31 May 2011 AIM: VGM

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

Interim Results to 28 February 2011

Vatukoula Gold Mines Plc, the AIM listed (AIM: VGM) gold producer, is pleased to announce its Interim Results for the half-year ended 28 February 2011.

Financial Highlights:

- Turnover for the period of £25.2 million (H1 2010: £16.5 million)
- Gross profit increased to £5 million (2010: £4.5 million)
- Profit after tax of £1.4 million (2010: profit £1 million)
- Capital expenditure for the period was £4.5 million (2010: £2.5 million)
- Cash balance of £11.6 million as at 28 February 2011 (2010: £8.3 million)

Operational Highlights

Production:

- Gold produced increased to 29,743 ounces (2010: 24,092 ounces)
- Ore mined and processed increased to 238,126 tonnes (2010: 188,631 tonnes)
- Average price of gold sold over the period increased to US$ 1,339 / ounce (2010: US$1,102 / ounce)
- Average underground grade mined 5.97 grams per tonne (2010: 7.52 grams / tonne)
- Average surface grade mined 1.52 grams per tonne (2010: 1.96 grams / tonne)
- Continued underground development programme achieved 11,354 metres (2010: 3,500).
- Planned change in mining method to reduce dilution and increase mining rates

Exploration:

- Total of 66 holes drilled for a total of 9,924 metres to end of March 2011
- Surface Oxides: 60 holes drilled with best intersections at 17.55m at 5.14g/t and 5m at 12.09g/t
- Mine envelope: intersected both down dip and strike extensions of known ore bodies with best intersections at 1.30m at 23.19g/t and 0.77m at 9.61g/t

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 profits and net cash generated from operating activities of £2.2 million.

"Given the continued accelerated Underground Development Programme and the phased introduction of a new mining method, we now expect production for the financial year to be approximately fifty five thousand ounces and anticipate reaching our targeted production rate of 100,000 ounces per annum by the second quarter of next financial year. 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 to date has been very successful identifying near surface mineralised deposits and both down dip and along strike extensions of two of the current ore bodies. We believe that the results could provide significant upside to our operations at Vatukoula in the medium to long term."

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Chief Executive's Statement

Review of Operations

Underground Production

During the six months the mine underwent a significantly increased level of development, in line with our stated strategy to achieve an annualised production rate of 100,000 ounces which we now expect to be achieved by the second quarter of the next financial year. As such 11,354 metres of development were completed, compared to 3,500 metres for the comparable period last year. Due to the flat dipping nature of the ore body, development is undertaken by way of strike drives which are 3.5m by 3.5m tunnels along the plane of the ore body. The strike drive provides essential access to the ore body. However they also produce substantial tonnages which usually include the ore body. The development material produced is treated as ore, but with much diluted mined grade owing to the large dimensions of the development drive. It is as a result of this additional mineralised development tonnage, as a ratio to total production tonnage that the overall grade of gold mined is below the long term average.

At Vatukoula we are seeking to achieve sufficient mining areas to cater for our targeted production levels, plus an additional fifty percent to allow for mining flexibility through our Accelerated Development Programme. Achieving this target will allow the mine to mitigate against the volatilities in grade and structure inherent within the Vatukoula ore-bodies. As expected and as a result of the continued development programme, underground production in the first six months was lower as our focus shifted to development of the mine to enhance production capacity going forward and place the mine on a sustained production basis.

Underground production resulted in 154,000 tonnes of ore being mined at a grade of 5.97 grams gold per tonne.

Surface Oxide Production

Production from the surface oxide process delivered 82,825 tonnes at a grade of 1.52 grams gold per tonne. The surface oxide production was an intermediate production source while we were developing up our underground sulphide production. The original low grade waste dumps have been depleted, and we have been supplementing the oxide circuit production with some oxide material mined at surface. Our knowledge gained from the surface oxide potential has provided additional exploration targets to confirm the potential for additional oxide production at Vatukoula. Currently a drilling programme is underway to identify sufficient oxide material, which if proved economically viable will be brought into production.

	6 months	6 months
Production Statistics	28-Feb-11	28-Feb-10
Underground ore processed	154,000	101,636
Average underground ore head grade (g/t Au)	5.97	7.52
Surface ore processed	82,825	87,372
Average surface ore head grade (g/t Au)	1.52	1.96
Process recovery rate (%)	83.39%	83.6%
Gold Recovered (oz)	27,969	25,096
Gold Produced (oz)	29,743	24,092
Cash costs		
Cash cost per ounce produced (US$/oz)	1,146	857
Cash cost per tonne mined and processed (US$/tonne)	143	109

Introduction of New Mining Method

Towards the end of the period the mine began to introduce a new mining method, called long-hole-breast mining, that will allow mining of stopes at narrower widths, reducing dilution and increasing the average grade of the mined material. Subsequently, this method will reduce our cash cost per ounce and incidentally also increase the rate of mining. This method encompasses multiple raises, at 10 metre centres, which is then mined for production using long-hole drilling on each side of the raise. A raise is an inclined development tunnel, mined along the ore body from one level to the level above.

However, notwithstanding our Accelerated Development Programme, the achieved development remains below our required rate to provide for the additional mining areas as required by the new mining method. As a result of the limited rate of development we have decided to introduce mechanised development drilling machines, called “Jumbos". We have undertaken training of our mine staff to use the equipment to international standards. An initial Jumbo has been purchased and is operational at Vatukoula. A second Jumbo has been purchased and delivered to our agents in Australia who are undertaking a complete refurbishment programme. We expect delivery within the next 3 months.

Philip Shaft Decline Development

As part of our stated strategy to improve production, we have developed a plan to condense the development of the main decline at the Philip shaft. The planned decline is between the 18 level and 21 level, which would have been mined over a 10 to 12 year period, as we progressed mining of the Prince Dolphin and Prince William ore bodies (with mineral reserve grades of 11.5 g/t and 6.7g/t respectively) to lower levels. The revised plan envisages the completion of the decline in two years and mining of the ore bodies to continue for a total of 5 years. By bringing the mine plan forward in this area we anticipate that we should be mining higher grade ore bodies, which in the medium term will increase the mine head grade.

Exploration

A three pronged exploration programme has been initiated at Vatukoula to delineate surface oxides providing potential to expand production capacity; to further define the Matanagata and other ore bodies to guide ongoing underground mining operations and provide mid and long term underground potential; and to explore the potential on the Prospecting Lease targets. Sixty six holes have been drilled for a total of 9,924 metres up to the end of March 2011.

The results of the surface oxide exploration programme, along with the historical drill information is currently being interpreted with the intention of producing an initial 43-101 compliant resource. Highlights from the results of the 60 holes include a mineralised intersection of 17.55 metres grading at 5.14 grams of gold / tonne and a mineralised intersection of 5 metres grading at 12.09 grams of gold per tonne.

The results from the mine envelope exploration have intersected both down dip and strike extensions of known ore bodies The most significant intersections from the mine envelope exploration programme include a mineralised intersection of 23.19 grams of gold per tonne over 1.30 metres and 9.61 grams of gold per tonnes over 0.77 metres. We currently envisage that the mine envelope exploration will continue for at least a year with the majority if the drilling focusing on defining the Matanagata ore bodies.

The prospecting lease targets offer significant long term potential for the Company. Lying approximately 4km NE of the current operations, drilling has commenced on the first of the prospecting lease targets.

Biomass Power Project

The previously announced Memorandum of Understanding (MOU) with the Fiji Sugar Corporation (FSC) has been revived. New management at the FSC has realised the importance of the biomass power project to the long term future of sugar production at the nearby Rarawai plant. Current plans are for a much larger power station at Rarawai than initially envisaged, and also larger than the power project considered by the Company on a stand-alone basis. A feasibility study for the new FSC biomass power project is targeted for the end of June 2011. Management of Vatukoula remains committed to the development of this power project and we currently envisage having to contribute approximately US$ 7.5 million towards the project. Indications from the FSC indicate that the biomass project will be commissioned in late 2012 and will provide between 10 and 15 Megawatts to the Vatukoula Gold Mine. Based on the initial financial model for the project, we estimate the project will reduce our cash costs per ounce by up to US$ 140.

Financial Overview

Turnover for the period ended 28 February 2011 was £25.2 million; compared to a turnover of £16.5 million for the period ended 28 February 2010. This increase is predominantly attributable to the increase in average gold price received during the six months (US$1,339) and the increase in gold production. Gross profit increased to £5 million up from £4.5 million in the previous period ended 28 February 2010. This increase is due to the increase in gold production and gold price as mentioned above. The cost of sales have increased to £20.2 million; compared to £12 million for the period ended 28 February 2010. This is a result of both a 26% increase in the tonnage mined and processed and an increase in the unit costs from US$109 to US$143 per tonne mined and processed.

The increase in unit costs is mainly attributable to the increase in diesel consumption of the generators on site and the increase in diesel price. The increase in diesel consumption is a result of the continued dewatering programme at the mine which is required to achieve our long term mining plans.

Financial Highlights	6 months 28-Feb-11 (Unaudited) £'000	Restated 6 months 28-Feb-10 (Unaudited) £'000
Revenue (£'000)	25,202	16,528
Gross profit (£'000)	5,044	4,508
Operating profit (£'000)	1,040	1,711
Net profit before taxation (£'000)	1,022	813
Profit for the period (£'000)	1,363	989
Net cash generated / (used) in operating activities (£'000)	2,173	(1,995)
Net (decrease) / increase in cash and cash equivalents (£'000)	(1,141)	6,254

As a result of the change in accounting judgement which occurred during the year ending 31 August 2010, the Company has restated the interims for the period ending 28 February 2010. Readers are referred to Note 12 for further details and the effect of the change in accounting judgement on the interim statements for the period ending 28 February 2010.

Administrative costs increased to £1.3 million compared to the equivalent period in 2010 (£0.9 million). This increase can be attributed to increase in employee numbers and the associated administrative expenses at the mine and an increase in legal, regulatory and investor relation expenses at our head office. An amount of £0.73 million, included in administrative costs, is attributable to head office costs, whilst the remaining balance of £0.61 million was incurred at the mine and other operating subsidiaries.

The result after tax was a profit of £1.4 million (2010: profit £1 million). The basic earnings per share in the six months ended 28 February 2011 was 1.65 pence per share (2010: earnings per share of 1.46 pence).

Cash costs per ounce increased to US$1,146 (2010: US$857). This was driven by the "Accelerated Development Programme" which delivered lower grades to the processing facility as well as the increase in fuel prices and fuel consumption on a per tonne basis.

Reconciliation of Unit Costs	6 months 28-Feb-11 (Unaudited) £'000	Restated 6 months 28-Feb-10 (Unaudited) £'000
Mining (£'000)	14,465	8,945
Processing (£'000)	4,273	2,831
Overheads (£'000)	1,420	244
Royalties (£'000)	759	496
Mine administration cost (£'000)	548	284
Cash cost of production (£'000)	**21,465**	**12,800**
GBP / US$ foreign exchange rate	0.63	0.62
Gold produced	29,743	24,092
Tonnes processed	238,126	188,631
Cash cost per ounce produced (US$/oz)	**1,146**	**857**
Cash cost per tonne mined and processed (US$/tonne)	**143**	**109**

The net cash flow generated in operating activities was £2.2 million (2010: net outflow of £2 million). After deducting the cash flows used in investing activities of £4.5 million, the cash out flows prior to financings were £2.3 million (2010: net outflow of £4.5 million).

The net cash provided by financing activities of £1.1 million was mainly attributable to the equity exercise of options and warrants over the period. As result of the above there was a net cash decrease over the period of £1.1 million resulting in a cash position of £11.6 million at the end of February 2011.

Personnel

We are pleased to announce the appointment of David Whittle as General Manager of the Vatukoula Gold Mine. David is a qualified mining engineer with over 21 years experience within the mining industry and 6 years as a mine / general manager. Most recently he worked as the General Manager at the Nifty Copper Operations an underground copper mine with a capacity of 2.2 million tonnes per annum. He also worked for Barrick Gold for two years as a General Manager of one of their underground gold mines in Papua New Guinea. David will begin his role as the General Manager in the middle of July 2011.

Bert Leathley the current General Manager has completed his contract and will be leaving us on the 23 June 2011.The board would like thank Bert Leathley for his efforts and contribution in re-commissioning of the Vatukoula Gold Mine. Under his direction the employees at Vatukoula have established an excellent operational base which will stand us in good stead as we ramp up our production.

Outlook

Daily tonnes mined and milled have continued to increase in the third quarter post the period end. Although we have dramatically increased the underground development over the first six months of the year, we still remain behind our targeted rate to achieve our goals. However as a result of the lower than expected development rates, 47% of the ore delivered to the mill continues to be ore that has come from development which has had the effect of reducing our average head grade. As such we anticipate a lower than forecast production in the third and fourth quarters and we are now targeting gold production of 55,000 ounces of gold for the financial year ended 31 August 2011.

The phased introduction of long hole breast stoping has begun, with the first stope expected to come into production in the fourth quarter of the financial year. If successful, this anticipated change in the mining method should deliver increased grades and production rates. As a direct result of the increased production rates we will have to continue our “Accelerated Development Programme” for a further six months.

Although the changes in mining technique may in the short term reduce production levels, the management believe that it will deliver long term sustainable production and protect the operations against volatile gold prices.The extension of the development programme is expected to result in the Company achieving a pro-rata rate of production of 100,000 ounces of gold by the second financial quarter of 2012.

On behalf of the Board, I would like to take this opportunity to thank our staff and shareholders for their continued support and we look forward to reporting on our progress soon.

Dave Paxton
31 May 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	6 months 28-Feb-11 (Unaudited) £'000	Restated 6 months 28-Feb-10 (Unaudited) £'000	12 months 31-Aug-10 (Audited) £'000
Turnover		25,202	16,528	40,354
Cost of sales		(20,158)	(12,020)	(28,032)
Gross profit		**5,044**	**4,508**	**12,322**
Operating expenses:				
Gold duty		(759)	(496)	(1,216)
Administration expenses		(1,343)	(913)	(3,229)
Foreign exchange gains		754	-	2,182
Depreciation and amortisation expense		(2,656)	(1,388)	(5,187)
Underlying operating profit		**1,040**	**1,711**	**4,872**
Inventory obsolescence		-	-	(381)
Rehabilitation charge		-	(788)	(17)
Share based payments		-	(55)	(665)
Operating profit		**1,040**	**868**	**3,809**
Interest receivable and other income		36	19	39
Interest payable and similar charges		(54)	(74)	(163)
Net profit before taxation		**1,022**	**813**	**3,685**
Taxation		341	176	838
Profit for the period		**1,363**	**989**	**4,523**
Attributable to:				
Owners of the Parent		1,363	989	4,523
		1,363	**989**	**4,523**
Other comprehensive income and (expenses)				
Currency translation differences		(762)	1,042	(332)
Total comprehensive income for the period		**601**	**2,031**	**4,191**
Attributable to:				
Owners of the Parent		601	2,031	4,191
Total comprehensive income for the period		**601**	**2,031**	**4,191**
		Pence	Pence	Pence
Profit per share				
Basic	5	1.65	1.46	6.32
Diluted	5	1.59	1.73	6.24

All activities relate to continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	28-Feb-11 (Unaudited) £'000	Restated 28-Feb-10 (Unaudited) £'000	31-Aug-10 (Audited) £'000
Non-current assets				
Intangible asset	6	32,472	35,913	33,688
Property, plant and equipment	7	23,107	13,999	20,723
Mine properties and development	8	5,217	1,954	4,423
Total non-current assets		60,796	51,866	58,834
Current assets				
Inventories		7,568	5,049	6,030
Trade and other receivables		4,173	6,634	5,151
Cash and cash equivalents		11,593	8,255	12,849
Total current assets		23,334	19,938	24,030
Total Assets		**84,130**	**71,804**	**82,864**
Current liabilities				
Trade and other payables		4,287	3,881	4,308
Provisions	9	1,429	2,238	1,539
Borrowings		237	250	45
Total current liabilities		5,953	6,369	5,892
Non Current Liabilities				
Provisions	9	4,645	2,404	4,726
Convertible loan		328	573	332
Borrowings		11	10	5
Deferred tax liability		9,053	10,056	9,394
Total non-current liabilities		14,037	13,043	14,457
Shareholders' Equity				
Share capital	10	4,102	3,602	4,031
Share premium account		70,652	62,745	69,699
Merger reserve		2,167	2,166	2,167
Foreign exchange reserve		(358)	1,779	404
Other reserves		1,212	1,292	1,592
Accumulated losses		(13,635)	(19,192)	(15,378)
Total shareholders' equity		64,140	52,392	62,515
Total liabilities and shareholders' equity		**84,130**	**71,804**	**82,864**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	6 months 28-Feb-11 (Unaudited) £'000	Restated 6 months 28-Feb-10 (Unaudited) £'000	12 months 31-Aug-10 (Audited) £'000
Cash flows from operating activities				
Operating profit for the period:		1,040	868	3,809
Adjustments for:				
Share based payments		-	55	665
Depreciation and amortisation		2,656	1,388	5,187
Loss on disposal of property plant equipment		3	-	-
Allowance for inventory obsolescence		-	-	381
Foreign exchange gains and losses		(754)	-	(2,182)
Provision for mine rehabilitation		26	-	-
Provision for rehabilitation trust deed		(107)	788	17
Other provisions		(110)	-	-
Net operating income before working capital changes		2,754	3,099	7,877
Changes in working capital				
Increase in inventories		(1,538)	(368)	(1,348)
Decrease / (increase) in receivables		978	(4,785)	(3,307)
(Increase) / decrease in accounts payable		(21)	59	486
Net cash generated / (used) in operating activities		2,173	(1,995)	3,708
Cash flows from investing activities				
Purchase of property plant and equipment		(3,676)	(1,179)	(6,038)
Payments for mine properties and development		(838)	(1,362)	(3,887)
Interest received		36	19	39
Net cash used in investing activities		(4,478)	(2,522)	(9,886)
Cash flows before financing		(2,305)	(4,517)	(6,178)
Cash flows from financing activities				
Proceeds from issuance of shares	10	1,065	11,120	18,609
Costs of issue of shares		(66)	(535)	(872)
Interest paid		(54)	(74)	(179)
Equipment leases		-	10	-
Borrowings		223	250	-
(Repayment)/proceeds from loan		(4)	-	50
Net cash provided by financing activities		**1,164**	**10,771**	**17,608**
Net (decrease)/increase in cash and cash equivalents		**(1,141)**	**6,254**	**11,430**
Cash and cash equivalents, beginning of period/year		12,849	1,086	1,086
Effect of foreign exchange on cash and cash equivalent		(115)	915	333
Cash and cash equivalents, end of period/year		**11,593**	**8,255**	**12,849**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Ordinary share capital	Share premium	Merger reserve	Foreign exchange reserve	Other reserves	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 Sep 2010	**4,031**	**69,699**	**2,167**	**404**	**1,592**	**(15,378)**	**62,515**
Profit for the period	-	-	-	-	-	1,363	1,363
Exchange adjustment	-	-	-	(762)	-	-	(762)
Total comprehensive income for the period	-	-	-	(762)	-	1,363	601
Issue of shares	71	1,019	-	-	-	-	1,090
Cost of share issue	-	(66)	-	-	-	-	(66)
Share option expired	-	-	-	-	(380)	380	-
Share based payments	-	-	-	-	-	-	-
Balance at 28 Feb 2011	**4,102**	**70,652**	**2,167**	**(358)**	**1,212**	**(13,635)**	**64,140**

	Ordinary share capital	Share premium	Merger reserve	Foreign exchange reserve	Other reserves	Restated Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 Sep 2009	**2,686**	**53,076**	**2,166**	**737**	**1,237**	**(20,181)**	**39,721**
Profit for the period	-	-	-	-	-	989	989
Exchange adjustment	-	-	-	1,042	-	-	1,042
Total comprehensive loss for the period	-	-	-	1,042	-	989	2,031
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**	**(19,192)**	**52,392**

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2011

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

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

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 2010 to 28 February 2011. The results for the year ended 31 August 2010 have been extracted from the statutory financial statements for Vatukoula Gold Mines plc for the year ended 31 August 2010 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 2010.

The same accounting policies, presentations and methods of the computation have been followed in these condensed financial statement as were applied in the preparation of the Group's financial statements for the year ended August 2010.

3. Turnover and Segmental Analysis

All turnover in the Group in the current and prior periods are derived from the sales to one customer, which is included in the Gold Mining Segment.

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2011

3. Turnover and Segmental Analysis (continued)

6 months 28-Feb-11 (Unaudited)	**Head Office £'000**	**Gold Mining £'000**	**Other Activity £'000**	**Total £'000**
Turnover	-	25,202	-	25,202
Mining	-	(14,465)	-	(14,465)
Processing	-	(4,273)	-	(4,273)
Overheads	-	(1,420)	-	(1,420)
Cost of sales	-	(20,158)	-	(20,158)
Gross Profits	-	5,044	-	5,044
Gold duty	-	(759)	-	(759)
Administrative expenses	(731)	(548)	(64)	(1,343)
Foreign exchange gains	-	754	-	754
Depreciation and amortisation	(1,216)	(1,418)	(22)	(2,656)
Underlying operating (loss) / profit	(1,947)	3,073	(86)	1,040
Inventory obsolescence	-	-	-	-
Rehabilitation charge	-	-	-	-
Share based payments	-	-	-	-
Operating (loss) / profit	(1,947)	3,073	(86)	1,040
Interest receivable and other income	36	-	-	36
Interest payable and similar charges	(20)	(32)	(2)	(54)
Net (loss) / profit before taxation	(1,931)	3,041	(88)	1,022
Taxation	341	-	-	341
(Loss) / Profit for the period	(1,590)	3,041	(88)	1,363
Other Segment Items				
Additions to plant, property and equipment	-	3,675	1	3,676
Additions to mine properties and development	-	838	-	837
Current assets	9,686	13,567	81	23,334
Non currents assets	32,732	27,819	245	60,796
Current liabilities	998	4,950	5	5,953
Non current liabilities	9,381	4,656	-	14,037

NOTES TO THE FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2011

3. Turnover and Segmental Analysis (continued)

6 months 28-Feb-10 (Unaudited)	Head Office £'000	Restated Gold Mining £'000	Other Activity £'000	Restated Total £'000
Turnover	-	16,528	-	16,528
Mining	-	(8,945)	-	(8,945)
Processing	-	(2,831)	-	(2,831)
Overheads	-	(244)	-	(244)
Cost of sales	-	(12,020)	-	(12,020)
Gross Profits	-	4,508	-	4,508
Gold duty	-	(496)	-	(496)
Administrative expenses	(560)	(284)	(69)	(913)
Foreign exchange gains/(losses)	-	-	-	-
Depreciation and amortisation	(629)	(743)	(16)	(1,388)
Underlying operating (loss) / profit	(1,189)	2,985	(85)	1,711
Inventory obsolescence	-	-	-	-
Rehabilitation charge	-	(788)	-	(788)
Share based payments	(55)	-	-	(55)
Operating (loss) / profit	(1,244)	2,197	(85)	868
Interest receivable and other income	19	-	-	19
Interest payable and similar charges	(67)	-	(7)	(74)
Net (loss) / profit before taxation	(1,292)	2,197	(92)	813
Taxation	176	-	-	176
(Loss) / Profit for the period	(1,116)	2,197	(92)	989
Other Segment Items				
Additions to plant, property and equipment	-	9,244	4	9,248
Additions to mine properties and development	-	1,362	-	1,362
Current assets	6,801	13,013	124	19,938
Non currents assets	36,626	14,959	281	51,866
Current liabilities	234	6,128	7	6,369
Non current liabilities	10,628	2,415	-	13,043

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2011

4. Results for the period

The Interim results are not affected by seasonality or cyclicity.

5. Earnings per share

(a) Basic

The calculation of consolidated earnings per share is based on the following earnings and number of shares:

	6 months 28-Feb-11 (Unaudited) £'000	Restated 6 months 28-Feb-10 (Unaudited) £'000	12 months 31-Aug-10 (Audited) £'000
Profit after tax	1,363	989	4,523

	6 months 28-Feb-11 Number	6 months 28-Feb-10 Number	12 months 31-Aug-10 Number
Basic weighted average ordinary shares in issue during the period	82,389,420	67,730,755	71,539,282

	6 months 28-Feb-11 Pence	6 months 28-Feb-10 Pence	12 months 31-Aug-10 Pence
Basic earnings per share	1.65	1.46	6.32

Basic earnings per share is calculated by dividing the profit for the year from continuing operations of the Group by the weighted average number of ordinary shares in issue during the year.

On the 21 October 2010, The Company proposed to its shareholders a one for fifty basis consolidation of its share capital. This resolution was approved on the 8 November 2010, and the ordinary shares were consolidated on the basis of one new ordinary share of 5 pence for every existing ordinary share of 0.1 pence.

Comparative numbers for basic earnings per share has been adjusted to reflect the share consolidation.

5. Earnings per share (continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume the conversion of dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible loan notes and share options / warrants. The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	6 months 28-Feb-11 (Unaudited) £'000	Restated 6 months 28-Feb-10 (Unaudited) £'000	12 months 31-Aug-10 (Audited) £'000
Profit after tax	1,363	989	4,523
Interest expense on convertible loan note (net of tax)	21	213	53
Profit used to determine diluted earnings per share	1,384	1,202	4,576

	6 months 28-Feb-11 Number	6 months 28-Feb-10 Number	12 months 31-Aug-10 Number
Basic weighted average ordinary shares in issue during the period	82,389,420	67,730,755	71,539,282
Adjustments for:			
Assumed conversion of convertible loan note	680,500	1,146,667	1,007,106
Share options / warrants	3,742,266	538,889	755,674
Diluted weighted average ordinary shares in issue during the period	86,812,186	69,416,311	73,302,062

	6 months 28-Feb-11 Pence	6 months 28-Feb-10 Pence	12 months 31-Aug-10 Pence
Diluted earnings per share	1.59	1.73	6.24

All outstanding options and warrants were adjusted appropriately to reflect the share consolidation so that in general terms, the options or warrants would be exercisable on the basis of one new ordinary share for each 50 existing ordinary shares subject to the warrant or option and so that the exercise price for each such shares would be 50 times the subscription price for the existing ordinary shares.

Comparative numbers for diluted earnings per share has been adjusted to reflect the share consolidation.

6. Intangible fixed assets

	6 months 28-Feb-11 (Unaudited) £'000	6 months 28-Feb-10 (Unaudited) £'000	12 months 31-Aug-10 (Audited) £'000
Cost			
Balance 1 September	38,554	38,414	38,414
Additions	-	-	-
Transferred from tangible assets	-	-	138
Exchange difference	-	-	2
Balance at end of period	38,554	38,414	38,554
Amortisation			
Balance 1 September	4,866	1,872	1,872
Current charge	1,216	629	2,994
Balance at end of period	6,082	2,501	4,866
Carrying value	32,472	35,913	33,688

The amortisation of the intangible asset is calculated on a unit of production basis, based on forecast production and the total Mineral Reserves. We would expect the intangible asset to be amortised over five years. This rate can vary from year to year and is dependant on the mineral reserves which are reassessed every year.

For the year ended August 2010 the directors carried out an impairment review. As in previous years, this was based on an estimate of discounted future cash flows from the development and operation of the Vatukoula Gold Mine. 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 recoverable amount of the mine is determined by using a net present value calculation based on the estimated economically recoverable portion of the total Mineral Resource and the life of mine plan. The life of mine plan is currently 12 years. This Mineral Resource is used rather than the Mineral Reserve as the Mineral Reserve will not represent the total recoverable amount from the mine. This is because it excludes ore deposits that are above the economic cut off grade within the Inferred Mineral Resource category.

The key assumptions therein are those regarding discount 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 production is based on the directors' forecast of the mine's maximum output and based on the mine achieving its operating capacity. The directors believe this rate is justified based on the current progress of the mine. A deferred tax liability of £10,757,000 arose in 2008 in respect of the intangible assets recognised on the acquisition in the prior periods. The deferred tax liability is in respect of future taxable profits potentially generated from the exploration of the mining rights.

7. Property, plant and equipment

GROUP	Freehold and leasehold land £'000	Work in progress £'000	Plant and machinery £'000	Motor vehicles £'000	Mine Assets £'000	Fixtures fittings and equipment £'000	Total £'000
Cost							
As at 1 September 2010	1,134	2,881	18,399	405	3,086	148	26,053
Additions	-	3,529	147	-	-	-	3,676
Transferred on completion	-	(6,000)	6,000	-	-	-	-
Disposals	-	-	(37)	-	-	-	(37)
Exchange difference	5	41	159	3	19	-	227
At 28 February 2011	1,139	451	24,668	408	3,105	148	29,919
Accumulated depreciation							
As at 1 September 2010	-	-	4,793	287	154	96	5,330
Charge for the six months	-	-	1,290	15	85	1	1,391
Disposals	-	-	(34)	-	-	-	(34)
Exchange difference	-	-	123	2	-	-	125
At 28 February 2011	-	-	6,172	304	239	97	6,812
Net book value							
At 28 February 2011	1,139	451	18,496	104	2,866	51	23,107
At 31 August 2010	1,134	2,881	13,606	118	2,932	52	20,723

GROUP	Freehold and leasehold land £'000	Work in progress £'000	Plant and machinery £'000	Motor vehicles £'000	Mine Assets £'000	Fixtures fittings and equipment £'000	Total £'000
Cost							
As at 1 September 2009	1,074	1,176	12,990	388	-	145	15,773
Additions	-	6,204	-	-	3,042	2	9,248
Transferred on completion	-	(4,449)	4,449	-	-	-	-
Disposals	-	(17)	(13)	-	-	-	(30)
Transferred to intangible	-	(138)	-	-	-	-	(138)
Exchange difference	60	105	973	17	44	1	1,200
At 31 August 2010	1,134	2,881	18,399	405	3,086	148	26,053
Accumulated depreciation							
As at 1 September 2009	-	104	2,300	259	-	93	2,756
Charge for the year	-	-	1,803	19	152	2	1,976
Disposals	-	(13)	(13)	-	-	-	(26)
Transferred on completion	-	(87)	87	-	-	-	-
Exchange difference	-	(4)	616	9	2	1	624
At 31 August 2010	-	-	4,793	287	154	96	5,330
Net book value							
At 31 August 2010	1,134	2,881	13,606	118	2,932	52	20,723
At 31 August 2009	1,074	1,072	10,690	129	-	52	13,017

8. Mine properties and development

	6 months 28-Feb-11 (Unaudited) £'000	Restated 6 months 28-Feb-10 (Unaudited) £'000	12 months 31-Aug-10 (Audited) £'000
Cost			
Balance 1 September	5,650	1,605	1,604
Additions	838	1,362	3,887
Foreign exchange difference	8	-	159
Balance at end of period	6,496	2,967	5,650
Amortisation			
Balance 1 September	1,227	1,013	1,013
Current charge	49	-	217
Foreign exchange difference	3	-	(3)
Balance at end of period	1,279	1,013	1,227
Carrying value	5,217	1,954	4,423

9. Provisions

	28-Feb-11 (Unaudited) £'000	28-Feb-10 (Unaudited) £'000	31-Aug-10 (Audited) £'000
Current			
Provision for Vatukoula Social Assistance Trust Fund	-	518	-
Provision for annual leave	179	146	164
Provision for redundancy payment	1,128	1,146	1,011
Provision for workers compensation	-	52	65
Other employee related provisions	122	376	299
	1,429	2,238	1,539
Non current			
Provision for mine rehabilitation	4,246	1,188	4,220
Provision for Vatukoula Social Assistance Trust Fund	399	1,216	506
	4,645	2,404	4,726

The Fiji Islands Revenue & Customs Authority ("FIRCA") has issued taxation assessments against the Group of F$11.5million. The Group does not believe any amounts are payable and is vigorously defending the claim. As at the period end, an advance tax payment of F$7.9m has been made in relation to this. The government has recognised the prepayment of the claimed tax liability, however given the period of time these debts have been outstanding, the Company has taken a prudent view and provided for this amount as a provision against debtors.

The Group is a plaintiff in several litigations with respect to potential claims of creditors, workers compensation and industrial action. The directors have assessed the likelihood of these claims becoming payable and consider that this is not likely. Therefore there are no provision or contingent liabilities disclosed for these.

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2011

10. Share capital

(a) Share capital

	28-Feb-11 (Unaudited) £	28-Feb-10 (Unaudited) £	31-Aug-10 (Audited) £
Authorised			
85,000,000 ordinary shares of 5p each			
(28 Feb 2010: 85,000,000 ordinary shares of 5p each)			
(31 Aug 2010: 85,000,000 ordinary shares of 5p each)	4,250,000	4,250,000	4,250,000
Allotted, issued and fully paid			
83,033,339 ordinary shares of 5p each			
(28 Feb 2010: 83,033,339 ordinary shares of 5p each)			
(31 Aug 2010: 81,622,820 ordinary shares of 5p each)	4,101,667	3,652,371	4,031,141

On 21 October 2010, The Company proposed to its shareholders a one for fifty basis consolidation of its share capital. This resolution was approved on the 8 November 2010, and the ordinary shares were consolidated on the basis of one new ordinary share of 5 pence for every existing ordinary share of 0.1 pence.

(b) Share issues during the period

	Date	Issue value per Share £	Par value per Share £	Share premium per Share £	Shares	Share Capital £	Share premium £	Value of shares issued for cash £
Shares issued for cash								
Exercise of warrants	04/10/2010	1.00	0.05	0.95	20,000	1,000	19,000	20,000
Exercise of warrants	07/10/2010	1.00	0.05	0.95	60,000	3,000	57,000	60,000
Exercise of warrants	20/10/2010	0.60	0.05	0.55	95,518	4,776	52,535	57,311
Exercise of warrants	28/10/2010	0.50	0.05	0.45	455,000	22,750	204,750	227,500
Issue for cash	03/11/2010	0.05	0.05	0.00	1	0	0	0
Exercise of warrants	18/11/2010	1.00	0.05	0.95	10,000	500	9,500	10,000
Exercise of warrants	18/11/2010	1.00	0.05	0.95	30,000	1,500	28,500	30,000
Exercise of warrants	18/11/2010	1.00	0.05	0.95	300,000	15,000	285,000	300,000
Exercise of warrants	13/01/2011	1.00	0.05	0.95	70,000	3,500	66,500	70,000
Exercise of warrants	13/01/2011	1.00	0.05	0.95	250,000	12,500	237,500	250,000
Exercise of warrants	13/01/2011	1.00	0.05	0.95	10,000	500	9,500	10,000
Exercise of warrants	13/01/2011	0.50	0.05	0.45	60,000	3,000	27,000	30,000
					1,360,519	**68,026**	**996,785**	**1,064,811**
Shares issued in relation to the conversion of loan notes								
Conversion of loan notes	28/10/2010	0.50	0.05	0.45	10,000	500	4,500	5,000
Conversion of loan notes	18/11/2010	0.50	0.05	0.45	40,000	2,000	18,000	20,000
					50,000	2,500	22,500	25,000
					1,410,519	**70,526**	**1,019,285**	**1,089,811**

10. Share capital (continued)

(c) Warrants and options

During the period ending 28 February 2011 the following movements occurred on the warrants and options to purchase 5p ordinary shares in Vatukoula Gold Mines Plc.

	Number of options	Number of warrants	Number of options	Number of warrants and options	Number of options	Number of warrants	
Exercise price	**£0.50**	**£0.60**	**£0.90**	**£1.00**	**£1.25**	**£3.00**	**Total**
Balance at 1 September 2010	1,378,000	280,518	400,000	5,490,000	-	841,858	8,390,376
Granted during the period	-	-	-	-	-	-	-
Exercised during the period	(515,000)	(95,518)	-	(750,000)	-	-	(1,360,518)
Balance at 28 February 2011	863,000	185,000	400,000	4,740,000	-	841,858	7,029,858

	Number of options	Number of warrants	Number of options	Number of warrants and options	Number of options	Number of warrants	
Exercise price	**£0.50**	**£0.60**	**£0.90**	**£1.00**	**£1.25**	**£3.00**	**Total**
Balance at 1 September 2009	1,318,000	-	-	4,390,000	426,000	-	6,134,000
Granted during the year	60,000	629,250	400,000	1,100,000	-	841,858	3,031,108
Exercised during the year	-	(348,732)	-	-	-	-	(348,732)
Expired during the year	-	-	-	-	(426,000)	-	
Balance at 31 August 2010	1,378,000	280,518	400,000	5,490,000	-	841,858	9,513,840

11. Post balance sheet events

Subsequent to the period end, the following significant post balance sheet events occurred:

The following exercise of options / warrants occurred:

Date options/warrants	Shares issued	Exercise price	Gross proceed from exercise of
03 March 2011	62,500	£0.60	£37,500
03 March 2011	140,000	£0.50	£70,000
03 March 2011	100,000	£1.00	£100,000
03 March 2011	300,000	£1.00	£300,000
08 April 2011	60,000	£0.60	£36,000

12. Prior period adjustment

For the 6 month period ended 28 February 2010, certain mine development costs amounting to £3,010k were originally capitalised in line with the accounting judgements applied by management at the time of reporting. Subsequently, accounting judgements relating to the capitalisation and expense of mine development costs were reviewed and amended. As a result of this, capitalised mine development costs of £3,010k were adjusted to be expensed in line with the new accounting judgements. The comparative numbers reported for the 6 months ended 28 February 2010 has been restated to reflect this change. The following comparative line items have been affected by this change:

	Previously reported	Impact of Change in Judgement	Restated
	6 months 28-Feb-10 £'000	£'000	6 months 28-Feb-10 £'000
Consolidated statement of comprehensive income:			
Cost of sales	(9,010)	(3,010)	(12,020)
Gross profit	7,518	(3,010)	4,508
Underlying operating profit	4,721	(3,010)	1,711
Operating profit	3,878	(3,010)	868
Net profit before taxation	3,823	(3,010)	813
Profit for the period	3,999	(3,010)	989
Total comprehensive income for the period	5,041	(3,010)	2,031
Profit/(loss) per share:	**Pence**	**Pence**	**Pence**
Basic	5.90	(4.44)	1.46
Diluted	5.76	(4.03)	1.73
Consolidated statement of financial position:			
Mine properties and development	4,964	(3,010)	1,954
Accumulated losses	(16,182)	(3,010)	(19,192)

13. Capital Commitments

Capital commitments as at 28 February 2011 amounted to £6,262,666 (31 August 2010; £1,187,500). These commitments are in relation to projected expenditure on mine properties and development.

14. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. Transactions and balances between related parties are set out below:

During the period, the Company paid consultancy fees of £42,500 (31 August 2010: £82,083) to Promaco Ltd, a company related to J I Stalker, director of Vatukoula Gold Mines Plc. There were no amounts payable to Promaco Ltd at the year end.

During the period, the Company paid consultancy fees of £Nil (31 August 2010: £30,307) to Kimmel Consulting Ltd, a company related to K Morzaria, director of Vatukoula Gold Mines Plc. There were no amounts payable to Kimmel Consulting Ltd at the year end.

15. Cautionary Statement

The interim results announcement contains forward looking statements. These have been made by the Directors in good faith based on the information available to them up to the time of their approval of this report. The Directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward looking information, actual results may differ materially from those expressed or implied by these forward looking statements. The Directors undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remainder of the financial year and could cause actual results to differ materially from expected and historical results. These include but are not limited to, competitor activity and competition risk, changes in foreign exchange and commodity price and the political and economic risks of operating in Fiji.