

10 May 2018

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

Operational Results for the Year Ended 31 December 2017

Vatukoula Gold Mines Plc (VGM) announces its unaudited operational results from its 100% owned Vatukoula Gold Mine in Fiji for the year ended 31 December 2017.

	12 months ended Dec 2017	12 months ended Dec 2016
<u>Underground Mining</u>		
Total underground tonnes mined (ore, waste & capital)	415,164	399,399
Operating development (metres)	7,372	8,181
Capital development (metres)	8,756	7,955
Total development (metres)	16,129	16,136
<u>Sulphide Plant</u>		
Sulphide ore delivered (tonnes)	336,994	318,920
Sulphide head grade (grams/tonne)	4.36	4.57
<u>Oxide Plant</u>		
Oxide ore delivered (tonnes)	2,945	-
Oxide head grade (grams/tonne)	2.90	-
<u>Tailing Retreatment Plant</u>		
Tailing ore delivered (tonnes)	343,640	415,577
Tailing head grade (grams/tonne)	1.49	1.60
<u>Total (sulphide+oxide+tailing retreatment)</u>		
Ore processed (tonnes)	683,577	734,496
Average ore head grade (grams/tonne)	2.91	2.88
Total recovery	71.4%	69.6%
Gold produced	45,673	48,216
Gold shipped	45,013	47,805
<u>Cash Costs</u>		
Operating cash cost per ounce shipped (US\$/ounce)	918	898
All in cash cost per ounce shipped (US\$/ounce)	1,632	1,263
Average realised gold price (US\$/ounce)	1,263	1,245

Underground Production and Development

Total tonnes of ore and waste mined increased by 4% to 415k tonnes in 2017 from 399k tonnes in 2016. A total of 337kt ore was delivered to the mill from underground in 2017, a 6% increase from 319kt in 2016.

The waste tonne mined was 80kt in 2017, compared to 80kt in 2016, 54kt in 2015 and 127kt in 2014, reflecting a falling effort to increase capital development due to lack of capital funding. The capital development is required to sustain ore output in 2018 and beyond. In order to achieve the mine's nameplate capacity of 680kt per annum and to reduce unit cost, substantial funding is required for mine development and mill retrofitting. We continue to discuss with some strategic investors for major funding, which has been very challenging with the currently depressed gold market.

The average underground ore grade in 2017 was 4.36 grams per tonne, compared to 4.57 grams per tonne in 2016. The overall average ore grade in 2017 is 2.91 grams per tonnes, compared to 2.88 grams per tonne in 2016.

Vatukoula Treatment Plant (“VTP”)

Total ore processed was 684kt in 2017, including 337kt underground ore and 347kt tailings, compared to 734kt in 2016.

The average head grade was 2.91 grams per tonne in 2017 from 2.88 gram per tonne in 2016 and 3.79 grams per tonne in 2015. This was due to lower grade of underground ore and higher percentage of low-grade re-processed tailings.

The overall mill recovery was 71% in 2017, compared to 70% in 2016 and 76% in 2015. The change in overall mill recovery rate was mainly due to percentage change in re-processed tailings, with much lower recovery rate at around 45%, over total ore processed.

Gold shipped was 45k ounces in 2017, a 6% decrease over 48k ounces in 2016 and 5% increase over 43k ounces in 2015.

Cash Costs

The unit operating cash costs decreased to US\$918 per ounce in 2017 from US\$898 per ounce in 2016 and US\$1,121 per ounce in 2015. The higher unit cash cost in 2017 than in 2016 is mainly due to lower gold ounces shipped. All-in sustaining costs increased to US\$1,632 per ounce in 2017 from US\$ 1,263 per ounce in 2016 mainly due to significant capital expenditure on new Heavy Fuel Oil (HFO) power plant.

New Development and Events

A new Heavy Fuel Oil (HFO) power plant with a total capital costs of approximately US\$12 million entered commercial operations in July 2017. The HFO power plant is designed to replace the existing diesel power plant to reduce the energy costs, generating approximately an annual cost saving of US\$6 million.

A joint venture agreement with Pangea Gold Corporation Limited based in Hong Kong was signed on 26 September 2017 to build a new processing plant to process underground ore with capacity of 2000t/d and to modify current processing plant to reprocess tailings with capacity of 3000t/d. The construction of 2000t/d new processing plant is expected to be completed by June 2019 with total capital costs of approximately US\$30 million and the modification of current processing plant is expected to be completed by April 2019 with total capital costs of approximately US\$12 million.

A fatal accident took place in the underground workings on 5 April 2017, killing one worker and injuring several others by falling rocks. The Mineral Resources Department of Fiji ordered a closure of underground mining operations on 18 April 2017 and conducted audit on the underground workings. Mining operation has been resumed in most areas since 1 May 2017.

Enquiries:

Vatukoula Gold Mines plc

Yingbin Ian He

Email: he1987@yahoo.com

Bill Tan

Email: bin.t@vgml.com.fj