 is a disclosure Standard that has resulted in a re-designation of the Group's reportable segments (see note 3), but has had no impact on the reported results or financial position of the Group.

IAS 1 (revised 2007) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)

The revised Standard has introduced a number of terminology changes (including revised titles for the financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised standard has had no impact on the reported results or financial position of the Group.

The Interim financial information for the six months ended 28 February 2010 was approved by the directors on 28 May 2010.

3. Business segments

The Group has adopted IFRS 8 Operating Segments with effect from 1 March 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker as defined in IFRS 8, in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify the geographical segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed to the operating segments of gold production and holding companies. This is not material change to the geographical reporting segments under IAS 14, as all significant revenue and expenses are in Fiji which is our only gold producing assets.

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2010

3. Business segments (continued)

	6 months 28-Feb-10 (Unaudited) £'000	6 months 28 –Feb-09 (Unaudited) £'000
Turnover		
Gold production	16,528	9,462
Holding companies	-	38
	16,528	9,500
Earnings before tax (EBT)		
Gold production	5,211	(1,504)
Holding companies	(1,388)	(2,390)
	3,823	(3,894)
Assets		
Gold production	30,983	22,581
Holding companies	67,258	51,546
Consolidation entries (i)	(23,427)	(12,162)
	74,814	61,965
Liabilities		
Gold production	29,732	22,079
Holding companies	7,147	10,121
Consolidation entries (i)	(17,467)	(12,394)
	19,412	19,806

(i) Elimination of intercompany accounts and acquisition cost of the Vatukoula Gold Mine.

4. Earnings per share

The calculation of consolidated loss per share is based on the following profit / (loss) and number of shares:

	6 months 28-Feb-10 (Unaudited) £'000	6 months 28 –Feb-09 (Unaudited) £'000	12 months 31-Aug-09 (Audited) £'000
Profit /(loss) after tax	3,999	(3,894)	**(9,382)**
	Number	**Number**	**Number**
Basic weighted average ordinary shares in issue during the period	3,386,537,739	1,342,758,621	2,185,136,099
Diluted weighted average ordinary shares in issue during the period	3,470,815,529	1,342,758,621	2,185,136,099
	Pence	**Pence**	**Pence**
Basic earnings / (loss) per share	0.12	(0.29)	(0.43)
Diluted earnings / (loss) per share	0.12	(0.29)	(0.43)

NOTES TO THE FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2010

4. Earnings per share (continued)

Basic earnings/ (loss) per share is calculated by dividing the profit/ (loss) attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by adjusting the weighted number of ordinary shares in issue to assume conversion of all potential dilutive options over ordinary shares during the period. In the period ending February 2010 all the options over ordinary shares were considered dilutive as the group has become profit making.

5. Intangible fixed assets

	6 months 28-Feb-10 (Unaudited)	12 months 31-Aug-09 (Audited)
Cost	**£'000**	**£'000**
Balance 1 September	38,414	38,414
Balance at end of period	38,414	38,414
Amortisation		
Balance 1 September	1,872	-
Current charge	629	1,872
Balance at end of period	2,501	1,872
Carrying value	35,913	36,542

During the period the directors carried out an impairment review. This was based on an estimate of discounted future cash flows from the development and operation of the Vatukoula Gold Mine operations. The directors have used past experience and an assessment of future conditions, together with external sources of information, to determine the assumptions which were adopted in the preparation of a financial model to estimate the cash flows.

The recoverability of the intangible fixed assets was evaluated using a net present value calculation. The key assumptions therein are those regarding discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the mine and the rate used was 10%. The growth rates are based on the directors forecast of the mines maximum output being reached in the financial year ending 2011 no growth in production has been assumed after 2011.

After carrying out the impairment review the directors are of the opinion that no impairment of the intangible fixed assets is required during the period and that the carrying value is stated at fair value.

A deferred tax liability of £10,755,806 arose in 2008 in respect of the intangible assets recognised on the acquisition made during the prior period.

6. Property, Plant and Equipment

	Freehold and leasehold land £'000	Work in progress £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures fittings and equipment £'000	Total £'000
GROUP						
Cost						
As at 1 September 2009	1,074	1,175	12,990	389	144	15,772
Additions	-	1,179	-	-	-	1,179
Transferred on completion	-	(2,221)	2,221	-	-	-
Disposals	-	-	-	-	-	-
Exchange difference	-	-	-	-	-	-
At 28 February 2010	**1,074**	**133**	**15,211**	**389**	**144**	**16,951**
Accumulated depreciation						
As at 1 September 2009	-	103	2,300	259	93	2,755
Charge for the six months	-	-	197	-	-	197
Disposals	-	-	-	-	-	-
Exchange difference	-	-	-	-	-	-
At 28 February 2010	**-**	**103**	**2,497**	**259**	**93**	**2,952**
Net book value						
At 28 February 2010	1,074	30	12,714	130	51	13,999
At 31 August 2009	1,074	1,072	10,690	130	51	13,017

GROUP	Freehold and leasehold land £'000	Work in progress £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures fittings and equipment £'000	Total £'000
Cost						
As at 1 September 2008	824	1,089	12,678	389	8	14,988
Additions	250	123	728	-	136	1,237
Transferred on completion	-	(37)	37	-	-	-
Disposals	-	-	(453)	-	-	(453)
Exchange difference	-	-	-	-	-	-
At 31 August 2009	**1,074**	**1,175**	**12,990**	**389**	**144**	**15,772**
Accumulated depreciation						
As at 1 September 2008	-	-	1,301	219	2	1,522
Charge for the six months	-	88	970	34	78	1,170
Disposals	-	-	(120)	-	-	(120)
Exchange difference	-	15	149	6	13	183
At 31 August 2009	**-**	**103**	**2,300**	**259**	**93**	**2,755**
Net book value						
At 31 August 2009	1,074	1,072	10,690	130	51	13,017
At 31 August 2008	824	1,089	11,377	169	7	13,466

7. Mine properties and development

	6 months 28-Feb-10 (Unaudited) £'000	12 months 31-Aug-09 (Audited) £'000
Cost		
Balance 1 September	1,605	1,166
Additions	4,372	439
Balance at end of period	5,977	1,605
Amortisation		
Balance 1 September	1,013	216
Current charge	-	797
Balance at end of period	1,013	1,013
Carrying value	4,964	592

8. Provisions

	28-Feb-10 (Unaudited) £'000	28-Feb-09 (Unaudited) £'000
Current		
Provision for Vatukoula Social Assistance Trust Fund	518	556
Provision for annual leave	146	-
Provision for redundancy payment	1,146	1,247
Provision for workers compensation	52	-
Other employee related provisions	376	-
	2,238	1,803
Non current		
Provision for mine rehabilitation	1,188	1,395
Provision for Vatukoula Social Assistance Trust Fund	1,216	-
Provision for annual leave	-	122
Provision for workers compensation	-	141
Other employee related provisions	-	275
	2,404	1,933

During the period Vatukoula Gold Mines ltd ("VGM Fiji") signed the Vatukoula Trust Deed with the Minister for Lands and Mineral Resources of the Republic of Fiji. The Trust Deed established the Social Assistance Trust for which VGM Fiji will provide a total of Fijian $6.0 million payable over 5 years to the fund. The first amount of Fijian $1.5 million was paid post balance sheet in March 2010, and the balance will be paid in equal instalments over 4 years on the anniversary of completion. As VGM Fiji signed this agreement during the period the present value of all the future payments has been provided for and as such the company has provided for F$1.5 million (£0.5 million) in current provisions and F$3.0million (£1.2 million) in non current provisions. The discount rate used was 6.25% which is the Reserve Bank of Fiji bond rate.

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2010

9. Share capital

	28-Feb-10 (Unaudited) £'000	31-Aug-09 (Audited) £'000
Authorised		
4,250,000,000 ordinary shares of 0.1p each	4,250,000	4,250,000
Allotted, issued and fully paid		
3,652,371,072 ordinary shares of 0.1p each	3,652,371	2,736,371

(a) Share issues during the period

	Note	Issue value per share £	Shares	Share Capital £'000	Share premium £'000
Share issue for cash	**(i)**	0.013	156,000,000	156	1,844
Share issue for cash	**(ii)**	0.012	750,000,000	750	8,250
Share issue for cash	**(iii)**	0.012	10,000,000	10	110
			916,000,000	916	10,204

(i) On 5 October 2009, 156,000,000 ordinary shares of 0.1p were issued for cash of 1.3 p per share, representing a premium of 1.2 p per share.

(ii) On 22 October 2009, 750,000,000 ordinary shares of 0.1p were issued for cash of 1.2 p per share, representing a premium of 1.1p per share.

(iii) On 19 January 2010, 10,000,000 ordinary shares of 0.1p were issued pursuant to the exercise of options for cash at 1.2 p per share, representing a premium of 1.1p per share.

(b) Warrants and options

During the period ending 28 February 2010 the following movements occurred on the warrants and options to purchase 0.1p ordinary shares in Vatukoula Gold Mines Plc.

Exercise price	Number of warrants 1p	Number of Warrants 1.2p	Number of Warrants 2p	Number of warrants 2.5p	Total
Balance at 31 August 2009	65,900,000	-	219,500,000	21,300,000	306,700,000
Granted during the period	-	22,212,501	-	-	22,212,501
Exercised during the period	-	10,000,000	-	-	10,000,000
Balance at 31 August 2009	65,900,000	12,212,501	219,500,000	21,300,000	318,912,501

NOTES TO THE FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2010

9. 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.

10. Post balance sheet events

On the 12th April 2010 the Company issued 8,833,333 new ordinary shares of 0.1p each pursuant to the conversion of loan notes. After the issue the Company's enlarged issued share capital comprises of 3,661,204,405 Ordinary shares with one voting right per share.