30 May 2013

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

Interim Results to 28 February 2013

Vatukoula Gold Mines plc, the AIM listed (AIM: VGM) gold producer focused on Fiji, is pleased to announce its Interim Results for the half-year ended 28 February 2013.

- Capital development investment opened up access to high grade Cayzer-Prince ore body
- Phillip shaft produced 6.9 grams / tonne compared to the previous six months which yielded 5.3 grams / tonne

Financial Highlights:

	Half Year ended 28 February 2013	Half Year ended 29 February 2012
Revenue (£'000)	20,822	30,383
EBITDA (£'000)	981	4,533
Cash generated from operating activities (£'000)	343	4,375
Underlying operating (loss) / profit (£'000)	(2,274)	1,201
Cash cost per ounce sold	1,635	1,426
Average realised gold price (US$ / ounce)	1,681	1,676
Basic (loss) / earnings per share (pence)	(2.26)	1.57
Capital investment (£'000)	7,304	6,865

Operational Highlights:

	Half Year ended 28 February 2013	Half Year ended 29 February 2012
Total underground tonnes mined (ore and waste)	206,501	242,769
Strike drive development (metres)	882	2,632
Capital development (metres)	2,391	1,978
Ore processed (tonnes)	216,860	243,284
Average ore head grade (grams / tonne)	3.80	4.77
Total recovery (%)	73.24%	80.00%
Gold produced (ounces)	19,411	29,999
Gold shipped (ounces)	19,595	28,456

David Paxton, CEO of Vatukoula, commented:

"Our major focus for this period under review was to advance the long term financing for the project. As the Company seeks the development of new sections of existing ore bodies, it continues to invest in capital development to open up access to higher grade ore bodies. I am happy to say that the recent results at the Phillip shaft are proof that our approach is heading in the right direction.

As well, last year, a detailed review of our operations was undertaken to identify a capital investment program. I am very pleased with the external review, completed by independent engineers, which provided a confirmation of our plans. Accessing new sections of existing ore bodies is a key part of the capital investment program, further supporting our current plans and activities.

However, the lack of funding has resulted in our development projects being either put on hold or severely reduced. With the continued support of our strategic partners Zhongrun and now DRK Energy we have been able to fund the working capital requirement at the mine. We are actively working with DRK Energy to secure the long term financing requirements of the mine."

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Review of Operations

As highlighted as the beginning of this financial year the main objectives for this period were to continue with our development schedules to allow access to high grade mining sections. In the first three months of this period we continued to invest heavily in capital development which opened up access to the high grade Cayzer-Prince ore body. This is reflected in an increase in grade coming from the Phillip shaft of 6.9 grams / tonne compared to the previous six months which yielded 5.3 grams / tonne.

Significant milestones have been achieved in our development program, with both development at the Philip shaft on 20 level ("L") providing access to the Cayzer-Prince and Prince William ore bodies and development in the Smith shaft on several levels providing access to the Matanagata East ore body.

Capital constraints in the last three months have resulted in an approximate 50% reduction in expenditure on capital development. While we conclude the funding required for the expansion of operations we will continue to limit capital expenditure which will have the knock on effect to constraining production to current rates.

Capital Development Progress

A detailed review of operations was undertaken last year and identified a capital investment program to bring the mine to its sustainable production target. The program identified four priority mining areas that required additional underground development and access: Cayzer Prince, Prince William, and two areas of the Matanagata ore bodies. In addition to the review underground drilling has indicated that the 1500 Split ore body which is located in the hanging wall of the Prince William ore body at Philip Shaft has good mining potential below the current areas being mined.

Capital Development in the Philip Shaft area (Cayzer Prince, Prince William and 1500 Split Ore bodies) has centred on the development of two declines. The first decline has now been completed down to 20L and has broken into the Philip Shaft on 20L. The previous lowest mining horizon at Philip Shaft was 18L. The shaft below the 18L is full of spillage and the holing of the decline into the shaft on 20L is now allowing the shaft to be cleaned out. Once this is completed the shaft will be re equipped down to 20L allowing for easier personnel access to 20L and re equipping of the 18L shaft ore passes for hoisting of ore and waste.

This decline also provides access to the Prince William and 1500 Split ore bodies as well as access to the Western extremity of the Cayzer Prince ore body. Level development has already commenced on these access drives and development at the end of February was within 100m of commencing ore development on the Prince William ore body on 19L with the 1500 Split ore body being accessed only another 40m further on from that point

The second decline allows central access to the Cayzer Prince ore body below the existing 18L. This decline has already turned out onto ore and limited stoping has commenced. This decline will continue with main footwall drive development and further ore access being only about 150m away

Further drilling results have allowed for development plans to also be drawn up for additional access to the Prince William ore body (and identified high grade footwall structures) on 18L, 17L, 16L and 14L and the Prince William and 1500 split ore bodies to the north of the shaft on 16L, 15L and 13L

Capital development at Smith Shaft on the Matanagata ore body has progressed well with the incline and associated footwall drives having already opened up blocks for mining on the 15L.

All the above declines and inclines at Smith and Philip will continue in order to access additional ore areas both deeper in the mine (Philip) and up dip (Smith)

Dewatering of the Smith Shaft lower levels (which have been flooded for many years) has continued. Dewatering commenced at the 19 L and is now dewatered to the 21L. The lowest areas of the Smith Shaft are on 23L

Underground Production and Development

Gold production from underground mining was limited during the undertaking and implementation of the capital investment program. We continue to gradually implement footwall drive development (below the ore body) as we believe that this approach will deliver great benefits and allows for a reduced mining machinery fleet and increased extraction ratio in the longer term (now already starting to be realised at Smith Shaft). In the short-term however, it will slow initial access to the ore and not produce any gold from development. However we remain convinced that this program is required for the long term sustainability at Vatukoula.

Operating Results	Half Year ended 28 February 2013	Half Year ended 29 February 2012	% Variance
Underground Mining			
Total underground tonnes mined (ore and waste)	206,501	242,769	(15%)
Operating development (metres)	6,779	8,628	(21%)
Strike drive development (metres)	882	2,632	(66%)
Capital development (metres)	2,391	1,978	21%
Total development (metres)	10,052	13,238	(24%)
Sulphide Plant			
Sulphide ore delivered (tonnes)	126,063	165,339	(24%)
Sulphide head grade (grams / tonne)	4.86	5.68	(14%)
Oxide Plant			
Ore delivered (tonnes)	91,547	78,994	16%
Oxide head grade (grams / tonne)	2.32	1.74	33%
Total (Sulphide + Oxide)			
Ore processed (tonnes)	216,860	243,284	(11%)
Average ore head grade (grams / tonne)	3.8	4.77	(20%)
Total recovery (%)	73.24%	80.00%	(8%)
Gold produced (ounces)	19,411	29,999	(35%)
Gold shipped (ounces)	19,595	28,456	(31%)

Cash Costs			
Cash cost per ounce sold (US$)	1,635	1,426	15%
Cash cost per tonne mined and milled (US$ / tonne)	148	167	(11%)
Average realised gold price (US$ / ounce)	1,681	1,676	0.3%

During the first half of the year we mined a total of 206,501 tonnes of ore and waste, a 15% decline on 242,769 tonnes mined in the same period last year. The decline was driven by reduced production from stoping areas while we were developing new areas

Ore delivered from underground was 126,063 tonnes at a grade of 4.86 grams gold per tonne. This was lower than the previous half years 165,339 tonnes at a grade of 5.68 grams per tonne, a decline of 24% in tonnage and a 14.5% in the grade. The lower tonnage was a reflection of lower strike drive development, reduced stoping tonnes due to reduced face availability while developing to new areas and improved stope mining widths.

The year on year variance in grade is a result of lower grade being delivered from the Smith shaft. The lower grade from this shaft is a result of local structural controls on an area of the Matanagata deposit.

Total development decreased to 10,052 metres, a 24% reduction compared to the same period last year. The variances in each development type are detailed below.

- Operating development includes all mining to access stopes within an ore body (e.g. rises, cross-cuts and gullies). This type of development is expensed as it is normally within the ore body and once the mining has ceased the development has no further use. Operating development decreased by 21% to 6,779 metres compared to the same period last year. This reduction is a result of increased resources being assigned to the capital development programme. Once new development has exposed new mining areas, we expect an increase in operating development.

- Strike drive development is a unique category. Strike drives are long-term (more than one year) horizontal access drives along the strike of the ore body and provide access to the operating development and stope mining. As these contain the mineralisation within the drives, they are fully expensed. Strike drives are dilutive and while we continue the current development programme they will lower the overall sulphide head grade. The goal of the development programme is to provide access to sufficient ore bodies to allow the mine to produce at our planned rate. We were expecting completion of this phase of development by end of 2013, however our schedule has been delayed as a result of capital constraints. We anticipate restarting the development program as a major part of the capital investment program with the strike drive development becoming a minor part of overall mining at Vatukoula and therefore having only a minor impact on overall sulphide head grades. Strike drive development decreased dramatically this half year to 882 metres (2,632 metres: HY 2012) as a result of our reduction in non-essential development along with our cash preservation programme.

- Capital development metres are primarily comprised of inclines, declines and footwall drives. This type of development is carried out in waste and provides long term access to the ore bodies, and is capitalised. Capital development increased by 21% to 2,391 metres compared to the same period last year. This is the result of incline and decline access development (inclusive of the 18 level Philip Shaft decline development). Capital Development is a major item of our new regime in underground mining at Vatukoula. These capital development projects are being carried out by three mechanised development machines (“Jumbos”).

Surface Production

During the six months, production from the surface oxides delivered 91,547 tonnes at an average grade of almost 2.32 grams per tonne. A number of areas of surface material from historic waste dumps at the mine have been uncovered by mine staff. The surface oxide material is a supplemental source of gold production and will be phased out once we have sufficient production from underground sources.

Vatukoula Treatment Plant (“VTP”)

Ore processed for the half year was 216,860 tonnes, an 11% decrease compared to the half year ending 29 February 2012 (243,284 tonnes). The decrease was driven by the decreased underground mining activities, which decreased ore delivered to the mill by 24% from 165,339 tonnes in the half year ending February 2012 to 126,063 tonnes in the half year ending February 2013. This decrease was off-set by a 16% increase in surface ore delivered to the mill, from 78,994 tonnes in the half year ending February 2012 to 91,547 tonnes in the half year ending February 2013.

The average grade processed decreased from 4.77 grams of gold per tonne in the half year ending February 2012, to 3.8 grams of gold per tonne in the half year ending February 2013. This was driven by lower grades delivered from underground mining operations and an increase in lower grade surface tonnes delivered to the mill.. Recoveries ran at 73% for the period compared to 80% in the same period last year. Recoveries continue to be affected by the sulphide waste material mined from the surface. In the long-run the surface mining will be phased out and we expect that our recoveries to return to between 81% and 85% dependent on the grade delivered to the mill.

The mine shipped and sold 19,595 ounces of gold during for the six months ended 28 February 2013 compared to 28,456 ounces in the same period last year.

Capital Projects

As part of Vatukoula’s strategy to expand, sustain and optimise the mining operations in Fiji we have identified several projects that exceed the sustaining capital investment normally required at a mine of this nature. These projects form the majority of capital investment program. Some projects were started in anticipation of a debt financing, including essential; long term development. However In December we severely curtailed the capital program to reduce expenditure to ‘necessary expenditure’ only whilst awaiting the necessary finance. This included the suspension of all surface resource development drilling, and the underground development of some areas of the mine. Although this has constrained production, the mine personnel have managed to maintain operations until we can secure the capital. The major capital projects that are either under progress as essential items, or on hold pending finance, and their progress and anticipated completion dates, are outlined below.

Capital Projects	Operational Drivers	Measures / Target	Progress	Planned Completion Quarter (Fiscal Year)
18 Level Philip Decline Development	The planned decline is between the 18 level and 21 levels of the Philip Shaft. This decline will provide access to the bottom of the current Philip Shaft, allowing for removal of spillage and re-equipping of the lower level loading pocket. The decline will also provide access to the lower levels of the higher grade Prince William and Cayzer Prince ore bodies	Development to shaft bottom at 21 level	Holed into 20 level Station in Philip Shaft.	This project is currently is on hold until debt funding is secured
Below 18 Level Philip Development	Development of declines below 18L, access Crosscuts and footwall drives to access both Prince William and Cayzer Prince ore bodies	Access Prince William, Cayzer Prince and 1500 Split ore bodies below 18L	Decline holed into shaft on 20L and access development therefrom is now on footwall drive 100m from ore Cayzer Prince decline gained access for stoping.	On going

Increased Mineral Resource Drilling	Further define the Mineral Resource inventory and convert these to Proven and Probable Mineral Reserves to replace the ounces mined. Better define the life of mine plan.	Metres Drilled Full Year: 15,000 metres Mineral Reserve Increase	This project is currently suspended until debt funding is secured	This project is currently suspended until debt funding is secured
Capital Development Programme	Develop Matanagata incline and footwall drives, Matanagata East footwall Drives, TTN decline, 166N 16L footwall drives and 166N HW2.	Access to 15L Matanagata stopes, Access below current 18L TTN, Access to 16L 166N stopes	Access to 15L Matanagata stopes completed, 18L TTN decline and 166N footwalls put on hold in November 2012	This project is currently is on hold until debt funding is secured
Improved Haulage Fleet	With the gradual introduction of footwall drives and the associated benefits of higher extraction of the ore body, management have identified that a change in the structure of the mining fleet will be required. Increased ore and waste movement will require additional trucking capacity. However reduced loader capacity will be required through the use of truck chutes to load ore from stopes. A number of the small 151 loaders will be stood down or re-equipped for other uses such as materials supply. On-going sustaining capital will then be required for change out of older/high maintenance cost machines as required.	Secure additional 8 trucks. Convert 6 loaders to alternate uses	Truck chutes operational in Matanagata and lower 166N ore bodies Additional trucks mobilised to site (rebuilds in progress – 2 out of 4 operational) Additional 4 trucks to be sourced. 2 loaders converted to grader and materials handling machines.	This project is currently is on hold until debt funding is secured
Sautu Ventilation Shaft improvement	As part of the expansion of operations, the mine will need to improve ventilation to working faces, this is to be achieved, in part, by reversing the air circulation in the Sautu Ventilation Shaft from a down cast shaft to a up cast shaft. This is achieved by the purchase and installation of large industrial fans.	% completed		This project is currently is on hold until debt funding is secured
New Tailings Dam Construction	The current tailings dams are estimated to reach full capacity by Q3 2014. To date we have identified the site and carried out the large majority of the required technical works for the new tailings dam.	% completed	Environmental plans submitted. Construction to commence on receipt of funds	This project is currently is on hold until debt funding is secured

Financial Review

During the period the Company benefited from reduction in cost of sales however the lower gold production and a relatively stable gold price reduced the gross profit for the period to £0.9 million (HY 2012: £4.9 million). The lower gross profit affected underlying operating loss resulting in a £2.3 million loss compared to £1.2 million profit during the same period last year. Net loss for the period was £2.5 million (HY 2012: Net profit £1.2 million) this is attributed to the lower gross profits.

Revenue

Revenue for the half year was £20.8 million which is 31% lower than the prior year period (£30.4 million). The Group's year on year sales volume decreased by 8,862 ounces, thereby adversely affected revenue. The average realised gold price was US$1,681 in the half year ended February 2013 compared to US$1,676 per ounce in the same period in 2012.

Cost of Sales and Operating Expenses

Cost of Sales and Operating Expenses decreased to £23.1 million in the half year ended February 2013 from £29.2 million during the same period last year. An 11% decrease in ore mined and delivered to the mill lowered costs by £3.1 million. Adjusting for the decrease ore mined and delivered to the mill the remaining £3 million reductions in costs are attributable like for like to;

- a decrease in mining and milling unit cost, of £2.6 million in additional costs;
- a net £0.6 million increase in overhead and administrative costs. This increase is as a result of a net increase in technical and supervisory staff, and
- a net decrease in other costs of £1 million inclusive of gold duty and foreign exchange gains.

Cost of Sales and Operating Expenses	Half Year ended 28 February 2013 (£'000)	Half Year ended 29 February 2012 (£'000)
Mining	(11,620)	(16,606)
Processing	(4,561)	(5,279)
Overheads	(3,142)	(2,725)
Gold Duty	(583)	(920)
Administrative expenses	(1,236)	(1,023)
Foreign exchange gains	1,532	901
Depreciation and amortisation	(3,486)	(3,530)
Total	**(23,096)**	**(29,182)**

Depreciation and amortisation was £3.5 million for the half year ended 28 February 2013, similar to the same period last year (£3.5 million).

Cash Costs

Cash costs for the half year ending 28 February 2013 were US$1,634 per ounce sold (2012: US$1,426 per ounce). Improved cash costs per tonne, as outlined above, reduced our cash cost per ounce by US$211 per ounce. However these improvements in operating cost were offset by a reduction in grade and a decrease in recovery rate which elevated cash costs by US$323 per ounce and US$127 ounce respectively. The remaining variance per ounce is attributable to the effects of foreign exchange. The table below provides reconciliation between cost of sales, operating expenses and cash costs to calculate the cash cost per ounce sold.

Cash Costs	Half Year ended 28 February 2013	Half Year ended 29 February 2012
Mining (£'000)	(11,620)	(16,606)
Processing (£'000)	(4,561)	(5,279)
Overheads (£'000)	(3,142)	(2,725)
Gold duty (£'000)	(583)	(920)
Mine administrative costs (£'000)	(209)	(175)
Total cash costs of production (£'000)	**(20,115)**	**(25,705)**
GB£ / US$ foreign exchange rate	0.65	0.64
Gold sold (Oz)	19,411	28,456
Tonnes mined and milled	216,860	243,284
Cash cost per ounce sold (US$ / Oz)	**1,635**	**1,426**
Cash cost per tonne mined and milled (US$ / tonne)	**148**	**167**

Administrative Expenses

Administrative expenses totalled £1.2 million for the half year ended 28 February 2013, which was a 21% increase in costs from the same period in the prior year of £1.0 million. The administrative expenses are those costs associated with maintaining the London office and the administrative expenses in Fiji. Costs include salaries, office rent, regulatory, audit, legal fees and investor related expenses.

Exploration and Resource Definition Costs

As highlighted in the operations review we have curtailed our capital expenditure and incurred £1.0 million exploration and resource definition costs compared to the £1.6 million in the same period last year. All the exploration and resource definition costs were capitalised as an Intangible Asset in accordance with the requirements of IFRS 6 Exploration for and Evaluation of Mineral Assets.

Taxation and Other Expenses

During the period the Company had a tax credit of £0.2 million (HY 2012: £0.3 million). This tax credit arises as a result of the release of the deferred tax liability. Other expenses amounted to £0.2 million in the half year ended 28 February 2013 (HY2012: £0.2 million), in line with the same period last year

EBITDA

For the year half year ended 28 February 2013 EBITDA decreased to £1.0 million from £4.5 million in the same period last year. This decrease was driven by lower revenues and a lower gross profit figure compared to the same period last year. Reconciliation between net profit for the period and EBITDA is presented below:

	Half Year ended 28 February 2013 (£'000)	Half Year ended 29 February 2012 (£'000)
(Loss) / Profit for the period	(2,458)	1,285
Less income tax credit	182	304
Plus depreciation and amortisation expense	(3,486)	(3,529)
Less finance income	2	36
Plus finance expense	(137)	(59)
EBITDA	**981**	**4,533**

Cash Flow

Net cash generated in operating activities was £0.3 million for the half year ended 28 February 2013, a decrease of £4.0 million compared to the same period last year (cash generated of £4.4 million). Prior to working capital movements the net operating income was £0.03 million compared to £3.7 million in the same period last year. The net operating income before changes in working capital was increased by the changes in working capital which generated £0.3 million (HY 2012: generated £0.7 million). These changes in working capital were a result of an decrease in inventories of £0.4 million a decrease in receivable of £1.8 million and a decrease in accounts payable of £1.9 million.

Cash flow used in investing activities equated to £7.3 million for the year which represents a 6% increase from the same period last year of £6.9 million. Of the £7.3 million used in investing activities £1.1 million (HY 2012: £3.2 million) was used in the purchase of plant and equipment and £6.2 million (HY 2012: £3.7 million) was used in underground development and resource / exploration drilling. As of 28 February 2013 the Group had cash and cash equivalents of £2.2 million (HY 2012: £4.5 million).

Post period events

On 8 April 2013 the Company announced that it had entered into a subscription agreement with Zhongrun International Mining Co. Ltd. ("Zhongrun") whereby Zhongrun subscribed for 8,800,000 new ordinary shares in the Company at a price of £0.15 per share (the "Subscription Shares") to raise £1.32 million (the "Subscription Agreement"). The Subscription Shares represent approximately 6.96% of the enlarged issued share capital of the Company, increasing Zhongrun's holding to 37,800,000 ordinary shares, representing approximately 29.91% of the enlarged share capital of the Company.

On 20 May 2013 the Company announced it has entered into a subscription agreement with SCD Energy Inc., ("Subscriber"), which is an indirectly wholly owned subsidiary of DRK Energy Co., Limited ("DRK") whereby the Subscriber has subscribed for 30,000,000 new ordinary shares in the Company at a price of £0.15 per share (the "Subscription Shares") to raise £4.5 million (the "Subscription Agreement"). The Subscription Shares will represent approximately 19.2% of the enlarged issued share capital of the Company. The first tranche was completed by the 28 May 2013 and the second will be completed by the 17 June 2013.

In addition, under the Subscription Agreement, the Company and DRK have agreed to work in conjunction to source the required debt financing to fund the Company's planned expansion programme. Should VGM enter into a debt financing package facilitated or introduced by DRK of no less than US$40 million within 120 days of the Subscription Agreement ("Debt Financing") DRK will have the option to acquire an additional 24,000,000 new ordinary shares in the Company (the "Option") at an exercise price of £0.15 per share.

If, however the Company secures the Debt Financing within the 120 days from institutions that it is currently in discussions with, the Option exercise price will be the lower of £0.25 or 90% of the five day trading volume weighted average price ("VWAP") following the announcement of the Debt Financing. These terms will also apply if no debt financing is secured within the 120 days, in which case the VWAP will be based on the 5 trading days after the expiry of the 120 day period. The issue of shares under the option would be subject to approval at a general meeting which will be convened once the Company has more certainty on the nature and timing of the Debt Financing.

If exercised, the Option would represent approximately 13.3% of the enlarged issued share capital of the Company and in aggregate with Subscription Shares DRK, the Subscriber would hold approximately 29.9% of the enlarged issued share capital of the Company.

In conjunction with the Subscription Agreement, the Company has agreed that the Subscriber will be entitled to nominate 2 directors for appointment to the board on completion of the first tranche of the Subscription Agreement. Their appointment will be subject only to approval by relevant regulatory authorities. Initially both of these directors will hold non-executive positions on the board. However, once a suitably qualified candidate has been identified, one of the Subscriber's nominee non-executive directors will resign and this candidate will be appointed as an executive director and Chief Operating Officer.

On 22 May 2013 the Company announced that Colin Orr-Ewing has tendered his resignation as Chairman and stepped down from the Board of the Company with immediate effect. The company appointed Yingbin Ian He, an existing director of the Company, as Non-Executive Chairman, with immediate effect.

Outlook

The long term future of profitable mining operations at Vatukoula requires access to new sections of existing ore bodies. Accessing these ore bodies is the key part of our capital investment program. However, the delay in securing debt funding has delayed the development of mining in these new sections.

While we wait to complete our funding we have been undertaking limited ore mining in existing open areas, and initiating mining in new areas where possible resulting in reduced overall production. Until additional funding is secured for the capital investment program we expect production to be maintained at the current rate. Therefore we do not expect any material variance from our current production levels for the remainder of the financial year.

However, we are fully aware that a substantial capital investment program is essential to place the mine onto a sustainable production level. The capital investment consists of essentially an underground development to access sufficient areas for long term production, an extensive drilling program to better define the ore bodies, an upgrade of our heavy vehicle engineering team to provide and maintain a larger fleet of underground equipment, and other ancillary projects.

We expect the capital investment program to cost in the region of US$40 million. The program will start to deliver benefits within 3 months of the start, and we expect the entire program to be complete within two years. Once complete we expect to be able to maintain production at the historic levels.

Dave Paxton
30 May 2013

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	6 months 28-Feb-13 (Unaudited) £'000	Restated 6 months 29-Feb-12 (Unaudited) £'000
Turnover	3	20,822	30,383
Cost of sales		(19,906)	(25,530)
Gross profit		**916**	**4,853**
Operating expenses			
Administrative expenses		(1,236)	(1,024)
Foreign exchange gains		1,532	901
Depreciation and amortisation expense		(3,486)	(3,529)
Underlying operating (loss) / profit		**(2,274)**	**1,201**
Inventory obsolescence write back		8	106
Gain on disposal of assets		29	-
Provision for mine rehabilitation		-	46
Provision for doubtful debt expense		(172)	(4)
Share based payments expense		(96)	(345)
Operating (loss) / profit		**(2,505)**	**1,004**
Interest receivable and other income		2	36
Interest payable and similar charges		(137)	(59)
Net (loss) / profit before taxation		**(2,640)**	**981**
Taxation		182	304
(Loss) / profit for the period		**(2,458)**	**1,285**
Attributable to:			
Owners of the Parent		(2,458)	1,285
Non Controlling interest		-	-
		(2,458)	**1,285**
Other comprehensive expenses			
Currency translation differences		(509)	(604)
Total comprehensive (loss) / income for the period		**(2,967)**	**681**
Attributable to:			
Owners of the Parent		(2,967)	681
Non Controlling interest		-	-

(Loss) / earnings per share			
		Pence	**Pence**
Basic	5	(2.26)	1.57
Diluted	5	(2.26)	1.58

All activities relate to continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	28-Feb-13 (Unaudited) £'000	29-Feb-12 (Unaudited) £'000	31-Aug-12 (Audited) £'000
Assets				
Non-current assets				
Intangible assets	6	37,328	34,655	36,841
Property, plant and equipment	7	25,375	25,070	25,713
Mine properties and development	8	16,933	9,065	11,515
Total non-current assets		**79,636**	**68,970**	**74,069**
Current assets				
Inventories		7,679	9,978	7,771
Trade and other receivables		4,497	7,165	6,383
Cash and cash equivalents		2,167	4,516	2,437
Total current assets		14,343	21,659	16,591
Total Assets		**93,979**	**90,449**	**90,660**
Current liabilities				
Trade and other payables		8,443	5,710	10,053
Provisions	9	982	840	1,073
Borrowings		174	117	-
Vatukoula Social Assistance Trust Fund		1,230	1,202	1,189
Convertible loan		322	-	-
Total current liabilities		**11,151**	**7,869**	**12,315**
Non-current Liabilities				
Provisions	9	3,554	4,261	3,320
Convertible loan		-	312	317
Vatukoula Social Assistance Trust Fund		16	13	15
Deferred tax liability		6,576	7,472	6,758
Total non-current liabilities		**10,146**	**12,058**	**10,410**
Shareholders' Equity				
Share capital	10	5,828	4,378	4,828
Share premium account		87,259	76,709	81,659
Merger reserve		2,167	2,167	2,167
Foreign exchange reserve		1,531	1,186	1,022
Other reserves		2,978	2,703	2,882
Accumulated losses		(27,081)	(16,621)	(24,623)
Total shareholders' equity		**72,682**	**70,552**	**67,935**
Total liabilities and shareholders' equity		**93,979**	**90,449**	**90,660**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	6 months 28-Feb-13 (Unaudited) £'000	Restated 6 months 29-Feb-12 (Unaudited) £'000
Cash flows from operating activities			
Operating (loss) / profit for the period:		(2,505)	1,004
Adjustments for:			
Share based payments		96	345
Depreciation and amortisation		3,486	3,529
Gain on disposal of assets		(29)	-
Inventory obsolescence write back		(8)	(106)
Foreign exchange gains		(1,105)	(810)
Provision for doubtful debt expense		172	4
Provision for mine rehabilitation		-	(46)
Movements in Employment Provisions		(111)	161
Net operating (loss) / income before changes in working capital		(4)	4,081
Payment to Vatukoula Social Assistance Trust Fund		-	(356)
Decrease / (increase) in inventories		368	(1,524)
Decrease in receivables		1,825	850
(Decrease) / increase in accounts payable		(1,846)	1,324
Net cash generated in operating activities		343	4,375
Cash flows from investing activities			
Payments for intangible assets	6	(997)	(1,582)
Purchase of property plant and equipment	7	(1,096)	(3,182)
Payments for mine properties and development	8	(5,242)	(2,137)
Proceeds from disposals of property plant and equipment		29	-
Interest received		2	36
Net cash used in investing activities		(7,304)	(6,865)
Cash flows before financing		(6,961)	(2,490)
Cash flows from financing activities			
Proceeds from issuance of shares	10	6,600	-
Interest paid		(126)	(65)
Proceeds from borrowings		174	112
Net cash provided by financing activities		**6,648**	**47**
Net decrease in cash and cash equivalents		**(313)**	**(2,443)**
Cash and cash equivalents at beginning of the period		2,437	6,892
Effect of foreign exchange on cash and cash equivalents		43	67
Cash and cash equivalents at end of the period		**2,167**	**4,516**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Ordinary share capital	Share premium	Merger reserve	Foreign exchange reserve	Share based payment reserve	Equity component of convertible loan note	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 **September 2012**	**4,828**	**81,659**	**2,167**	**1,022**	**2,837**	**45**	**(24,623)**	**67,935**
Loss for the period	-	-	-	-	-	-	(2,458)	(2,458)
Other comprehensive income								
– Currency translation differences	-	-	-	509	-	-	-	509
Total comprehensive income	-	-	-	509	-	-	(2,458)	(1,949)
Issue of shares	1,000	5,600	-	-	-	-	-	6,600
Cost of share issue	-	-	-	-	-	-	-	-
Share option expired	-	-	-	-	-	-	-	-
Convertible loan	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share based payments	-	-	-	-	96	-	-	96
Balance **at 28 February 2013**	**5,828**	**87,259**	**2,167**	**1,531**	**2,933**	**45**	**(27,081)**	**72,682**

	Ordinary share capital	Share premium	Merger reserve	Foreign exchange reserve	Share based payment reserve	Equity component of convertible loan note	Restated Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 **September 2011**	**4,378**	**76,709**	**2,167**	**582**	**2,313**	**45**	(**17,656)**	68,538
Profit for the period	-	-	-	-	-	-	1,285	1,285
Other comprehensive income								-
– Currency translation differences	-	-	-	604	-	-	-	604
Total comprehensive income	-	-	-	604	-	-	1,285	1,889
Issue of shares	-	-	-	-	-	-	-	-
Cost of share issue	-	-	-	-	-	-	-	-
Share option expired	-	-	-	-	-	-	-	-
Convertible loan	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share based payments	-	-	-	-	345	-	-	345
Balance at 29 February 2012	**4,378**	**76,709**	**2,167**	**1,186**	**2,658**	**45**	**(16,371)**	**70,772**

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2013

1. General information

Vatukoula Gold Mines Plc. is registered in England and Wales under number 5059077. The Company is governed by its articles of association and the principal statute governing the Company is the Companies Act 2006. The Company's registered office is at 2 More London Riverside, London, SE1 2AP. The company is listed on the AIM market of the London Stock Exchange. 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.

These interim condensed consolidated financial statements are unaudited and does not constitute statutory financial statements. The interim condensed consolidated financial statements incorporate the results of the Group for the period from 1 September 2012 to 28 February 2013. The results for the year ended 31 August 2012 have been extracted from the statutory financial statements for Vatukoula Gold Mines plc. for the year ended 31 August 2012 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 2012.

The same accounting policies, presentations and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended August 2012.

Certain prior year numbers have been restated, as detailed in note 15.

3. Turnover and Segmental Analysis

All turnover in the Group in the current and prior period is 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 2013

3. Turnover and Segmental Analysis (continued)

28 Feb 2013 (Unaudited)	Unattributed Head Office Costs £'000	Gold Mining £'000	Other Activity £'000	Total £'000
Turnover	-	20,822	-	20,822
Mining	-	(11,620)	-	(11,620)
Processing	-	(4,561)	-	(4,561)
Gold duty	-	(583)	-	(583)
Overheads	-	(3,142)	-	(3,142)
Cost of sales	-	(19,906)	-	(19,906)
Gross Profit	-	916	-	916
Administrative expenses	(943)	(209)	(84)	(1,236)
Foreign exchange gains	-	1,532	-	1,532
Depreciation and amortisation	(793)	(2,685)	(8)	(3,486)
Underlying operating loss	(1,736)	(446)	(92)	(2,274)
Inventory obsolescence	-	8	-	8
Gain on disposal of assets	-	29		29
Provision for doubtful debt	-	(172)	-	(172)
Share based payments	-	(96)	-	(96)
Operating loss	(1,736)	(677)	(92)	(2,505)
Interest receivable and other income	2	-	-	2
Interest payable and similar charges	(23)	(114)	-	(137)
Net loss before taxation	(1,757)	(791)	(92)	(2,640)
Taxation	182	-	-	182
Loss for the period	(1,575)	(791)	(92)	(2,458)
Other Segment Items				
Additions to intangible assets	-	997	-	997
Additions to property, plant, and equipment	-	1,096	-	1,096
Additions to mine properties and development	-	5,242	-	5,242
Current assets	684	13,486	173	14,343
Non currents assets	28,644	50,804	188	79,636
Current liabilities	(807)	(10,352)	8	(11,151)
Non current liabilities	(6,575)	(3,571)	-	(10,146)

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2013

3. Turnover and Segmental Analysis (continued)

6 months 29-Feb-12 (Unaudited)	Unattributed Head Office Costs £'000	Restated Gold Mining £'000	Other Activity £'000	Total £'000
Turnover	-	30,383	-	30,383
Mining	-	(16,606)	-	(16,606)
Processing	-	(5,279)	-	(5,279)
Gold duty	-	(920)	-	(920)
Overheads	-	(2,725)	-	(2,725)
Cost of sales	-	(25,530)	-	(25,530)
Gross Profit	-	4,853	-	4,853
Administrative expenses	(758)	(175)	(90)	(1,023)
Foreign exchange gains	-	901	-	901
Depreciation and amortisation	(1,218)	(2,302)	(10)	(3,530)
Underlying operating (loss) / profit	(1,976)	3,277	(100)	1,201
Inventory obsolescence	-	106	-	106
Rehabilitation charge	-	46	-	46
Provision for doubtful debt	-	(4)	-	(4)
Share based payments	(224)	(121)	-	(345)
Operating (loss) / profit	(2,200)	3,304	(100)	994
Interest receivable and other income	27	9	-	36
Interest payable and similar charges	(28)	(27)	(4)	(59)
Net (loss) / profit before taxation	(2,201)	3,286	(104)	981
Taxation	304	-	-	304
(Loss) / Profit for the period	(1,897)	3,286	(104)	1,285
Other Segment Items				
Additions to intangible assets	-	1,582	-	1,582
Additions to property, plant, and equipment	-	3,182	-	3,182
Additions to mine properties and development	-	2,137	-	2,137
Current assets	2,292	19,315	52	21,659
Non currents assets	29,633	38,928	229	68,790
Current liabilities	(115)	(7,746)	(8)	(7,869)
Non current liabilities	(7,783)	(4,275)	-	(12,058)

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2013

4. Results for the period

The Interim results are not affected by seasonality or cyclicity.

5. Earnings per share

(a) Basic

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

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

	6 months (Unaudited) 28-Feb-13 £'000	Restated 6 months (Unaudited) 29-Feb-12 £'000
(Loss) / profit after tax	**(2,458)**	**1,285**
	6 months 28-Feb-13 Number	**6 months 29-Feb-12 Number**
Basic weighted average ordinary shares in issue during the period	**108,823,532**	**81,622,820**
	6 months 28-Feb-13 Pence	**6 months 29-Feb-12 Pence**
Basic (loss) / earnings per share	(2.26)	1.57

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2013

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.

	28-Feb-13 £'000	29-Feb-12 £'000
(Loss) / profit after tax	(2,458)	1,285
Interest expense on convertible loan note (net of tax)	-	18
(Loss) / profit used to determine diluted earnings per share	**(2,458)**	1,303

	28-Feb-13 Number	29-Feb-12 Number
Basic weighted average ordinary shares in issue during the period	108,823,532	81,622,820
Adjustments for:		
Assumed conversion of convertible loan note	-	660,000
Share options / warrants	-	329,715
Diluted weighted average ordinary shares in issue during the period	**108,823,532**	**82,612,535**

	28-Feb-13 Pence	29-Feb-12 Pence
Diluted (loss) / earnings per share	(2.26)	1.58

All potential shares were anti-dilutive for the period ended 28 February 2013 as the Group was in a loss making position. As a result diluted loss per share for the period ended 28 February 2013 is disclosed as the same value as basic loss per share.

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2013

6. Intangible assets

Group	Mining Rights £'000	Computer Software £'000	Exploration expenditure £'000	Total £'000
Cost				
As at 1 September 2012	38,721	551	6,933	46,205
Additions	-	-	997	997
Disposals	-	-	-	-
Transferred from tangible assets	-	-	-	-
Exchange difference	-	19	283	302
As at 28 February 2013	**38,721**	**570**	**8,213**	**47,504**
Amortisation				
As at 1 September 2012	9,284	80	-	9,364
Current charge	794	15	-	809
Exchange difference	-	3	-	3
As at 28 February 2013	**10,078**	**98**	**-**	**10,176**
Carrying value as at 28 February 2013	**28,643**	**472**	**8,213**	**37,328**

Group	Mining Rights £'000	Computer Software £'000	Exploration expenditure £'000	Total £'000
Cost				
As at 1 September 2011	38,414	243	2,769	41,426
Additions	-	-	4,164	4,164
Disposals	-	-	(111)	(111)
Transferred from tangible assets	307	299	-	606
Exchange difference	-	9	111	120
As at 31 August 2012	**38,721**	**551**	**6,933**	**46,205**
Amortisation				
As at 1 September 2011	7,313	56	-	7,369
Current charge	1,971	23	-	1,994
Exchange difference	-	1	-	1
As at 31 August 2012	**9,284**	**80**	**-**	**9,364**
Carrying value as at 31 August 2011	**29,437**	**471**	**6,933**	**36,841**

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2013

6. Intangible assets (continued)

Group	Mining Rights £'000	Computer Software £'000	Exploration expenditure £'000	Total £'000
Cost				
As at 1 September 2011	38,414	243	2,769	41,426
Additions	-	-	1,582	1,582
Disposals	-	80	28	108
Exchange difference	-	9	122	131
As at 29 February 2012	**38,414**	**332**	**4,501**	**43,247**
Amortisation				
As at 1 September 2011	7,313	56	-	7,369
Current charge	1,217	5	-	1,222
Exchange difference	-	1	-	1
As at 29 February 2012	**8,530**	**62**	**-**	**8,592**
Carrying value as at 29 February 2012	**29,884**	**270**	**4,501**	**34,655**

The Mining rights represent the mining rights acquired on the acquisition of the Vatukoula Gold Mine in April 2008. The amortisation of the Mining Rights is calculated on a unit of production basis, based on forecast production and the total Mineral Reserves. At the current production, reserves and gold price, the useful economic life is expected to be 7 years. This rate will vary from year to year and is dependent on the mineral reserves which are reassessed every year. Amortisation is included in depreciation and amortisation in the Statement of Comprehensive Income.

For the year ended August 2012 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 cashflows.

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 7 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 pre-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.

The Exploration expenditure is an internally generated intangible asset, and represents costs associated with the exploration and evaluation of mineral deposits on our mining and special prospecting licenses and are capitalised under IFRS 6. The directors believe that there are no indicators of impairment.

The Computer Software expenditure represents the costs associated with the purchase of specialised mining and inventory software.

For the half year ended 28 February 2013, management reviewed the estimates used in the calculation of the amortisation rates for Intangible Assets. The details of the changes in estimates are discussed in note 16.

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2013

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 2012	1,024	2,572	33,466	341	1,998	145	39,546
Additions	-	1,096	-	-	-	-	1,096
Transferred on completion	-	(1,620)	1,620	-	-	-	-
Disposals	-	-	(151)	-	-	-	(151)
Exchange difference	32	60	1,773	8	68	1	1,942
As at 28 February 2013	**1,056**	**2,108**	**36,708**	**349**	**2,066**	**146**	**42,433**
Accumulated depreciation							
As at 1 September 2012	13	-	13,021	238	463	98	13,833
Charge for the period	6	-	2,195	1	31	1	2,234
Disposals	-	-	(151)	-	-	-	(151)
Exchange difference	1	-	1,119	4	17	1	1,142
As at 28 February 2013	**20**	**-**	**16,184**	**243**	**511**	**100**	**17,058**
Net book value							
At 28 February 2013	**1,036**	**2,108**	**20,524**	**106**	**1,555**	**46**	**25,375**
At 31 August 2012	1,011	2,572	20,445	103	1,535	47	25,713

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 2011	1,165	201	28,087	370	2,869	148	32,840
Additions	-	7,245	-	-	-	-	7,245
Transferred on completion	90	(4,607)	4,517	-	-	-	-
Disposals	-	-	(122)	-	-	-	(122)
Changes in estimates	-	-	-	-	(932)	-	(932)
Transferred to intangible	(250)	(299)	-	-	-	-	(549)
Exchange difference	19	32	984	(29)	61	(3)	1,064
As at 31 August 2012	**1,024**	**2,572**	**33,466**	**341**	**1,998**	**145**	**39,546**
Accumulated depreciation							
As at 1 September 2011	-	-	8,643	251	315	98	9,307
Charge for the period	13	-	3,835	2	139	2	3,991
Disposals	-	-	(27)	-	-	-	(27)
Impairment	-	-	-	-	-	-	-
Exchange difference	-	-	570	(15)	9	(2)	562
As at 31 August 2012	**13**	**-**	**13,021**	**238**	**463**	**98**	**13,833**
Net book value							
At 31 August 2012	**1,011**	**2,572**	**20,445**	**103**	**1,535**	**47**	**25,713**
At 31 August 2011	1,165	201	19,444	119	2,554	50	23,533

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2013

7. Property, plant and equipment (continued)

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 2011	1,165	201	28,087	370	2,869	148	32,840
Additions	-	3,182	-	-	-	-	3,182
Transferred on completion	90	(1,988)	1,898	-	-	-	-
Transferred to intangible	-	(80)	(28)	-	-	-	(108)
Exchange difference	29	26	1,464	(6)	92	(1)	1,604
As at 29 February 2012	**1,284**	**1,341**	**31,421**	**364**	**2,961**	**147**	**37,518**
Accumulated depreciation							
As at 1 September 2011	-	-	8,643	251	315	98	9,307
Charge for the period	7	-	1,902	1	117	1	2,028
Transferred to intangible	-	-	-	-	-	-	-
Exchange difference	-	-	853	(3)	13	-	863
As at 29 February 2012	**7**	**-**	**16,184**	**243**	**511**	**100**	**12,198**
Net book value							
At 29 February 2012	**777**	**1,341**	**20,023**	**15**	**2,516**	**48**	**24,720**

NOTES TO THE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 28 FEBRUARY 2013

8. Mine properties and development

	28-Feb-13 (Unaudited) £'000	29-Feb-12 (Unaudited) £'000	31-Aug-12 (Audited) £'000
Cost			
Balance as at 1 September	13,865	8,695	8,695
Additions	5,242	2,137	4,952
Foreign exchange difference	722	313	218
Balance at end of period/year	**19,829**	**11,145**	**13,865**
Depreciation			
Balance as at 1 September	2,350	1,740	1,740
Current charge	445	278	566
Foreign exchange difference	101	62	44
Balance at end of period/year	**2,896**	**2,080**	**2,350**
Carrying value			
Balance at end of period/year	**16,933**	**9,065**	**11,515**

For the half year ended 28 February 2013, management reviewed the estimates used in the calculation of the depreciation rates for Mineral Properties and Development. The details of the changes in estimates are discussed in note 16.

9. Provisions

	Group		
	28-Feb-13 (Unaudited) £'000	29-Feb-12 (Unaudited) £'000	31-Aug-12 (Audited) £'000
Current			
Provision for annual leave	271	254	272
Provision for workers compensation	121	90	137
Other employee related provisions	590	496	664
	982	840	1,073
Non current			
Provision for mine rehabilitation	3,426	4,200	3,247
Provision for Long Service Leave	128	61	73
	3,554	4,261	3,320
	4,536	**5,101**	**4,393**

Group	Employee related provisions £'000	Mine rehabilitation £'000	Long Service Leave £'000	Total £'000
Balance at 1 September 2012	1,073	3,247	73	4,393
Additional provisions made during the period	325	-	24	349
Reversed during the period	(446)	-	(14)	(460)
Unwinding of discount	-	23	-	23
Changes in estimates	-	-	-	-
Exchange difference	30	156	45	231
Balance at 28 February 2013	**982**	**3,426**	**128**	**4,536**

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2013

9. Provisions (continued)

Employee related provisions include a provision for unpaid annual leave based on Fijian labour legislation, and a provision for legally required workers compensation relating to work injuries. Based on current estimates, these are expected to realise in approximately 10 years.

The provision for mine rehabilitation represents the current mine closure plan. The present value of the estimated cost is capitalised as property, plant and equipment. Over time the discounted liability will be increased for the change in the present value based on the discount rates that reflect the current market assessments and the risks specific to the liability. The provision for Mine rehabilitation is expected to be expensed over 10 years. This is based on the current economic useful life of seven years plus a further three years of rehabilitation. The economic useful life is dependent on the economic viability of extracting the contained Mineral Reserves and may vary on a year by year basis dependant on the mining / processing costs and the price of gold. In addition the quantum of the provision may vary on a year by year basis dependant on the costs associated with executing the Mine Rehabilitation Plan.

Long Service Leave is a contractual obligation for additional leave days earned by employees with 10 years or more service. Based on current estimates, these are expected to realise in approximately 10 years.

10. Share capital

	Group and Company		
(a) Share Capital	**28-Feb-13 (Unaudited) £'000**	**29-Feb-12 (Unaudited) £'000**	**31-Aug-12 (Audited) £'000**
Allotted, issued and fully paid			
116,558,339 ordinary shares of 5p each (31 Aug 2012: 96,558,339 ordinary shares of 5p each)	5,828	4,378	4,828

(b) Share issues during the period

The following shares were issued during the period ended 28 February 2013:

	Date	Issue value per Share £	Par value per Share £	Share premium per Share £	Shares Number	Share Capital £	Share premium £	Value of shares issued for cash £
Shares issued for cash								
Issue for cash	09/11/2012	0.33	0.05	0.28	20,000,000	1,000,000	5,600,000	6,600,000
					20,000,000	**1,000,000**	**5,600,000**	**6,600,000**

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2013

10. Share capital (continued)

(c) Warrants and options

During the period ending 28 February 2013 the following movements occurred on the warrants and options to purchase 5p ordinary shares in Vatukoula Gold Mines Plc.

	Average exercise price per share	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of warrants and options	Number of options	Number of options	
Exercise price		**£0.50**	**£0.70**	**£0.77**	**£0.88**	**£0.90**	**£0.95**	**£0.97**	**£1.00**	**£1.39**	**£1.75**	**Total**
Balance at 1 September 2012	1.1	863,000	360,000	-	235,000	400,000	365,000	700,000	4,200,000	484,112	800,000	8,407,112
Granted during the period	-	-	-	-	-	-	-	-	-	-	-	-
Exercised during the period	-	-	-	-	-	-	-	-	-	-	-	-
Expired during the period	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 28 February 2013	**1.1**	**863,000**	**360,000**	**-**	**235,000**	**400,000**	**365,000**	**700,000**	**4,200,000**	**484,112**	**800,000**	**8,407,112**

	Average exercise price per share	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of warrants and options	Number of options	Number of options	
Exercise price		**£0.50**	**£0.70**	**£0.77**	**£0.88**	**£0.90**	**£0.95**	**£0.97**	**£1.00**	**£1.39**	**£1.75**	**Total**
Balance at 1 September 2011	1.1	863,000	-	-	235,000	400,000	365,000	700,000	4,200,000	484,112	-	7,247,112
Granted during the period	1.1	-	360,000	9,000,000	-	-	-	-	-	-	800,000	10,160,000
Exercised during the period	-	-	-	-	-	-	-	-	-	-	-	-
Expired during the period	0.8	-	-	(9,000,000)	-	-	-	-	-	-	-	(9,000,000)
Balance at 31 August 2012	**1.1**	**863,000**	**360,000**	**-**	**235,000**	**400,000**	**365,000**	**700,000**	**4,200,000**	**484,112**	**800,000**	**8,407,112**

At the period end 6,347,112 options (31 August 2012: 6,347,112 options) are exercisable.

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2013

10. Share capital (continued)

(c) Warrants and options (continued)

	Average exercise price per share	Number of options	Number of options	Number of options	Number of options	Number of options	Number of options	Number of warrants and options	Number of options	Number of options	
Exercise price		**£0.50**	**£0.70**	**£0.88**	**£0.90**	**£0.95**	**£0.97**	**£1.00**	**£1.39**	**£1.75**	**Total**
Balance at 1 September 2011	1.1	863,000	-	235,000	400,000	365,000	700,000	4,200,000	484,112	-	7,247,112
Granted during the period	1.4	-	360,000	-	-	-	-	-	-	800,000	1,160,000
Exercised during the period	-	-	-	-	-	-	-	-	-	-	-
Expired during the period	-	-	-	-	-	-	-	-	-	-	-
Balance at 29 February 2012	**1.1**	**863,000**	**360,000**	**235,000**	**400,000**	**365,000**	**700,000**	**4,200,000**	**484,112**	**800,000**	**8,407,112**

NOTES TO THE FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 28 FEBRUARY 2013

11. Post balance sheet events

On 8 April 2013 the Company announced that it had entered into a subscription agreement with Zhongrun International Mining Co. Ltd. ("Zhongrun") whereby Zhongrun subscribed for 8,800,000 new ordinary shares in the Company at a price of £0.15 per share (the "Subscription Shares") to raise £1.32 million (the "Subscription Agreement"). The Subscription Shares represent approximately 6.96% of the enlarged issued share capital of the Company, increasing Zhongrun's holding to 37,800,000 ordinary shares, representing approximately 29.91% of the enlarged share capital of the Company.

On 20 May 2013 the Company announced it has entered into a subscription agreement with SCD Energy Inc., ("Subscriber"), which is an indirectly wholly owned subsidiary of DRK Energy Co., Limited ("DRK") whereby the Subscriber has subscribed for 30,000,000 new ordinary shares in the Company at a price of £0.15 per share (the "Subscription Shares") to raise £4.5 million (the "Subscription Agreement"). The Subscription Shares will represent approximately 19.2% of the enlarged issued share capital of the Company. The first tranche was completed by the 28 May 2013 and the second will be completed by the 17 June 2013.

In addition, under the Subscription Agreement, the Company and DRK have agreed to work in conjunction to source the required debt financing to fund the Company's planned expansion programme. Should VGM enter into a debt financing package facilitated or introduced by DRK of no less than US$40 million within 120 days of the Subscription Agreement ("Debt Financing") DRK will have the option to acquire an additional 24,000,000 new ordinary shares in the Company (the "Option") at an exercise price of £0.15 per share.

If, however the Company secures the Debt Financing within the 120 days from institutions that it is currently in discussions with, the Option exercise price will be the lower of £0.25 or 90% of the five day trading volume weighted average price ("VWAP") following the announcement of the Debt Financing. These terms will also apply if no debt financing is secured within the 120 days, in which case the VWAP will be based on the 5 trading days after the expiry of the 120 day period. The issue of shares under the option would be subject to approval at a general meeting which will be convened once the Company has more certainty on the nature and timing of the Debt Financing.

If exercised, the Option would represent approximately 13.3% of the enlarged issued share capital of the Company and in aggregate with Subscription Shares DRK, the Subscriber would hold approximately 29.9% of the enlarged issued share capital of the Company.

In conjunction with the Subscription Agreement, the Company has agreed that the Subscriber will be entitled to nominate 2 directors for appointment to the board on completion of the first tranche of the Subscription Agreement. Their appointment will be subject only to approval by relevant regulatory authorities. Initially both of these directors will hold non-executive positions on the board. However, once a suitably qualified candidate has been identified, one of the Subscriber's nominee non-executive directors will resign and this candidate will be appointed as an executive director and Chief Operating Officer.

On 22 May 2013 the Company announced that Colin Orr-Ewing has tendered his resignation as Chairman and stepped down from the Board of the Company with immediate effect. The company appointed Yingbin Ian He, an existing director of the Company, as Non-Executive Chairman, with immediate effect.

12. Capital Commitments

Capital commitments as at 28 February 2013 amounted to £438,900 (31 August 2012; £495,728). These commitments are in relation to projected expenditure on mine properties and development.

13. Related party transactions

During the period, the Company paid consultancy fees of £nil (31 August 2012: £59,500) 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 period end.

14. Contingent liabilities

No significant changes in contingent liabilities occurred since the end of last annual reporting period.

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2013

15. Restatement of prior year numbers

Comparative numbers for the 6 months ended 29 February 2012 have been restated to reflect the annual financial statements for the year ended 31 August 2012 regarding the transfer of £250,000 from Property, Plant and Equipment to acquisition costs. The amount was originally impaired in the 6 months statements for 29 February 2012.

16. Changes to accounting estimates

The following changes to accounting estimates were made in the 2013 financial year in accordance with IAS 8.39:

- The basis for the Unit of production calculation used to determine the amortisation rate for intangible assets has been changed to the total expected delivered ounces per the Life of Mine plan. Previously, opening contained Reserves per the prior year Reserves & Resources report was used a base for this calculation. This resulted in a decrease in amortisation of £320,274
- The impact of the above change in estimate also reduced the Taxation credit £74,124
- The basis for the Unit of production calculation used to determine the depreciation rate for Mineral Properties and Development has been changed to the total expected delivered ounces per the Life of Mine plan. Previously, opening contained Indicated Resources per the prior year Reserves & Resources report was used a base for this calculation. This resulted in an increase in depreciation of £79,179
- The allocation of development related overheads between operating expenditure and capitalised MPD was calculated on a per tonne basis. Previously, this allocation was calculated on a per metre basis. This reduced cost of sales by £2.8 million and increased capitalised MPD by £2.8million.

17. 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.

18. Approval of interim financial statements

The interim financial statements for the six months ended 28 February 2013 were approved by the board of directors on 30 May 2013.