VATUKOULA GOLD MINES

Annual Report & Accounts 2013

For the year ending 31 August 2013

Contents

Business Review

Financial Statements

Forward-looking Statement

This annual report contains 'forward-looking information', which may include, but is not limited to, statements with respect to the future financial and operating performance of VGM, its subsidiaries, investment assets and affiliated companies, its mining projects, the future price of gold, the estimation of mineral resources, the realisation of mineral resource estimates, costs of production, capital and exploration expenditures, costs and timing of the development of new deposits, costs and timing of the development of new ore zones, costs and timing of future exploration, requirements for additional capital, governmental regulation of mining operations and exploration operations, timing and receipt of approvals, licenses, and conversions under The Republic of Fiji and other applicable mineral legislation, environmental risks, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters.

Often, but not always, forward-looking statements can be identified by the use of words such as 'plans', 'expects', 'is expected', 'budget', 'scheduled', 'estimates', 'forecasts', 'intends', 'anticipates' or 'believes', or variations (including negative variations) of such words and phrases, or state that certain actions, events or results 'may', 'could', 'would', 'might' or 'will' be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of VGM and/or its subsidiaries, investment assets and/or its affiliated companies to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements.

Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; conclusions of economic evaluations and studies; fluctuations in the value of UK Pounds Sterling relative to the United States Dollar, Fijian Dollar, Australian Dollar and other foreign currencies; changes in project parameters as plans continue to be refined; future prices of gold; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability, adverse weather conditions, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities.

Although VGM has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may well be other factors that cause actions, events or results to differ from those currently anticipated, estimated or intended.

Forward-looking statements contained herein are made as of the date of this annual report and VGM disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein. Nothing in this annual report should be construed as a profit forecast.

Our Business

Vatukoula Gold Mines plc. ("VGM" or "Group") explores, discovers, and develops gold mining operations. The Group is primarily focused on its operations on the Pacific Island of Viti Levu, Fiji.

VGM is the owner of the longest producing gold mine in Fiji. Operating for over 75 years, the mine has produced in excess of seven million ounces of gold. VGM acquired the mine in 2008 and aims to reach a sustainable and profitable production level. We are currently in our next phase of expansion at the mine, increasing our production from the current base of approximately 40,000 ounces per annum. The mine currently has 4.1 million ounces of Mineral Resources and 750,000 ounces of Mineral Reserves.

The Vatukoula Gold Mine is located in the northern part of Fiji's main island, approximately ten kilometres inland from the coast and within the Tavua Basin. The mine is located at the foot of the hills that make up the Tavua Volcanic Crater.

The mine operates within three Special Mining Leases which cover a total area of 1,255 hectares. In addition VGM has the right to explore areas outside the current mining leases via Special Prospecting Licenses that cover over 19,000 hectares of the surrounding Tavua Volcano.

The Vatukoula Gold Mine is currently both an open pit and underground operation, however in the medium-term it will become predominantly an underground mine. Underground production is sourced from four mining areas; Smith Shaft, Philip Shaft, R1 Cayzer Shaft and Emperor Decline. The Smith and Philip Shafts, and the Emperor Decline serve as the main accesses to the underground workings for personnel and materials, and are used for ore and waste haulage.

Once the ore is hauled to the surface it is crushed, enriched and refined at our on-site treatment plant, to produce gold doré. Gold doré produced at the mine is typically 80% gold, 19% silver and 1% base metals such as copper and iron. The gold doré is sold to the Perth Mint in Australia.

VGM has onsite workshops, assay labs and produces its own power via diesel generators.

Vatukoula Gold Mines plc. is a UK public company with its headquarters in London. We are listed on the AIM market of the London Stock Exchange under the symbol VGM. The Group reports in Pounds Sterling (£) in accordance with IFRS as adopted by the European Union.

Our Strategy

We have a clear strategy: to deliver to our shareholders the full potential of the Vatukoula Gold Mine. We aim to achieve this by focusing on four key strategic priorities:

Strategic Priority	Operational Drivers	Targets in 2013	Achievements in 2013
Expand Current production from the Vatukoula Gold Mine to a targeted sustainable and profitable rate of production	Develop enough underground access, or development, allowing access to the required mining areas and therefore tonnages and grade	Achieve normal and capital development metres of 16,500 metres	19,823 metres of operating and capital development carried out. Development was limited as the Group awaited the completion of the required financing of US$ 40 million. This has subsequently been agreed and the first tranche of the financing was completed subsequent to the year end. The second tranche of the financing is due for completion by the end of February 2014.
Sustain The targeted production rate beyond current Mineral Reserves	Further define the large mineral resource inventory and converting this to Proven and Probable Mineral Reserves to both replace ounces mined and increase the current Mineral Reserve base	Begin reserve and resource drilling programme with the objective of increasing our Mineral Reserve base	Limited drilling occurred during the year as available cash reserves were used in operating and critical capital expenditure.
Optimise Our working practices and working relationships to target lower unit costs on a per tonne basis	Target key operational drivers and costs that have high internal rates of return and low capital costs	Further negotiations with Fiji Sugar Corporation (“FSC”) with the aim of signing a memorandum of understanding to develop a biomass power station	It became apparent that during the year that the FSC were not progressing the development of a biomass power station at the rate we were expecting, as such we are currently looking to find alternate partners to develop and commission an alternate power source.
Grow Through greenfield opportunities in the area surrounding the Vatukoula Gold Mine	Evaluate, define and explore the Special Prospecting Licenses within the Tavua Basin	Continue exploratory field work on the Special Prospecting Licenses within the Tavua Basin	Limited exploration and drilling occurred during the year as available cash reserves were used in operating and critical capital expenditure.

We operate in a responsible manner in relation to our people, the environment and the communities that we inhabit. As a business these elements are important in the achievement of our strategic priorities.

Operational & Financial Highlights 2012/2013

Financial

- Turnover of £39.1 million (2012: £54.9 million) – variance driven by lower gold production
- Cost of Sales £40.3 million (2012: £53.5 million) – as a result of lower mining costs
- EBITDA loss of £9 million (2012: £1.5 million) – as a result of lower gold production
- Underlying operating loss £12.6 million (2012: Loss: £6.6 million)
- Loss for the period of £15.7 million (2012: Loss: £7.1 million)
- Continued capital investment of £13.8 million (2012: £16.1 million)
- Completion of £12.4 million equity placing through the issue of 58.8 million shares during the year
- Agreed US$40 million financing to fund the expansion of mine

Operational

- Gold shipped was 39,517 ounces for the year ended August 2013 compared to 52,616 ounces for the year ended August 2012. This was a result of both a lower grade delivered to the mill and lower tonnes.
- Ore Processed was 428,978 tonnes in the period under review compared to 479,524 tonnes during the previous period.
- Capital development decreased from 4,975 metres to 4,498 metres during the year as a result of the constrained cash flow during the period under review.

Chairman's Statement

Dear Shareholders,

This is my first annual statement as VGM Chairman, having taken over from Colin Orr-Ewing as non-executive chairman of the board at the end of May 2013. I am honoured to serve as chairman of VGM and to tackle the challenges that VGM may encounter during one of the more difficult periods in the gold mining sector. Nonetheless I have a firm belief in the Vatukoula Gold Mine and its potential. In a recent report, by Natural Resource Holdings Ltd, the Vatukoula Gold Mine was ranked 212th in terms of minerals resources among 580 mines, and ranked 29th among the top 50 producing mines by grade.

Introduction to the role

As part of my planned introduction to the role of chairman, I have had the opportunity to spend some time at the Vatukoula Gold Mine in Fiji, and to meet with many of its senior leaders in a range of forums. I have been extremely impressed by the enthusiasm and professionalism by many of the Group's managers.

I have also been able to meet most of the Company's larger shareholders. Keeping in touch with investors is an essential part of my role and I intend to maintain regular contact with them in future.

Market and economy

During this financial year we have seen a downward pressure on the gold price. This is despite evidence that shows a very positive increase in consumer demand and only a moderate increase in supply. However financial and investment demand has fallen which has been the primary driver for the negative price trend and, as such, I believe that in the short term the gold price is going to be dominated by unpredictable economic shocks and political shocks and an element of speculation amongst traders.

Nonetheless commodity prices have always been cyclical in nature and the gold market is no exception. If the past events are any indication for the future, the gold market has now reached its bottom, and is poised to recover in the future years. Why? Over the last 20 years since 1993, we have witnessed three major cycles for gold markets. In January 1996, gold price reached its 7-year high at US$403 per ounce. A bear market followed, triggered by the 1997 Asian financial crisis. In January 2001, gold price reached its bottom at US$253 per ounce. This represents a 37.2% correction from its previous high. Then the gold price embarked on an initially gradual and later accelerated rise. In February 2008, gold price reached its 20 year high at US$973 per ounce. This represents a 141% rise from its 2001 price. This new high was followed by a major corrective phase triggered by the US financial crisis. In October 2008, gold price dropped to US$732 per ounce, representing a 24.8% correction over its previous high. This correction is then followed by another bull run in the gold market. In July 2011, gold price reached another new high of US$1,838 ounce, representing a 151% rise over its previous low; 3 quarters later in April 2013, because of the US monetary policy, the gold price fell to as low as US$1, 206 per ounce, representing a 34.4% drop from its previous high.

I believe that we can conclude from the above events that with each major correction of 25% to 40% in gold price, a major bull run of over 100% could follow, with initial price consolidation at the bottom and later an

accelerated rise. If history repeats itself, the gold price might rise to a US$2,000 per ounce level following the current consolidation.

Another major factor influencing the gold price is China's strategy is to make its Renminbi ("RMB") freely exchangeable and as an international reserve currency. The Chinese government has been preparing for this since 1996 when China made RMB exchangeable under current account. To achieve its goal, China would have to substantially increase its current gold holding of 1,054 tonnes, which represents 1.2% of China's total foreign reserve of US$3.662 trillion in September 2013. In comparison, gold holding accounts for 50% to 70% of foreign reserves for the US and most of the European Union countries. In order to increase its gold holding to the global average of 10% of foreign reserves, China needs to acquire an additional 7,706 tonnes of gold, in par with the US gold holding of 8,133 tonnes.

Financial Performance

The continued downward pressure on the gold price has made developing and mining at the Vatukoula Gold Mines very difficult. Moreover the delays in securing the capital investment has prevented the mine from embarking on its growth strategy which in turn lowered production below management expectations. The losses this year have increased compared to the same period last year, however this was driven not by an increase in costs but as a result of lower gold prices and lack of capital investment which hampered production.

Financing and shareholder support

As mentioned at last year's Annual General Meeting the board highlighted that to achieve its production targets it would require US$40 million for capital investment and working capital. While we secured this financing we continued to receive support from our major shareholders – including DRK Energy Co., Limited ("DRK"), who over the period under review, invested £4.5 million in May 2013 and Zhongrun International Mining Co. Ltd ("Zhongrun"), whom invested £6.6 million in October 2012 and £1.3 million in April 2013.

More importantly this year we finalised the US$40 million investment agreement with Zhongrun. The investment agreement stipulated that the funding will be provided in two tranches of approximately US$20 million each. The first tranche was completed after the year end in November 2013. The second tranche was due for completion at the end of January 2014, we have subsequently agreed with Zhongrun that they will deliver these funds by the end of February 2014.

I would personally like to thank both DRK and Zhongrun for their continued support in this difficult market.

The board

2013 saw change on the board, with the retirement of Colin Orr-Ewing and my appointment as his replacement. I would like to thank Colin for his service to the Group, both as chairman since 2004 and before that as a director of the Group. Continually refreshing is vitally important if a board is to function as effectively as possible.

In January 2013, Ian Stalker resigned from the board for personal reasons. Ian was appointed as a non-executive director in 2008 and was heavily involved in the initial commissioning of operations at the Vatukoula Gold Mine. Subsequent to this his experience and knowledge was invaluable in planning the development of the Vatukoula Gold Mine.

As part of the equity subscription agreement announced in October 2012, VGM agreed with Zhongrun that they were entitled to propose four nominees for election as Directors at the Annual General Meeting ("AGM"). In January 2013, the following directors were appointed as directors of the Group; Mr. Yeung Ng, Mr. Fengwen Zheng and myself.

As part of the equity subscription agreement announced in May 2013, VGM agreed with DRK that they were entitled to nominate two directors for appointment to the board. The two directors appointed were Mr. Yongan Lu and Mr. Wei Li.

In addition, and in order to complete the DRK agreement and comply with the shareholder agreement with Zhongrun, both of which require a board of seven directors, both Kiran Caldas Morzaria and John Francis Kearney agreed to tender their resignations as Directors.

I would like to thank John Kearney for his tireless efforts over the past 4 years. He contributed immensely to the development of the Board and provided the Company with valuable guidance and strategic vision.

Although no longer a Director, Kiran Caldas Morzaria has remained as the Chief Financial Officer of the Group.

I am delighted with these new appointments to the board; their qualities will be invaluable to the board and to the Group as we continue to develop the business.

Strategic Review Committee

2014 will be a time of both change and consolidation for the Group. There have been a number of changes at both board and Group executive committee level and there will be new challenges involved in implementing the Group's strategy.

Subsequent to the year-end VGM agreed with Zhongrun to form a strategic review committee, which has been reviewing all aspects of the Vatukoula Gold Mine. It is anticipated that these findings will be made available to the board during the second quarter of this year. The Group will however continue to grow and develop and I have learned in the short time that I have been involved with the Company that, in this aim, it is well served by a group dedicated and professional employees.

Strategy and key business objectives

We have a clear strategy: to deliver to our shareholders the full potential of the Vatukoula Gold Mine. We aim to achieve this by focusing on four key strategic priorities: expand, sustain, optimise and grow:

In the coming year our key business objectives are:

Expand: To expedite the underground development and achieve a total capital development of 5,000 metres.

To produce 45,000 ounces of gold.

Sustain: To re-embark on the resource definition drilling campaign started in 2011.

Optimise: To review all current suppliers and embark on negotiating longer term contracts which will improve our operational process flow and reduce unit costs.

Grow: Carry out preliminary field work on identified gold and copper targets in the Tavua basin.

In the longer term our key business objectives are:

Expand: To produce 100,000 ounces per annum at a cash cost of below US$900 per ounce.

Sustain: Continue resource development drilling at approximately 20,000 metres per annum.

Optimise: To actively seek investment from international utility and power companies for building a power plant in Fiji, permanently resolving the problem of high power costs.

Grow: To continue our exploration efforts to upgrade and increase our 4 million once gold Mineral Resource estimate, laying the foundation for future mine expansion.

In addition to the above VGM will be seeking the opportunity of listing the Company in the Asia or North America markets, where gold companies command a better company valuation.

I firmly believe VGM is poised for growth and future success. With 2013 behind us, I take this opportunity to thank our employees for their tireless efforts and hard work; and acknowledge the support provided to the Company by all our stakeholders and suppliers.

To all who share our optimism for seizing the great opportunities and challenges that lie ahead, we say thanks for your continuing confidence and support.

Y.B. Ian He
Non-Executive Chairman
3 February 2014

Chief Executive Officer's Statement

During the last twelve months the operations at the Vatukoula Gold Mine have been severely hampered by the lack of capital to undertake the necessary development required to establish production levels to our targeted rate. At the beginning of the year we were waiting for the funding that had been agreed to by a Hong Kong based mining investment company but unfortunately those funds never materialised.

As discussed in my last commentary we established that a major capital program was required to undertake the development required. The mining plan for the year was based on a development program over 18 months, opening up major new areas for long term mining at Vatukoula. Due to the delay in the funding this program was delayed. At the end of the year, a full twelve months later, the program has not been commenced.

It is a credit to all the mine staff, from the General Manager to the trainees for the support that they have given to the Company during this trying time. We have been forced, due to lack of funds, to severely reduce our stock levels, which have impacted on underground equipment availability. Ore mining has been undertaken on a limited 'where available' basis. Exploration drilling was also halted in order to maintain funds. The lack of drill data compounded the planning for new development.

Operating and Financial Performance

VGM sold 39,517 ounces of gold in the year at an average cost of US$1,606 per ounce. The main driver to the lower cost per ounce was the lower operating costs per tonne which decreased to US$148 per tonne.

The negative movement of the gold price further exacerbated the lower production figures, with our gross loss for the year being £1.2 million. After administrative expenses, foreign exchange gains and depreciation and amortisation expenses the underlying operating loss was £12.6 million.

The lack of funds affected our underground fleet most severely. Without being able to maintain our stock levels, we were forced to 'rob Peter to pay Paul' with underground equipment. Critical parts that were required had to be ordered and air freighted to site at an additional cost.

We also continued to face issues as a result of the lack of resource definition, another capital item that we placed on hold during the year. One such example occurred in the Matanagata ore body, in Smith section. Our new footwall development was undertaken at the required elevation as defined in the Mineral Resource model. The ore body was identified a high grade ore body. Ore was exposed in 3 crosscuts at the location as expected. Raises were initiated, including the ore passes and truck chutes as required.

However the exposed ore body did not reconcile to the Mineral Resource model and was not at a mineable grade. The development was halted for further investigation, and follow up underground drilling initiated.

It was discovered that the ore body we developed was a split of the main ore body and not the main Matanagata ore body. The main ore body was in fact 18 meters above this split. The area in question has been developed to the correct elevation and has commenced mining. However this example shows the fraught nature of blind developing at Vatukoula and shows how vital resource drilling is.

Development of the Vatukoula Gold Mine

Despite the lack of funds VGM still managed to carry out some additional capital development. We continued the development on the new lower levels at Philip Shaft, and the clearing of the lower levels at Smith Shaft. The key area for mining will be the lower levels at Philip, between 18 and 20 level. We are clearing the shaft above 20 level. Once cleared we will install new shaft furniture, including tipping points. This will become a major production level as planned in our 7 year mine plan. This area is considered a high grade area and will account for a significant portion of the gold produced at Vatukoula in that 7 year plan. Development in the lower levels is undertaken cautiously, due to the potential of hot water. The amount of water is not significant – but the heat can make the operating conditions difficult. Our program is to either seal the area, or to drain the water and remove – so removing the heat from the area. We have found that once ore mining operations commence – the draining technique works best.

For the Philip Shaft sections, comprising Prince, Prince William, Cayzer Prince and all of the associated ore bodies access to the 20 level station at Philip Shaft was a vital first step. We have completed the development to the 20 level station, and started some of the development required on both 19 and 20 levels. The decline from 18 to 20 level will become one of the key access routes for the long term profitability at Vatukoula for a long future. We have exposed the original 20 level station, and we are cleaning out the spillage in the shaft between 18 and 20 levels. This has been very difficult with the limited equipment available to us, and has been completed when we have equipment available only. 20 level in the Philip Shaft will become a major production centre. This station will service all of the new mining of the high grade ore bodies at levels between 18 level down to 23 level, as detailed in our 7 year plan.

Sustainable Power

A major expenditure at the Vatukoula Gold Mine is the cost of power generation. Diesel fuel is imported and used to generate power at the mine. This has costed up to F$0.70 per kilo watt. The major uses for power are pumping, hoisting and mill processing. Numerous opportunities exist for the reduction of power use at the Vatukoula Gold Mine, but the biggest factor would be the reduction in the cost of power. We have investigated a number of options, however the use of biomass appears to be the most practical.

The FSC has designed a 40MW power biomass project at the nearby Rurawai Sugar plant, specifically designed to provide Vatukoula with the power required. However, at this time the FSC has not initiated construction.

We are fully aware that a power source, which is not at the behest of the international hydrocarbon price is essential for the long term profitability of VGM. Investigations toward possible solutions have been placed as a major priority.

Health & Safety

I would also like to thank the health and safety department for their diligent work over the past year. We have seen a major improvement in our accident statistics. One accident is one too many – and the focus of safety for all employees by all employees is one that we strive to achieve.

Financing

I would like to thank our largest shareholders for the support given to the Group at a very critical time. Although we had a positive independent engineers report confirming that our development plans and the production targets were achievable, we were unable to secure a suitable financial package to provide for our plans. Zhongrun stepped into the breach, and on behalf of all of the employees, their families and the communities that surround the Vatukoula Gold Mine I give my heartfelt thanks. Zhongrun now owns over two thirds of VGM, but without their investment the future would have been distressed.

Post Balance Sheet Events

Subsequent to year-end VGM completed the first tranche of the US$ 40 million financing with the issue of 188,897,000 new ordinary shares at a subscription of 6.89 pence per share, raising approximately £13 million. The second tranche was due for completion at the end of January 2014, we have subsequently agreed with Zhongrun that they will deliver these funds by the end of February 2014.

On 3 February 2014 we appointed Xuexin (Kevin) Zhu as General Manager of the Vatukoula Gold Mine. Xuexin is a professional mining engineer and PMI certified Project Management Professional with over twenty years' experience in corporate management, mine planning, engineering design, construction and operation management of open pit and underground precious and base metal mines.

The board would like to thank the outgoing General Manager, David Whittle, for his efforts and the progress that has been made at the Vatukoula Gold Mine. Under difficult

financial circumstances David Whittle has improved many key operating and safety measures which will stand us in good stead going forward. In particular his focus on the development of the higher grade Cayzer prince ore-body forms part of the building blocks to increase production in the coming years.

Outlook

2013 was a difficult year for VGM in terms of achieving our targets that we set out at the beginning of the year. With limited financing we were not able to hit our production targets.

Looking forward, the investment by Zhongrun allows us to make the necessary adjustments and positions the Company to increase production in 2014. The mine has a number of world class ore bodies, any one of which could be a mine by itself. The mine is very shallow in international mining standards. Deeper drilling has shown the continuation of ore bodies at depths of double our current deepest mining depth and exploration at Vatukoula has identified some very high grades. Recent re-examination of the central Caldera has identified some indications of porphyry ore bodies and exploration will be undertaken in these areas over the coming year.

It is the development that we have achieved in the year that will assist in opening high-grade areas that will sustain production in the longer term. Over the coming first half year ending February 2014 this increase in capital development will continue to negatively impact our gold production. Subsequent to this, production from the Cayzer Prince ore body will come on stream and production should increase to targeted production levels.

In conclusion, I would like to thank all of the operating staff at the Vatukoula Gold Mine for their commitment, enthusiasm and enormous effort in what has been a challenging year in the development of the business. I would also like to thank the Board for their support, advice and commitment throughout the year.

Dave Paxton

David Karl Paxton
Chief Executive Officer
3 February 2014

Market Review

The year under review has seen the price of gold fall by 22% to US$1,394 per ounce on the 31 August 2013, from a high of US$1,791 per ounce on the 4 October 2012.

The World Gold Council is the main reference source for gold market trends and statistics and where Vatukoula Gold Mines sources its market data. The World Gold Council's Q3 report 2012, reported that gold demand was 1,084.6 tonnes, down 11% from the record Q3 2011 figure of 1,224 tonnes. The slowing of overall demand can go some way in explaining why the price of gold started to decline heading into 2013 and where we have seen from the beginning of 2013 to date a 26% fall in the price.

Spot Gold Price in USD in oz

How the gold price is reacting to supply, demand, volatility, quantitative easing ("QE") and geo political risks makes the task of predicting the future gold price trend extremely difficult. Evidence of this can be seen with statistics that show very positive increases in consumer demand, only moderate increases in supply, but where financial demand has fallen off over the period under review. Consumer demand for gold is connected to global consumer confidence and economic growth, which can be forecast, whereas financial and investment demand is related to circumstances in the financial markets that can be associated with unpredictable exogenous economic shocks and geo political shocks and where an element of speculation amongst traders is at work.

Demand: Consumer

So far in 2014, consumer demand for gold is set to reach record levels and to date is at 2,897 tonnes, with the vast bulk of consumer demand coming from the eastern markets with 90% of the 605 tonne increase so far coming from Middle Eastern and Asian consumers. Mainland China consumers have also been displaying a strong appetite for gold purchasing with Hong Kong showing so far in 2014 a 28% increase in demand.

India demand has dropped as import restrictions have taken effect, resulting in a 23% year on year drop so far this year. United States demand has remained robust with a 7% above 5 year average of 35.3 tonnes, driven by increased consumer confidence. Russia's growing middle class has helped create a 7% year on year demand in Q3 2013.

The overall picture for consumer demand for gold heading into 2014 looks very positive as GDP growth across the 34-member OECD is projected to accelerate from this year's 1.2% rate to a 2.3% rate in 2014.

Demand: Financial/Investment

Q3 of 2013 showed a mixed picture with respect to investment demand for gold. Whilst demand for physical gold bars and coins has so far increased by 6%, Exchange Traded Funds (ETF's) are continuing to see net outflows, a trend that has continued throughout 2013 and where Q3 ETF tonnage holdings are around 1,100 tonnes, a similar level to that of Q3 2011. The steady decline in ETF gold holdings has again clearly placed downward pressure on the price of gold, throughout 2013. To illustrate the downward trend in investment holdings in gold, in Q3 2012 425.3 tonnes of gold was held in investments, in Q3 2013 that figure had slumped to 285.5 tonnes a decline of 56%. Central Bank net purchases have also declined in the same quarter comparison by 17%.

These Q3 2012 Q3 2013 comparisons reflect a significant portion of the reporting period under review and where overall demand for gold is down by 21%.

It is clear that strong consumer demand is now returning to the market and has helped offset the declines in ETF demand and Central Bank net purchasing, which have weighed heavily on the gold price. A modest gain in demand from the technology sector (1% year on year) has been supported by lower gold prices during the period.

Supply

Total gold supply to the market in Q3 2013 was down 3% compared to the same period in 2012, with recycling experiencing a decline of 13% or 158 tonnes.

Supply from gold mines is up 4% in Q3 2013 compared to Q3 2012, with industry commentators predicting a rise in gold production from mines in 2014 and 2015.

However, downward price pressures on gold are certain to cause an impact on the ability of mines and certain gold exploration companies to secure financing for projects that under buoyant gold prices would lead to an increase in supply.

Summary

Heading into 2014 the price of gold in the near term, is likely to be impacted by the US Federal Reserve's strategy in respect of QE. A consensus amongst analysts exists to suggest that should a tapering of QE be applied by the US Federal Reserve, then the price of gold is likely to face downward price pressure, however, there is a view amongst other commentators that the impact of the easing of QE in the US may have a knock on effect in the equities markets, that could lead to market volatility. The S&P 500 ("VIX") index is a measure of market volatility. During the year under review the VIX index traded at 17.47 points and peaked at 21.79 points. We have seen the VIX index begin to rise and trade at 15.54 points (13 December 2013), possibly in anticipation of news related to QE tapering. There is a correlation between market volatility and the price of gold where investors tend to invest in gold during periods of market and geo political volatility. From July 2013, the US Dollar has started to strengthen across the International Foreign Exchange Markets, strengthening by around 10% from July 2013 to date across most currencies. There is a correlation between a strong US Dollar and its impact that leads to a weakening in commodity prices, including gold.

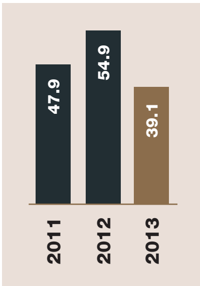
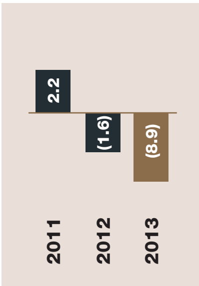
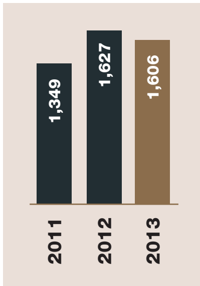
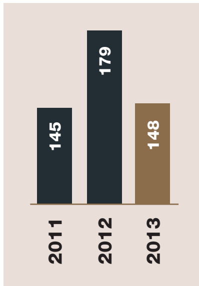
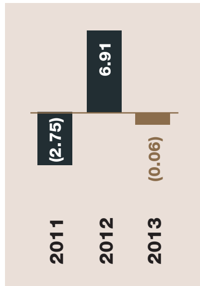
The upward price pressure on gold in 2014 will likely come from the financial and investment sector, who may reverse outflows as seen in 2013 and where uncertainty unfolds within the international financial system related to the impact of QE tapering, will lead to ETF gold purchases. This coupled with strong consumer demand and only modest increases in gold supply, would serve to support the gold price.

Downward price pressure is likely to come from further strengthening of the US Dollar, improvements in mine supply and a return to stability across the financial markets which may see the easing of QE as a sign the US economy is heading to a firmer and sustainable financial footing, with US fiscal debt under control and growth returning to sustainable levels.

Key Performance Indicators (KPIs)

We assess the performance of our business against several KPIs that are aligned to our strategic and operational goals. These KPIs are monitored on a continuous basis and allow us to prioritise operational objectives and measure progress against our strategy.

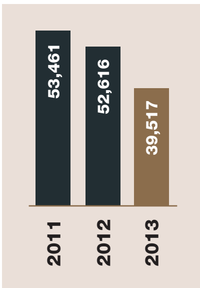
Financial KPIs

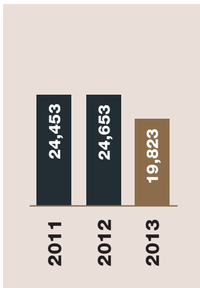
Data	**Turnover (£'000'000)**	**EBITDA[1] (£'000'000)**	**Cash cost per ounce sold[1] (US$/Oz)[1]**	**Cash cost per tonne mined & milled[1] (US$/ tonne)[1]**	**Net cash generated in operating activities[1] (pence/share)**
					
Definition (Full definition for Non-IFRS measures are provided on page 22.)	**Turnover** volume of gold and silver sold during the period multiplied by the gold and silver price achieved over the period	**EBITDA (earnings before interest, taxes, depreciation, and amortisation)** is the net profit or loss excluding: • finance income: • finance expense: • tax expense • depreciation and amortisation	**Cash cost per ounce sold** is calculated by dividing the aggregate cash costs incurred in our mining operations by the ounces of gold sold	**Cash cost per tonne mined & milled** is calculated by dividing the aggregate cash costs incurred in our mining operations by the tonnes mined and milled	**Net cash generated in operating activities** is calculated by dividing the operating cash flow generated or utilised in operations by the weighted average of the number of Ordinary Shares in issue
Performance in 2013	**Turnover** totalled £39.1 million in 2013, a decrease of 29% on 2012, as a result of lower gold production. (Further information is set out in the Financial Review on pages 18 to 22)	**EBITDA** was (£8.9) million a decrease of £7.4 million on the year ending 2012. This reduction was driven by lower gold production. (Further information is set out in the Financial Review on pages 18 to 22)	**Cash cost per ounce sold** decreased to US$1,606 as result of lower cash cost per tonne mined and milled. (Further information is set out in the Financial Review on pages 18 to 22)	**Cash cost per tonne mined & milled** decreased from US$179/tonne in 2012 to US$148/tonne in 2013. The majority of this variance was attributable to decreases in mining costs. (Further information is set out in the Financial Review on pages 18 to 22)	**Operating cash flow per share** was (0.06) pence in 2013 compared to 6.91 pence in 2012. This change was primarily attributable to decreases in gold production (Further information is set out in the Financial Review on pages 18 to 22)
Importance	**Turnover** is a useful indicator to measure our progress towards our targeted production and the effect of changing gold prices on our profitability and operating cash flow	**EBITDA** is a useful indicator of the Group's ability to generate operating cash flow, which will allow it to fund its sustaining and expansion capital needs	**Cash cost per ounce sold** allows us to monitor the key drivers that impact on our profitability	**Cash cost per tonne mined & milled** allows management to track and compare costs on a monthly basis regardless of variances in tonnes mined and milled	**Operating cash flow per share** is a measure of the Group's ability to generate cash flow from its business

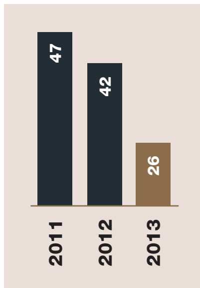
1. EBITDA, Cash cost per ounce sold, Cash cost per tonne mined and milled and Operating cash flow per share are non IFRS financial performance measures with no standard meaning under IFRS. Refer to "Non-IFRS measures" on page 22 for detailed definitions on each measure

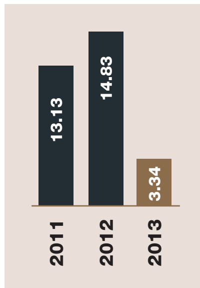
Operational KPIs

Data	Gold Shipped (Oz)	Total development metres (m)	Total resources per share (Oz/1,000 shares)	Lost time injury frequency rate









Definition (Full definition for Non-IFRS measures are provided on page 22)	**Gold Shipped** is the Group's total ounces of gold sold during the period	**Total development metres** represent the aggregate of both capital and normal metres mined over the period	**Total resources per share** are calculated as the total of the Measured, Indicated and Inferred resources expressed as contained ounces, divided by the number of shares in issue, using a ratio of 1 ounce per 1,000 shares	**Lost time injury frequency rate (LTIFR)** is a measure of lost time claims per million hours worked
Performance in 2013	**Gold Shipped** totalled 39,517 ounces, compared to 52,616 ounces in the previous year. This reduction was a result of lower ore tonnes and lower grade being delivered to the mill and lower recovery rates. (Further information is set out in the Chief Executive Officer's review and Operational Review on pages 8 to 11 and pages 16 to 17)	**Total development metres** were 19,823 metres for the year a decrease of 20% metres over the year ended August 2012. This is a result of lack of financing facilities to continue the development programme. (Further information is set out in the Chief Executive Officer's review and Operational Review on pages 8 to 11 and pages 16 to 17)	**Total resources per share** equalled 26 Oz/1,000 shares. This reduction is as a result of further equity being issued and the resource inventory remaining static (Further information is set out in the Reserve and Resource Statement on pages 27 to 29)	**Lost time injury frequency rate** decreased from 14.83 in 2012 to 3.34 in 2013. This represents an 88% decrease in our LTIFR. (Further information is set out in Corporate Responsibility review on page 23)
Importance	**Gold Shipped** measures our progress to achieving our long term production targets	**Total development metres** allows us to measure our progress towards having sufficient working areas to achieve our production target	**Total resources per share** allows us to measure our ability to discover new ore bodies and to replace resource depletion as a result of mining activities	**Lost time injury frequency rate** aids us to assess the effectiveness of our health and safety programme and controls at our operations

Operational Review

Due to the delay in our required financing, operations were severely hampered with most key operational metrics reducing over the period. Total gold produced was 39,858 ounces, a 25% decrease on last year's figure.

Operating results	Year ended 31 August 2013	Year ended 31 August 2012	% Variance
Underground Mining			
Total Underground Tonnes Mined (Ore, Waste)	397,995	477,089	(17%)
Operating Development Metres	13,644	15,644	(13%)
Strike Drive Development Metres	1,682	4,034	(58%)
Capital Development metres	4,498	4,975	(10%)
Total Development metres	19,823	24,653	(20%)
Underground Operations Plant			
Underground Operations Ore Delivered (tonnes)	240,156	304,042	(21%)
Underground Operations head grade (grams/tonne)	5.00	5.12	(2%)
Surface Operations Plant			
Surface operations delivered (tonnes)	189,047	176,357	7%
Surface operations head grade (grams/tonne)	2.39	2.07	16%
Total (Sulphide + Oxide)			
Ore processed (tonnes)	428,978	479,524	(11%)
Average ore head grade (grams/tonne)	3.81	4.24	(10%)
Total Recovery (%)	75.55%	78.57%	(4%)
Gold produced (ounces)	39,858	53,152	(25%)
Gold shipped (ounces)	39,517	52,616	(25%)
Cash Costs			
Total cash cost/shipped ounce (US$)	1,606	1,627	(1%)
Total cash cost/tonne (US$)	148	179	(17%)

Underground Production

Total tonnes of ore, waste and capital mined for 2013 decreased by 17% to 397,995 tonnes compared to 2012. The lower tonnages were driven by decreases in strike drive development, which decreased from 4,034 metres to 1,682 metres representing a 58% decrease over the twelve months ending 31st August 2013.

The ore delivered from underground for 2013 was 240,156 tonnes, a 21% decrease compared to the same period last year. This reduction in ore delivered was due in part to lower strike drive development during the year, which is typically delivered as ore.

The average underground grade for the twelve months was 5.00 grams per tonne, which was marginally lower than the same period last year (5.12 grams per tonne). We had forecast higher grades in this year, however lack of available finance prevented VGM accessing the higher grade deposits of the Philip Shaft.

Underground operations remain focused on infrastructure development which should enable the mine to produce at our long-term projected rate.

Surface Production

Production from surface oxides and sulphide waste piles for the twelve months delivered 189,047 tonnes at a grade of 2.39 grams per tonne. The surface production predominantly came from historic waste dumps which are generally of a higher grade compared to the oxide material, but does lower the overall recovery in the oxide circuit given that the material has not been completely oxidised.

Vatukoula Treatment Plant ("VTP")

During the year, the VTP processed 428,978 tonnes of ore which was an 11% reduction compared to the same period last year (479,524 tonnes).

The average grade decreased from 4.24 grams of gold per tonne in the year ending August 2012, to 3.81 grams of gold per tonne in the year ending August 2013. This was driven by lower grades delivered from underground operations.

Recoveries for the year were 75.6%. This was lower than the comparable period last year (78.6%) as a result of the sulphide nature of the material delivered from the surface mining at the waste dump.

Cash Costs

As a result of decreases in unit mining, cash cost per ounce of gold shipped decreased to US$1,606. Overall cash cost per tonne mined and milled also decreased to US$148 (2012: US$179). Further detail on the main drivers that led to these increases are contained within the Financial Review on pages 18 to 22.

Employees

At the year-end we employed 1,425 individuals as either full-time employees or as casual labour. Of our workforce 803 are involved in direct mining operations, and a further 365 are involved in engineering support services and 77 are involved in the processing of ore. The remainder are involved in administration, finance, information technology, supply, security, and operational health and safety.

Other Activity

The Group is currently rehabilitating some areas of land covered by historical trial mining and exploration leases in the state of Cuiaba, Brazil. Those areas were being explored for diamond prospects up to 2008, at which point the Group determined that the area was not suitable for a large scale mining operation.

Financial Review

The purpose of this review is to provide a detailed analysis of the Group's consolidated 2013 results and the main factors affecting the financial performance. The Financial Review should be read in conjunction with the financial statements and associated notes on pages 39 and 46.

	Year ended 31 August 2013	Year ended 31 August 2012
Ore processed (tonnes)	428,978	479,524
Average ore head grade (grams/tonne)	3.81	4.24
Total Recovery (%)	75.55%	78.57%
Gold shipped (ounces)	39,517	52,616
Revenue (£'000)	39,080	54,925
EBITDA (£'000)	(8,977)	(1,548)
Cash (used)/generated from operating activities (£'000)	(72)	6,257
Loss (£'000)	(15,664)	(7,070)
Cash cost (US$/ounce)	1,606	1,627
Average realised gold price (£/ounce)	989	1,044
Average realised gold price (US$/ounce)	1,537	1,643

During the period under review the Group's financial results were adversely affected by both the decrease in gold price and more importantly lower production levels. As a result the Group posted a loss of £15.7 million.

Revenue

Revenue for the year of £39.1 million was 29% lower than the prior year period of £54.9 million. The Group's year-on-year sales volume decreased by 13,099 ounces, which adversely reduced revenue by some £13.0 million. In addition to this the reduction in gold price from US$1,643 per ounce in the previous year to US$1,537 per ounce during the period under review reduced revenue by some £2.2 million.

Commodity Prices

Gold prices have a significant impact on the Group's revenue, net profits and its ability to generate cash flows. In 2013 the price of Gold reached US$1,784 in October 2012 and traded as low as US$1,192 per ounce in June 2013. Our average realised gold price was US$1,537 per ounce.

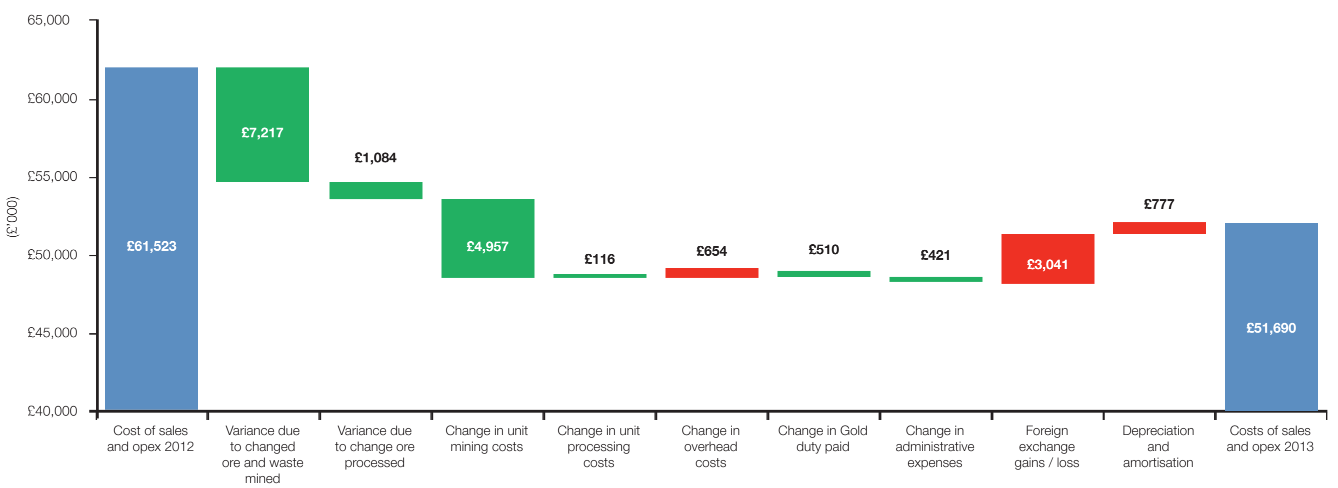
Cost of Sales and Operating Expenses before Underlying Operating Loss

(£'000)	Year ended 31 August 2013	Year ended 31 August 2012
Cost of Sales & Operating Expenses		
Underground Mining	(21,868)	(32,924)
Surface Mining	(1,644)	(2,762)
Processing	(9,081)	(10,281)
Overheads	(6,571)	(5,917)
Gold Duty	(1,150)	(1,660)
Administrative expenses	(2,341)	(2,762)
Foreign exchange gains/(loss)	(1,707)	1,334
Depreciation and amortisation	(7,328)	(6,551)
Total expenses before underlying operating loss	(51,690)	(61,523)

Cost of Sales and Operating Expenses decreased to £51.7 million in 2013 from £61.5 million in 2012. A 34% decrease in underground mining costs decreased the cost of sales and operating expenses by £11.1 million. Removing the effect of the reduced tonnes mined and processed the reduction in costs on a like for like basis is £1.5 million. The £1.5 million is explained by the following variances:

- a net decrease in unit mining costs which represented a £5 million reduction in costs,
- a net decrease in unit milling costs which represented a £0.1 million reduction in costs,
- a £0.2 million increase in overhead and administrative costs,
- decreases in the value of gold shipped which reduced the gold duty paid by £0.5 million,
- higher amortization and depreciation charges of £0.8 million, and
- an increase in unrealised foreign exchange losses on intercompany loans of £3 million.

A breakdown of the key drivers behind the increase in cost of sales and operating expenses is shown in the graph below.

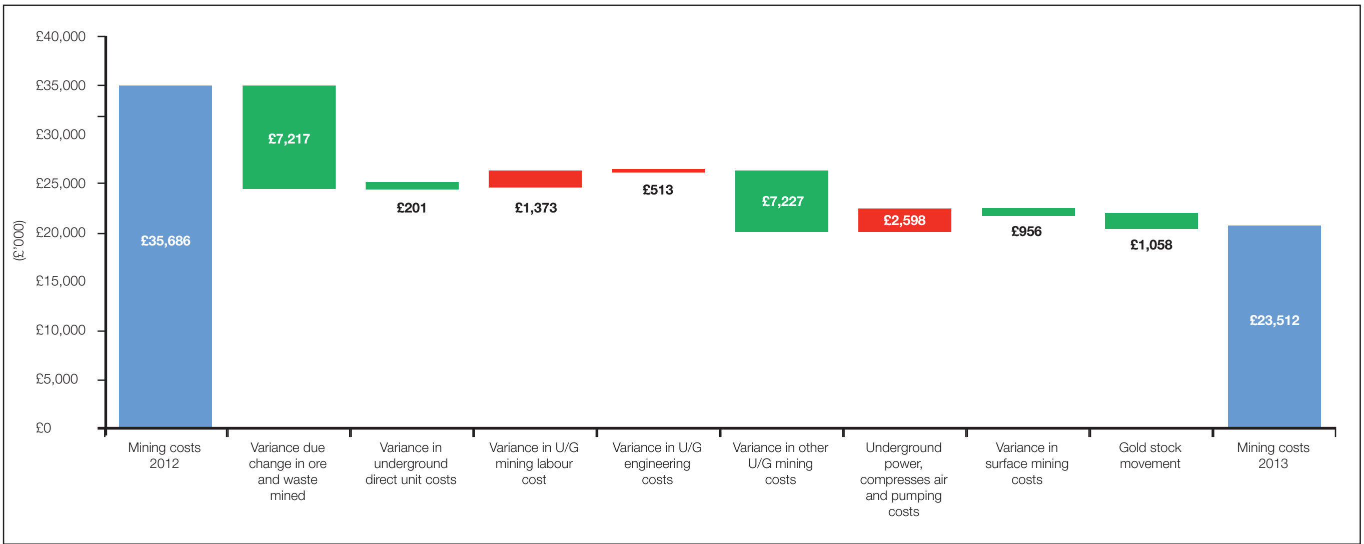


As outlined above the variance in unit mining costs represented the key driver to the decrease in costs compared to the previous year. The mining costs totalled £23.5 million for the year. This represents a decrease of £12.2 million from the prior year period (£35.7 million). Taking into account the decrease in the ore mined and processed which reduced the costs by £7.2 million, the decrease in costs can be mainly attributed to:

- a decrease in unit mining costs of £7.2 million which can be mainly attributable to changes in accounting estimates in which the allocation of development related overheads between operating expenditure and capitalised mine properties and development was calculated on a per tonne basis. Previously, this allocation was calculated on a per metre basis.
- a £1.4 million increase in labour costs. This is a result of increased labour and an implementation of a bonus system
- a £0.5 million increase in engineering higher maintenance costs on heavy vehicles
- a £2.6 million increase in power and pumping costs mainly due to higher fuel costs experienced during the year.
- a £1 million decrease in mining costs which is attributable to the higher portion of waste dump material mined which has a lower mining cost
- expensing the gold in circuit drawn down in the period, which decreased compared to the previous year and decreased costs by £1.1 million

A detailed breakdown of the mining expenses and the variances year-on-year for the Group are shown in the table and graph below:

(£'000)	Year ended 31 August 2013	Year ended 31 August 2012
Mining		
Variable Direct Mining Costs	8,712	11,865
Total Mining Labour Costs	3,939	3,311
Engineering Costs	555	7,779
Other Mining Costs	11,273	11,325
Gold stock movement	143	1,405
Total mining expenses	23,512	35,686

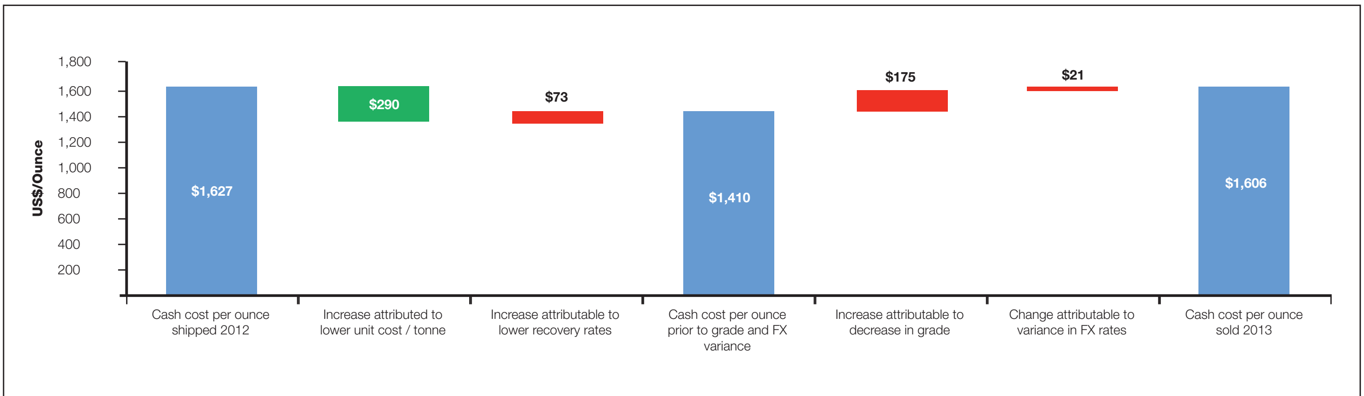


Depreciation and amortisation was £7.3 million for the year. This represents an increase of 12% from the prior year (£6.2 million). This increase is due to the higher capital investment base employed in late 2011 and in 2012 as a result of the accelerated development programme, capital equipment replacement programme and the rate of depreciation when compared to older capital development and equipment.

During the year we carried out an impairment review on some of the previously capitalised exploration and evaluation costs which resulted in an impairment charge of £3.3 million during the period under review.

Cash Costs

Cash costs for the year ending 31 August 2013 were US$1,606 per ounce sold (2012: US$1,627 per ounce). This decrease in cash costs can mainly be attributed to the lower unit costs per tonne of ore mined, the effect of this would have reduced the cash costs per ounce to US$1,410. However decreases in recovery rates and lower grades increase the cash cost to US$1,606.



The table below provides reconciliation between cost of sales, operating expenses and cash costs to calculate the cash cost per ounce sold.

	Year ended 31 August 2013	Year ended 31 August 2012
Mining (£'000)	(23,512)	(35,686)
Processing (£'000)	(9,081)	(10,281)
Overheads (£'000)	(6,571)	(5,917)
Gold Duty (£'000)	(1,150)	(1,660)
Mine administrative costs (£'000)	(525)	(829)
Total cash costs of production	(40,839)	(54,373)
GB£/US$ foreign exchange rate	0.644	0.635
Gold Sold (Oz)	39,517	52,616
Tonnes mined and milled	428,978	479,524
Cash cost per ounce sold (US$/Oz)	1,606	1,627
Cash cost per tonne mined and milled (US$/tonne)	148	179

Administrative Costs

Administrative expenses totalled £2.3 million for the year ended August 2013 which was a 15% decrease in costs from the prior year of £2.8 million. The administrative expenses are those costs associated with maintaining the London office and the administrative expenses in Fiji not directly attributable to operating activities. Costs include salaries, office rent, regulatory, audit, legal fees and investor related expenses.

Exploration and Evaluation Costs

Given the constrained cash flow during the year we substantially reduced exploration and evaluation costs to £1.1 million this year compared to £4.2 million in 2012. All the exploration and evaluation costs were capitalised as an Intangible Asset in accordance with the requirements of IFRS 6 Exploration for and Evaluation of Mineral Assets. Exploration costs to the amount £3,264,000 (2012: Nil) relate to specific areas which have not led to the discovery of commercially viable quantities of mineral resources, and the directors have decided to discontinue such activities in those specific areas. These costs have been impaired.

Taxation and Other Expenses

During the year the Group had a tax credit of £1.2 million (2012: £1.1 million). This tax credit arises as a result of the utilisation of the deferred tax liability.

Other expenses amounted to £1 million in 2013 down from £1.5 million in the previous year. This decrease was primarily due to a reduction in provision against prepayments of more than one year which reduced to £0.3 million.

EBITDA

EBITDA for the year ended 31 August 2013 was a loss of £8.9 million compared to a loss of £1.5 million in the prior year. This decrease was driven by decreases in production and lower average gold prices achieved during the years; this decrease was partly offset by lower mining costs.

Reconciliation between net profit for the period and EBITDA is presented below.

£('000)	Year ended 31 August 2013	Year ended 31 August 2012
Loss for the period	(15,664)	(7,070)
Less income tax credit	(1,189)	(1,075)
Plus depreciation and amortisation expense	7,328	6,551
Less finance income	(8)	(65)
Plus finance expense	556	111
EBITDA	(8,977)	(1,548)

Basic Loss per Share

Basic loss per share for the year ended 31 August 2013 was 12.74 pence compared to basic loss per share of 7.81 pence for the year ended 31 August 2012. This decrease was driven by the net loss for the year.

Cash Flow

Net cash used in operating activities was £0.1 million for the year, a decrease of £6.3 million on the prior year. The net operating loss before changes in working capital was £2.5 million compared to a net operating loss of £0.1 million in the previous year. This reduction was due to lower EBITDA. Changes in working capital generated £2.4 million (2012 generated £6.4 million) this cash was generated primarily from the Group decreasing its receivables.

Cash flow used in investing activities equated to £13.8 million for the year which represents a 14% decrease from the prior year of £16.1 million. Of the £13.8 million used in investing activities, £2.2 million (2012: £7.2 million) was used in the purchase of plant and equipment and £11.7 million (2012: £9.1 million) was used in underground development and exploration activities. This increase is primarily attributable to changes in accounting estimates in which the allocation of development related overheads between operating expenditure and capitalised mine properties and development was calculated on a per tonne basis.

Previously, this allocation was calculated on a per metre basis.

Cash provided by financing activities for the year ended 31 August 2013 was £12.2 million (2012: £5.3 million). The large majority (£12.4 million) of this relates to equity issues completed during the year. At 31 August 2013 the Group had cash and cash equivalents of £0.6 million (2012: £2.4 million).

In November 2013, and subsequent to the year end, the Group completed the first tranche of the US$40 million dollar financing via the placing of 188,897,000 new ordinary shares at 6.89 pence per share raising approximately £13 million.

Zhongrun have informed the Group that it remains willing and will be able to complete the subscription for the secured loan notes. However as a result of administrative delays Zhongrun and the Group have agreed an extension of the time for payment until the end of February 2014.

Financial Position

Intangible assets decreased from £36.8 million in 2012 to £32.8 million in 2013. The decrease is primarily attributable to the impairment charge incurred during the period of £3.3 million. The net book value of property, plant equipment and mine properties and development was £43.5 million (2012: £37.2 million). The main capital expenditure drivers being those outlined in the cash flow used in investing in activities section above, which were offset by amortisation and depreciation charges of £7.3 million (2012: £6.6 million).

Total assets decreased from £90.7 million in 2012 to £86.5 million in 2013. The decrease was for the large part due to a 39% decrease in current assets, which was driven by decreases in trade and other receivables and inventories.

During the year the Group reached a settlement agreement with FIRCA in relation to the £4 million taxation assessment against the Group. In the settlement the parties agreed that the Group had made advance tax payments against this assessment and FRICA agreed to refund the Group £0.8 million.

Total current liabilities for the year ended 31 August 2013 were £11.2 million, a decrease of £1.1 million from the balance of £12.3 million in 2012. This decrease is primarily driven by the decrease in trade payables as we reversed the trend of extending creditor terms in the previous year. Non-current liabilities decreased to £10.3 million from £10.4 million in the previous year. This decrease is the net result of an increase in employee related and mine rehabilitation provisions, and a decrease in the Deferred Tax Liability.

Kiran Morzaria
Chief Financial Officer
3 February 2014

Non-IFRS Measures

The Group has identified certain measures in this report that are not measures as defined under IFRS. Non-IFRS financial measures disclosed by the directors and management are provided to shareholders as additional information in order to provide them with an alternative method of assessing the Group's financial condition and operating results. These measures are not in accordance with, or a substitute for IFRS, and may be different from or inconsistent with non-IFRS measures used by other companies. These measures are explained below.

Average realised gold price *is a non-IFRS financial measure and is calculated by dividing the total revenue for the year by the total ounces sold during the year and converting the GB£ value to US$ at the average foreign exchange rate over the year.*

EBITDA *is a non-IFRS measure. The Group calculates EBITDA as (loss)/profit for the period excluding:*

- *Income tax credits or expense*
- *Finance expense*
- *Finance income*
- *Depreciation and amortisation charges; and*
- *Goodwill impairment charges*

EBITDA is intended to provide additional information to investors and analysts. It does not have a standard definition under IFRS and other companies may calculate EBITDA differently. Refer to page 21 as part of the financial review section for a reconciliation of profit to EBITDA. EBITDA should not be considered a substitute or in isolation for measures of performance as prepared in accordance with IFRS, as it excludes the impact of cash costs of financing activities and taxes and the changes of working capital balances,

Cash cost per ounce sold/per tonne mined and milled *are non-IFRS financial measures. Cash costs include all costs associated with mining and processing the unit of measure, inclusive of all costs absorbed into inventory, as well as royalties, production taxes and mine overheads/administrative costs. The cash costs exclude foreign exchange gains, depreciation and amortisation expenses, impairment charges, inventory obsolesces, rehabilitation charges, doubtful debts and share based payments. These cash costs are aggregated and divided by either ounces of gold shipped or the tonnes mined and milled to reach the relevant non-IFRS financial measure.*

Operating cash flow per share *is a non-IFRS financial measure and is calculated by dividing the Net cash (used) / generated in operating activities by the weighted average number of Ordinary Shares in issue.*

Corporate Responsibility

We believe that to operate effectively and profitably VGM needs to establish mutually beneficial relationships within the community that we operate. We need to maintain these relationships to help us ensure a stable operating environment and allow access to our exploration assets.

Community Relations

The Vatukoula Gold Mine has, under previous owners, had some issues with its community relations. Over the course of 2013 there has been an improvement in the relationships between our Company and our local stakeholders. The key areas of focus for this improvement have been:

a) regular engagement with the local communities, allowing open and frank discussions and respecting stakeholders concerns,

b) maximising the communities' opportunity to benefit from employment and local procurement; and

c) developing a long-term plan to assist local communities to pursue their own socio-economic priorities.

Some of the main material contributions we make to the local community are: the provision of subsidised power and water: sponsorship of local sporting clubs and events; renovation or construction of staff housing and the contribution of F$6 million for the establishment of the Vatukoula Social Assistance Trust Fund ("VSATF).

Management expects that the commencement of the provision of assistance from the Vatukoula Social Assistance Trust Fund is imminent, the Trust implementation documents having been approved by the Cabinet of the Government of Fiji. The trustees are expected to administer the F$6 million dollars of assistance contributed by the Group for the benefit of those employees still redundant after the former owners of the Vatukoula Gold Mine ceased operations in December 2006. Under principles stipulated by VGM, it is intended that the VSATF function as a model for current and future mining operations throughout Fiji in terms of planning for the sustainable livelihoods of mine workers after mine closure or downsizing.

Health and Safety

Safety is a top priority for mine management. During the year under review we experienced a Lost Time Injury Frequency Rate ("LTIFR") of 3.34 per 1 million man hours. This is a significant improvement on last year's LTIFR of 14.84. This improvement is evidence of our continued commitment to improve on the mine's safety performance

Safety in the workplace is regarded as a top priority at all times. We insist that all our employees work according to stringent safety practices and we are all working toward our target of a zero LTIFR.

Environment

We are currently implementing our comprehensive environmental policy. A study by an independent engineer reviewed our policies and procedures and carried out a gap analysis against relevant local legislation, the IFC Performance Standards, IFC EHS General Guidelines and the IFC Mining Sector Guidelines. Although the Company was either Compliant or Materially Complaint with these standards, it has identified areas for improvement in the coming year.

One of the key consumables at the mine is energy which currently is provided by fossil fuels, and we have been examining opportunities to reduce our reliance on diesel power generation.

Risk Management

Principal risks and uncertainties

The Board annually reviews the key risks facing the business together with making assessment of the controls for managing these risks where possible. The principal risks and uncertainties facing the Group are as follows:

Strategic risks

Risk	Mitigation/Comment	Potential impact	Further information
Reserve and resource estimates The Group's mineral reserves and resources are estimates based on several assumptions, including geological, mining, metallurgical and other technical factors. There can be no assurance that the anticipated tonnages or grades will be achieved	The Group continually monitors and reconciles the production targets and mine plans against Mineral Reserve and Resource figures. Our Mineral Reserve and resources are updated annually and are prepared to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves	High	The Group's Mineral Reserve and Resource statement are set out on pages 27 to 29
Single asset risk All of the Group's revenue is derived from production of the Vatukoula Gold Mine in Fiji. In order to ensure continued production and expansion to the current operations the Company need to build in additional capacity and develop further growth opportunities	The Group's management has planned an accelerated development programme to develop spare capacity in the underground mining infrastructure and in addition is assessing the wider prospecting licenses it holds. The Group will also assess other opportunities outside of Fiji if they are presented to the Group	High	A review of our operational activities are set out in the Operational review on pages 16 to 17

Financial risks

Risk	Mitigation/Comment	Potential impact	Further information
Commodity prices The Group's financial performance is dependent on the price of gold and diesel. Adverse movements in gold price and diesel price movements could have a material impact on the Group's results and operations	The executive board constantly monitors the commodity prices and its potential effects on operating cash flow and profitability. The Group's strategy however is to provide maximum exposure to Gold hence no hedging strategies have been employed. Long term energy hedging will come from sourcing another power source that is not reliant on diesel.	High	Further information is set out in the Market Review on pages 12 to 13 and the Financial Review on pages 18 to 22
Costs and capital expenditure The Group operates in an industry which has experienced shortages in consumables and capital equipment and as such prices can vary significantly year on year. These variations may adversely affect operating cash flow and the Group's financial position	The Group's management is constantly reviewing variation in both activity costs and the consumables driving them. We will seek to further mitigate these costs by entering into long-term supply contract where possible. In addition management carry out cash flow analysis and sensitivities to mitigate liquidity risk	Medium	Further information is set out in the Financial Review on pages 18 to 22

Operational risks

Risk	Mitigation/Comment	Potential impact	Further information
Business interruption			
Assets used in operations may break down and current insurance policies may not cover against all forms of risks due to certain exclusions	The Group has implemented a maintenance system which should go some way to mitigate these risks. In addition we are carrying out a full risk assessment on this issue, and will investigate if insuring against some of these risks will be economic	High	Further information is available in the operations review on pages 16 to 17
Mineral Reserve and Resource depletion			
The Group's future profitability and operating margins depend upon its ability to replenish reserves with geological characteristics to enable mining at competitive costs	The Group has identified key areas of potential resource and reserve definition and further exploration areas within its current licenses. The Group suspended exploration and resource definition drilling during the year while the Group secured the appropriate financing	High	Further information is available in the operations review on pages 16 to 17
Personnel			
The key risks in this area are as follows:			
Loss of key senior management and personnel, in particular highly skilled engineers and geologists	The Group seeks to provide competitive compensation arrangements. Inclusive of options packages	Medium	Not Applicable
The lack of availability of suitably skilled individuals in the vicinity of the Group's operations	The Group recruits internationally, and as above provide competitive compensation packages	Medium	Not Applicable
Failure to maintain good labour relations with workers and/or unions may result in work slowdown, stoppage or strike	A labour relations officer has been appointed and ensures employees needs and requirements are heard and if appropriate, met. The Group also has an open dialogue with key stakeholders inclusive of worker unions	High	Further information is available in the Corporate Responsibility section on page 23
Health and Safety			
The Group employees who work in the mines may be exposed to health and safety risks. Failure to manage these risks may results in a work slowdown, stoppage or strike and/or may damage the reputation of the Group and hence its ability to operate	The Group takes the Health and Safety of employees and contractors very seriously and monitor, review and improve our health and safety initiatives on a regular basis	High	Further information is available in the Corporate Responsibility section on page 23

Operational risks

Risk	Mitigation/Comment	Potential impact	Further information
Environmental The Group may be liable for losses arising from environmental hazards associated with the Group's activities and production methods, or may be required to undertake extensive remedial clean – up action or pay for governmental remedial clean up actions	The Group has an environmental department with an allocated budget for environmental purposes. The current polices have been recommended by an external third party and their implementation will be audited. Water and air quality is monitored on a regular basis	High	Further information is available in the Corporate Responsibility section on page 23

External risks

Risk	Mitigation/Comment	Potential impact	Further information
Political, legal and regulatory developments Future changes to the environment which may include increases in taxes and/or royalties may result in additional expense, restrictions on operations and delay the development of future projects	We liaise with the government and relevant departments in Fiji on many aspects of our day to day operations and are proactive in our approach. In addition we monitor the political landscape to see if there are likely changes in policy that are likely to impact the Group's operations	Medium	Not Applicable
Community relations Under previous ownership the Group's operation in Fiji has historically received criticisms from external independent organisations	The Group has a community relations department which maintains an on-going dialogue with local communities. Currently we are reviewing all our community programmes. We expect from this review to develop a long term sustainable development programme	High	Further information is available in the Corporate Responsibility section on page 23

Reserves and Resources

Mineral Resource Statement

The Vatukoula Gold Mine Mineral Resource estimate is classified and reported in Table 1 below, in accordance with the 2004 JORC Code[1].

Table 1 VGM Mineral Resources at 31 August 2013

Mineral Resource	Measured Tonnes (Mt)	Measured Grade (g/t Au)	Measured Contained Gold (Moz)	Indicated Tonnes (Mt)	Indicated Grade (g/t Au)	Indicated Contained Gold (Moz)	Inferred Tonnes (Mt)	Inferred Grade (g/t Au)	Inferred Contained Gold (Moz)
Underground	3.1	12.6	1.3	3.6	10.3	1.2	4.0	9.7	1.3
Waikatakata	–	–	–	–	–	–	5.1	0.9	0.1
Tailings	4.5	1.5	0.2	0.7	1.3	0.03	–	–	–
Total	7.6	6.1	1.5	4.3	8.8	1.2	9.1	4.6	1.4

Note: Values are rounded and may not add correctly in this table.

1 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2004 Edition, Effective December 2004, Prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

The 2013 Mineral Resource estimate is compared to the 2012 Mineral Resource in Table 2.

Table 2 Comparison with 2012 Mineral Resource

Classification	2013 Tonnes (Mt)	2013 Grade (g/t Au)	2013 Contained Gold (Moz)	2012 Tonnes (Mt)	2012 Grade (g/t Au)	2012 Contained Gold (Moz)
Measured Resource	7.6	6.1	1.5	7.7	6.2	1.5
Indicated Resource	4.3	8.8	1.2	4.4	8.9	1.2
Inferred Resource	9.1	4.6	1.4	9.1	4.8	1.4
Total Mineral Resource	21.1	6.0	4.1	21.2	6.2	4.2

Changes in the Mineral Resources between 2012 and 2013 were the result of reductions due to depletion of the models between mining face positions at 1 September 2012 and 31 August 2013 – 75,000 oz Au.

Underground Mineral Resource

AMC Consultants Pty Ltd ("AMC") completed a Mineral Resource estimate for VGM using geological and assay data available at 18 May 2012. The data supplied by VGM allowed AMC to generate a constrained grade model and estimate a Mineral Resource. AMC estimated the Mineral Resources using the end of August 2013 surveyed face positions.

The VGM Mineral Resource estimate is classified into Measured, Indicated, and Inferred Mineral Resources based on the current drillhole spacing, quality of the drilling information and confidence in the geological controls on the gold mineralisation and grade continuity. The Mineral Resource estimate includes Measured and Indicated Mineral Resources that will convert to Ore Reserves on application of modifying factors.

The information in this statement of underground Mineral Resources is based on information compiled by Mr John Tyrrell, who is a Member of the Australasian Institute of Mining and Metallurgy and a full-time employee of AMC Consultants Pty Ltd. Mr Tyrrell has sufficient relevant experience to be a Competent Person as defined by the JORC Code. Mr Tyrrell consents to the inclusion of this information in the form and context in which it appears. Mineral Resources listed as being prepared by AMC were estimated under the direct supervision of Mr Tyrrell.

The following notes highlight assumptions used to generate the Underground VGM Mineral Resource estimate:

- An intercept width times gold grade cut-off of 4 metre grams per tonne (m.g/t Au) and a gold grade cut-off of 2 g/t were applied to the resource models to obtain the estimated Mineral Resources.
- The Mineral Resource models were depleted for mining to 31 August 2013, using surveyed mine outlines at 31 August 2013.
- The Mineral Resource models use geological and assay data available at 18 May 2012.
- Samples are prepared and analysed by fire assay using a 25 gram charge at the on-site Vatukoula laboratory.
- The mineralised envelope was defined using geological logging and assay information from diamond drillholes using a nominal lower gold cut-off grade of 1 m.g/t Au.
- Extrapolation of the interpreted mineralised zone was limited to 50 m between section lines and 25 m at the end of each section.
- In situ density data were available from drillhole sampling. Densities were assigned to each of the modelled mineralised structures based on the average results from all available samples.
- The estimation method used 3D wireframe and block modelling projected to a 2D plane, with ordinary kriging interpolation. A grade variable (the product of the intercept width and grade) was estimated using modelled semi-variograms and geostatistical analysis to determine kriging search parameters. The intercept width was estimated separately and the grade back-calculated.

- Grade times thickness (AUMET) capping was applied in calculating the grade times thickness variable.

Waikatakata Mineral Resource

The information for the Waikatakata Mineral Resource is based on information compiled by Mrs Rachael Birch, who is a Member of the Australasian Institute of Mining and Metallurgy and a full-time employee of AMC Consultants Pty Ltd. Mrs Birch has sufficient relevant experience to be a Competent Person as defined by the JORC Code. Mrs Birch consents to the inclusion of this information in the form and context in which it appears. The Waikatakata Mineral Resource was first reported in 2012 and has not changed since.

The following notes highlights assumptions used to generate the Waikatakata Mineral Resource estimate:

- The Waikatakata Mineral Resource estimate was completed in October 2011 using 11 diamond drillholes and 133 reverse circulation drillholes for a total drilled length of 4,338 m. A twin drillhole programme was completed in 2011. Four twin diamond drillholes were drilled into the broader Waikatakata area
- The Mineral Resource estimate is based on the interpretation of mineralised zones using a nominal lower gold cut-off grade of 0.3 g/t Au. The interpretation was constrained within the contact breccia, andesite, and tuff units and between 8,400 m E and 9,500 m E
- All twin drill core samples were prepared and assayed at the VGM site laboratory. All samples were analysed for gold by fire assay on a 50 g charge with AAS finish
- Drillhole samples were composited to a dominant length of 1 m. Residual composites (less than 1 m) were retained for estimation
- A global bulk density value of 2.5 t/m^3 was assigned to the model
- Estimation of gold was completed using ordinary kriging with estimation parameters derived from modelled semi-variograms

Tailings Mineral Resource

The Tailings Mineral Resource is an estimate developed by CSA Group Limited (CSA). In March 2008, CSA compiled an independent Competent Persons Report (CSA CPR), on behalf of River Diamonds, for inclusion in the application for readmission to trading on the Alternative Investment Market (AIM) of the London Stock Exchange.

The CSA CPR reported the 2006 Mineral Resources, including the Tailings Mineral Resource, according to the JORC Code. No further estimates or data is available at the time of this report. AMC cannot verify the estimate and allocates a low reliability to the estimate.

The Tailings Mineral Resource is approximately 10% of the total Measured and Indicated Mineral Resources at VGM. AMC believes that the Tailings Mineral Resource may provide an opportunity to improve the output of the operation, but also believes the relevance of the Tailings Mineral Resource is low. VGM plans to review the tailings resource, in conjunction with the results of exploration programs currently under way, to determine the preferred means to extract the contained gold. VGM production plans do not include the Tailings Mineral Resource pending this review and conversion of Mineral Resources to Ore Reserves.

Ore Reserve Statement

Classification	2013 Tonnes (Mt)	2013 Grade (g/t Au)	2013 Contained Gold (Moz)	2012 Tonnes (Mt)	2012 Grade (g/t Au)	2012 Contained Gold (Moz
Proved Ore Reserve	0.64	8.14	0.17	0.7	8.22	0.19
Probable Ore Reserve	2.37	7.66	0.58	2.5	7.57	0.61
Total Ore Reserve	3.01	7.768	0.75	3.2	7.71	0.79

Note: Values are rounded and may not add correctly in this table.

The following notes highlight assumptions used to estimate the Ore Reserve:

- The Ore Reserve includes that part of the Mineral Resource that can be economically mined and includes the allowed dilution.
- A gold price of US$1,300/oz and Exchange rate of F$1.00 = US$0.55.
- Cut-off grade of 4.63 g/t Au.
- Minimum stope mining width of 1.07 m.
- 10% stope and development mining dilution.
- 95% mining recovery in development headings.
- 85% mining recovery in stopes.
- The metallurgical response for the ore bodies is well understood from actual production. No additional recovery factors were applied to the Ore Reserve estimate.

The Ore Reserve statement is based on mine design information prepared in 2012 under the supervision of Mr David Lee, who is a fulltime employee of AMC. The 2012 mining models were depleted with 31 August 2013 face positions to estimate the new Ore Reserve. The depletions were carried out by Mr Kevin Oborne, who is a full-time employee of VGMPLC, and reviewed by Mr Lee. Mr Oborne is a Member and Mr Lee is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Lee has sufficient relevant experience to be a Competent Person as defined by the JORC Code.

The reduction in 2013 Ore Reserve estimate from the 2012 Ore Reserve estimate is mainly attributable to:

- the change in cut-off grade (12,000 ounces)
- mining depletion between mining faces at 1 September 2012 and 31 August 2013 (30,000 ounces)

The method used to determine the 2013 Ore Reserve estimate required stopes to be split into panels to allow some stopes to be partially mined, such that only the panels with an ore reserve classification were considered. Access development to the ore reserve stopes was added to the mine plan if the panel met the Ore Reserve classification.

Independent reviews of the process plant, tailings facilities and environmental status were conducted by independent consultants for the 2010 Ore Reserve report. These reviews established that the operation at that time was fit for purpose and the facilities are in a condition suitable to enable recovery of the Ore Reserves of the project.

Major recommendations highlighted in this report include:

- Further work is required to improve the efficiency of the processing plant – to be completed by existing VGM staff.
- Design and construction of the Toko West tailings dam to provide sufficient capacity. Budget cost F$7.8M.
- Adoption of the proposed environmental management system and associated management plans – to be developed by existing VGM staff
- Development of a comprehensive exploration program to replace Mineral Resources depleted over the past 10 years – Budget cost F$15.6M

The conclusions of reviews conducted by independent consultants on the process plant, tailings storage facilities and environmental issues indicate that applying modifying factors should result in no change to the confidence level of the Ore Reserves when converted from Mineral Resources. Work on these recommendations continues.

AMC is not aware of any significant changes to the operation since the independent reviews were conducted. AMC believes at this time that additional work is required to improve operational efficiency at VGM, but this is not likelyto impede economic extraction of the Ore Reserves.

Board of Directors

Yingbin Ian He
Non-Executive Chairman, age 51

Mr. Yingbin Ian He has 30 years of experience in mining industry. Mr He obtained his PhD degree in mineral process engineering from the University of British Columbia in Canada. He is currently a director of Zhongrun Resources Investment Corp. which is listed on the Shenzhen Stock Exchange and China Gold International Resources, which is dual listed on the Toronto Stock Exchange and Hong Kong Stock Exchange.

D K Paxton
Chief Executive Officer (CEO), age 58

Mr Paxton is a professional engineer with over 36 years' experience in the mining industry, starting with mine production at Gold Fields of South Africa, and then time at their head office and culminating with 24 years as a mining analyst. As a mining analyst he has worked for a number of Canadian and UK stockbrokers.

Yeung Ng
Non-Executive Director, age 33

Mr Yeung Ng has been Chief Financial Officer of Zhongrun International Mining Co. Ltd since 2011. He holds a Bachelor of Commerce (Information Systems and International Business) from the University of New South Wales, and graduated from the University of Sydney with a Master's degree in Professional Accounting. Mr Ng had 6 years of experience in the finance and accounting profession in Australia before joining the Hong Kong based company in 2011, and thereafter has been actively involved in overseas corporate acquisitions, valuations, and due diligence.

J A MacPherson
Non-executive Director, age 71

Mr MacPherson is a Director of and founding chairman of Canadian Zinc Corporation. He has been active in public markets, corporate finance and corporate development for over 30 years. During this time he has led the strategic development of several successful ventures, primarily in the fields of mining and oil and gas. Throughout his career he has served as director of many private and public corporations listed on the Toronto, AMEX and London Stock Exchanges.

Fengwen Zheng
Non-Executive Director, age 47

Mr Fengwen Zheng is currently the Chairman of Shandong Shengji Investment Co. Ltd. and Director of Huibang Investment Corp. Mr Zheng is instrumental in setting the business strategies of these companies and in guiding implementation of their corporate development plans. He has over 20 years of experiences in financing, investment, and corporate management. Mr Zheng obtained a BA degree in language art from Shandong University, and an EMBA degree from Fudan University.

Mr Wei Li
Non-Executive Director, age 44

Mr Li joined China National Oil and Gas Exploration and Development Corporation in 1998 as a Senior Engineer in the Project Administration Department and was responsible for management and control of two projects in Kazakhstan. In 2000 he joined Greater Nile Petroleum Operating Company ("GNPOC") as Deputy Manager in the Planning Department where he advised management on policies, plans and decisions pertaining to GNPOC's operations. In 2009 he was appointed President of DRK Energy Limited, an oilfield services provider to the global market.

Mr Yongan Lu
Non-Executive Director, age 43

Mr Lu joined China Shandong International Economic & Technical Cooperation Corp., ("CSI") in 1991. He has served in numerous positions within the Company, including: General Manager of the Nepal Office of CSI, Deputy Manager of Economic Aid & Engineering Department of CSI, General

Manager of Tanzania Branch of CSI. He is currently Manager of Mineral Resources of CSI.

I C Orr-Ewing

Non-Executive Chairman, age 70, (resigned on 22 May 2013)

Mr Orr-Ewing has been involved in the natural resources sector for 37 years. His experience covers both the oil and mining industries and he has been a director of UK and Canadian oil companies and Irish and Canadian mining companies. Currently Mr Orr-Ewing also advises a fund management company on its natural resources portfolios. He began his career as an investment manager for the Shell Pension Fund in London after completing his education as a Chartered Accountant. He was deeply involved in the oil industry from 1971 through to 1987 with numerous companies in the North Sea, Libya, Nigeria and Algeria.

K C Morzaria

Finance Director, age 38, (resigned on 21 June 2013)

Mr Morzaria holds a Bachelor of Engineering (Industrial Geology) from the Camborne School of Mines and an MBA (Finance) from CASS Business School. He has 13 years of experience in the mineral resource industry covering gold and diamonds. Mr Morzaria spent his first four years in exploration, mining and civil engineering working for Highland Gold, Firestone Diamonds and CL Associates. He has remained Chief Financial Officer of the Group.

J F Kearney

Non-executive Director, age 61, (resigned on 21 June 2013)

Mr Kearney is the Chairman and President of Canadian Zinc Corporation with over 30 years' experience in the mining industry worldwide. With degrees in law, economics and business administration, he has a strong background in corporate development, finance and managing public companies, primarily in the mining field.

J I Stalker

Non-executive Director, age 61, (resigned on 3 January 2013)

Mr Stalker is the Chief Executive Officer of Brazilian Gold Corporation, a Toronto-listed gold mining company. He has over thirty years of development and operational mining experience in Europe, Africa and Australia. He has worked his way up from operational roles in the base and precious metals arenas to executive positions in some of the largest mining companies in the world. Mr. Stalker was CEO of Berkeley Resources Ltd, CEO of UraMin Inc. ("UraMin"), and a Vice President of Gold Fields Ltd., the fourth largest gold producer in the world at the time.

Directors' Report



The directors are pleased to present this year's annual report together with the consolidated and company financial statements for the year ended 31 August 2013.

Principal activities

The principal activity of the Group was the operation of the Vatukoula Gold Mine in Fiji as described on page 1 of the Business Review. The principal activity of the Company was that of a holding Company for its subsidiary undertakings, which are set out in Note 15 of the financial statements.

Results and dividends

The loss on ordinary activities of the Group for the year ended 31 August 2013 after taxation was 15.7 million (2012: loss of £7.1 million).

The directors do not recommend the payment of a dividend (2012: nil).

Business review

A review of the current and future development of the Group's business is given in the Business Review section of this report on pages 1 to 29.

Given the nature of business and industry the key performance indicators are based on financial and operational objectives set at the beginning of the year. Performance in relation to these is highlighted on pages 14 and 15.

The Business Review sets out a comprehensive review of the development and performance of VGM's business for the year ended 31 August 2013 and the future developments. The Business Review is set out on pages 1 to 29 of this annual report. All information detailed in these pages is incorporated by reference into this Directors' Report and is deemed to form part of this Directors' Report.

Corporate Governance Statement

The corporate governance statement set out on page 37 is incorporated by reference into this Directors' Report and is deemed to form part of this Directors' Report.

Post balance sheet events

At the date these financial statements were approved, being 3 February 2014, the directors were not aware of any significant post balance sheet events other than those set out in Note 33 of the financial statements.

Future developments

A review of our future developments is given in the Review by the Chairman on pages 6 to 7.

Financial risk management

The Group's operations expose it to financial risks that include liquidity risk, interest rate and foreign exchange risk. The Group does not use derivative financial instruments to manage any of these risks nor is hedge accounting applied.

The Group depends on the Vatukoula Gold Mine for a substantial portion of its revenue and cash flow and, therefore, the Group's business will be harmed if the Vatukoula Gold Mines's revenues are adversely affected. A review of this risk is given in our Risk Management section on page 24.

Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The Group's finance department implements the policies set by the board of directors. Further details of the Group's exposure to risks arising from financial instruments held are provided in note 25.

Liquidity risk

The Group actively manages its working finance to ensure the Group has sufficient

funds for current operations. As referred to in Note 3 of the financial statements, it is for this reason that the directors believe it is appropriate to prepare the financial statements on a going concern basis.

Interest rate cash flow risk

Interest bearing assets are only cash balances that earn interest at a floating rate. The Group does not have any variable rate debt and therefore it is not exposed to interest rate cash flow risk on its debt.

Foreign exchange risk

The Group operates in Fiji and Brazil. The board has assessed its exposure foreign exchange risk, the details of which are provided in note 25(i). This situation is monitored on a regular basis, and as such the directors do not currently consider it necessary to enter into forward exchange contracts.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument, fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The Group has credit risk management policies in place and exposures to credit risk are monitored on an ongoing basis. Management generally adopts conservative strategies and a tight control on credit policy.

Directors' insurance

The Company has taken out an insurance policy to indemnify the directors and officers of the Company against liability when acting for the Group.

Directors

The following directors have held office during the year:

Y I He	(appointed 25 February 2013)
D K Paxton	
Y Ng	(appointed 25 February 2013)
J A MacPherson	
F Zheng	(appointed 25 February 2013)
W Li	(appointed 21 June 2013)
Y Lu	(appointed 21 June 2013)
I C Orr-Ewing	(resigned 22 May 2013)
K C Morzaria	(resigned 21 June 2013)
J I Stalker	(resigned 3 January 2013)
J F Kearney	(resigned 21 June 2013)

Directors' interests

Directors' interests, including family interests in the ordinary shares, were as follows:

	Beneficial Holding	
	31 August 2013	**31 August 2012**
Y I He	–	–
D K Paxton	425,800	175,000
Y Ng	–	–
J A MacPherson	–	–
F Zheng	–	–
W Li	–	–
Y Lu	–	–
I C Orr-Ewing (resigned 22 May 2013)	522,683	522,683
K C Morzaria (resigned 21 June 2013)	190,000	47,280
J I Stalker (resigned 3 January 2013)	–	–
J F Kearney (resigned 21 June 2013)	–	–
D A Lenigas (resigned 04 January 2012)	–	–

Directors also hold options over ordinary shares as follows:

	Number of Options	
	31 August 2013	**31 August 2012**
Y I He	–	–
D K Paxton	1,000,000	1,000,000
Y Ng	–	–
J A MacPherson	400,000	400,000
F Zheng	–	–
W Li	–	–
Y Lu	–	–
I C Orr-Ewing (resigned 22 May 2013)	300,000	300,000
K C Morzaria (resigned 21 June 2013)	700,000	700,000
J I Stalker (resigned 3 January 2013)	700,000	700,000
J F Kearney (resigned 21 June 2013)	400,000	400,000
D A Lenigas (resigned 04 January 2012)	–	700,000

Political and charitable donations

The Group made no charitable or political donations during the year (2012: nil).

Substantial shareholdings

As at 3 February 2014 the following had notified the Company of disclosable interests of 3% or more in the nominal value of the Company's shares:

	Ordinary shares of 5p	**%**
Zhongrun International	226,697,000	65.66%
SCD Energey Inc	30,000,000	8.69%
Sprott Asset Management	14,894,718	4.31%
Canadian Zinc Corporation	12,583,380	3.64%
Total	284,175,098	82.30%

Policy on payment of creditors

The Company seeks to maintain good terms with all of its trading partners. It does not follow any specific code or standard on payment practice. However, it is the Company's policy to agree appropriate terms and conditions for its transactions with suppliers, to ensure that the suppliers are made aware of those terms and, provided the supplier has complied with its obligations, to abide by the terms of payment agreed. Trade creditor days of the Group for the year ended 31 August 2013 were 74 days (2012: 69 days).

Related Party Transactions

Details of related party transactions during the year are set out at note 27 to the financial statements.

Going concern

The Group's forecasts and projections, taking account of reasonable possible changes in gold price, mining costs and the concentration of the gold in the ore delivered to the mill show that the Group should be able to operate using its current cash position and financing facilities.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Subsequent to the year end the Group completed the first tranche of the US$40 million dollar financing via the placing of 188,897,000 new ordinary shares at 6.89 pence per share. Included in the Group's forecasts and projections is the completion and drawdown of the US$20 million secured loan notes agreed with Zhongrun.

Zhongrun have informed the Group that it remains willing and will be able to complete the subscription for the secured loan notes. However as a result of administrative delays Zhongrun and the Group have agreed an extension of the time for payment until the end of February 2014.

Further details are provided in note 3.

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that Mazars LLP be re-appointed will be put to the forthcoming Annual General Meeting.

Directors' responsibilities in the preparation of financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable laws and regulations. Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable law. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit and loss of the Company and the Group for that period. In preparing the financial statements, directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable, comparable, understandable and prudent;
- state whether IFRS as adopted by the European Union have been followed subject to any material departure disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirments in IFRS is insufficient to enable users to conclude the impact of particular transactions, other events and condition of the entities' financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

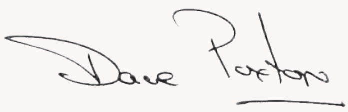
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's' transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable

them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the Group's website on the internet. However, information is accessible in many different countries where legislation governing preparation and documentation of financial statements may differ from that applicable in the United Kingdom.

Disclosure of information to auditors

Each of the directors in office at the date of approval of the annual report confirms that so far as they are aware there is no relevant audit information of which the Company's auditor is unaware and that each director has taken all the steps which they ought to have taken as directors it order to make themselves aware of that information.



David Karl Paxton
Director
3 February 2014

Corporate Governance Statement

Compliance with UK Corporate Governance Code

The directors recognise the value of the Combined Code on Corporate Governance that was issued in September 2012 by the Financial Reporting Council. Under AIM rules full compliance is not required. Therefore the Company has not adopted the Combined Code 2012, but the directors recognise the good principles that are set out within the Code and hence have chosen to follow some of principles which are relevant to the Company, the directors believe that the Company applies the Main Principles insofar as is practicable and appropriate for a public company of its size.

Outlined below is a summary of how the Company follows the Main Principles set out in the UK Corporate Governance Code.

Board of Directors

The board of directors comprises one executive director, and six non-executive directors, one of whom is the Chairman. The directors are of the opinion that the board comprises a suitable balance and that the recommendations of the Combined Code have been implemented to an appropriate level. The board, through the Chief Executive Officer, maintains regular contact with its advisers and public relations consultants in order to ensure that the board develops an understanding of the views of major shareholders about the Company.

Board Meetings

In addition to ad hoc meetings arranged to discuss particular transactions and events and the AGM, the full board met five times during the year ending 31 August 2013. The board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management is devolved to the executive directors who are charged with consulting the board on all significant financial and operational matters. Consequently decisions are made promptly and following consultation amongst the directors concerned where necessary and appropriate.

All necessary information is supplied to the directors on a timely basis to enable them to discharge their duties effectively, and all directors have access to independent professional advice, at the Company's expense, as and when required.

The Chief Executive Officer is available to meet with institutional shareholders to discuss any issues and concerns regarding the Group's governance. The non-executive directors can also attend meetings with major shareholders if requested.

The participation of both private and institutional investors at the Annual General Meeting is welcomed by the board.

Internal controls

The directors acknowledge their responsibility for the Company's and the Group's systems of internal control, which are designed to safeguard the assets of the Group and ensure the reliability of financial information for both internal use and external publication. Overall control is ensured by a regular detailed reporting system covering both technical progress of a project and the state of the Group's financial affairs. The board has put in place procedures for identifying, evaluating and managing any significant risks that face the Group.

Any system of internal control can provide only reasonable, and not absolute, assurance that material financial irregularities will be detected or that the risk of failure to achieve business objectives is eliminated. The directors, having reviewed the effectiveness of the system of internal financial, operational and compliance controls and risk management, consider that the system of internal control operated effectively throughout the financial year and up to the date the financial statements were signed.

Committees

Each of the following committees has its own terms of reference.

Audit Committee

The Audit Committee comprises three non-executive directors, Yongan Lu, Yeung Ng and Yinbing Ian He. Its terms of reference indicate at least two regular meetings per year. Given the board changes during the year and the various directors induction required, the audit committee met once during the year. The Audit Committee's primary responsibilities are to review the effectiveness of the Company's systems of internal control, to review with the external auditors the nature and scope of their audit and the results of the audit, and to evaluate and select external auditors.

Remuneration Committee

The Remuneration Committee comprises three non-executive directors, John MacPherson, Yeung Ng, Fengwen Zheng. It plans to meet at least twice in each year. The Remuneration Committee did not meet during the year.

The Company's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee agrees with the board a framework for the remuneration of the chairman, the executive directors and the senior management of the Company. The principal objective of the Committee is to ensure that members of the executive management of the Company are provided incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. Non-executive fees are considered and agreed by the board as a whole.

Independent Auditor's Report

Independent auditor's report to the members of Vatukoula Gold Mines plc.

We have audited the financial statements of Vatukoula Gold Mines plc. for the year ended 31 August 2013 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 August 2013 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Richard Metcalfe
(Senior Statutory Auditor)

for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London E1W 1DD

Date: 3 February 2014

Consolidated Statement of Comprehensive Income

For the year ended 31 August 2013

	Notes	2013 £'000	2012 £'000
Turnover	4	39,080	54,925
Cost of sales	5	(40,314)	(53,544)
Gross (loss)/profit		**(1,234)**	**1,381**
Operating expenses			
Administrative expenses		(2,341)	(2,762)
Foreign exchange (loss)/gain		(1,707)	1,334
Depreciation and amortisation expense		(7,328)	(6,551)
Underlying operating loss		**(12,610)**	**(6,598)**
Impairment charge	12	(3,264)	–
Inventory obsolescence write back	16	18	47
Gain on disposal of assets		32	27
Provision for mine rehabilitation		–	45
Doubtful debt expense	17	(296)	(993)
Share based payments expense	19	(185)	(627)
Operating loss	6	**(16,305)**	**(8,099)**
Interest receivable and other income	8	8	65
Interest payable and similar charges	8	(556)	(111)
Net loss before taxation		**(16,853)**	**(8,145)**
Taxation	9	1,189	1,075
Loss for the period		**(15,664)**	**(7,070)**
Attributable to:			
Owners of the Parent		**(15,664)**	**(7,070)**
Other comprehensive (expenses) and income			
Currency translation differences		(46)	440
Total comprehensive loss		**(15,710)**	**(6,630)**
Attributable to:			
Owners of the Parent		**(15,710)**	**(6,630)**
Loss per share		**Pence**	**Pence**
Basic	11	(12.74)	(7.81)
Diluted	11	(12.74)	(7.81)

All activities relate to continuing operations.

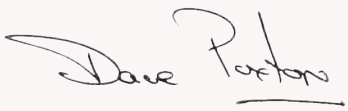
The notes on pages 46 to 75 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 August 2013

	Notes	2013 £'000	2012 £'000
Assets			
Non-current assets			
Intangible assets	12	32,758	36,841
Property, plant and equipment	13	23,604	25,713
Mine properties and development	14	19,913	11,515
Total non-current assets		**76,275**	**74,069**
Current assets			
Inventories	16	6,558	7,771
Trade and other receivables	17	3,008	6,383
Cash and cash equivalents	18	617	2,437
Total current assets		10,183	16,591
Total assets		**86,458**	**90,660**
Current liabilities			
Trade and other payables	20	8,404	10,053
Provisions	21	1,261	1,073
Borrowings	22	62	–
Vatukoula Social Assistance Trust Fund	23	1,127	1,189
Convertible loan	24	347	–
Total current liabilities		**11,201**	**12,315**
Non-current Liabilities			
Provisions	21	4,751	3,320
Convertible loan	24	–	317
Vatukoula Social Assistance Trust Fund	23	15	15
Deferred tax liability	31	5,569	6,758
Total non-current liabilities		**10,335**	**10,410**
Shareholders' Equity			
Share capital	19	7,768	4,828
Share premium account		91,139	81,659
Merger reserve		2,167	2,167
Foreign exchange reserve		1,068	1,022
Other reserves		3,067	2,882
Accumulated losses		(40,287)	(24,623)
Total shareholders' equity		**64,922**	**67,935**
Total liabilities and shareholders' equity		**86,458**	**90,660**

Approved by the Board and authorised for issue on 3 February 2014 and signed on behalf of the Board of Directors by:



D K Paxton
Director
3 February 2014

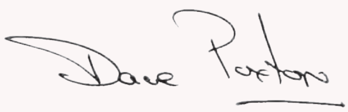
The notes on pages 46 to 75 form an integral part of these financial statements.

Company Statement of Financial Position

As at 31 August 2013

	Notes	2013 £'000	2012 £'000
Assets			
Non-current assets			
Trade and other receivables	17	34,970	23,900
Investment in subsidiary companies	15	15,556	49,495
Property, plant and equipment	13	–	–
Total non-current assets		**50,526**	**73,395**
Current assets			
Trade and other receivables	17	816	532
Cash and cash equivalents	18	30	270
Total current assets		**846**	**802**
Total Assets		**51,372**	**74,197**
Current liabilities			
Trade and other payables	20	491	193
Convertible loan	24	347	–
Total current liabilities		**838**	**–**
Non-current Liabilities			
Convertible loan	24	–	317
Total non-current liabilities		**–**	**317**
Shareholders' Equity			
Share capital	19	7,768	4,828
Share premium account		91,139	81,659
Other reserves		3,067	2,882
Accumulated losses		(51,440)	(15,682)
Total shareholders' equity		**50,534**	**73,687**
Total liabilities and shareholders' equity		**51,372**	**74,197**

Approved by the Board and authorised for issue on 3 February 2014 and signed on behalf of the Board of Directors by:



D K Paxton
Director
3 February 2014

The notes on pages 46 to 75 form an integral part of these financial statements.

Consolidated Statement of Changes in Shareholders' Equity

As at 31 August 2013

	Ordinary share capital £'000	Share premium £'000	Merger reserve £'000	Foreign exchange reserve £'000	Share based payment reserve £'000	Equity component of convertible loan note £'000	Accumulated losses £'000	Total £'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	–	–	–	–	–	–	(15,664)	(15,664)
Other comprehensive income								
– Currency translation differences	–	–	–	46	–	–	–	46
Total comprehensive income	–	–	–	46	–	–	(15,664)	(15,618)
Issue of shares	2,940	9,480	–	–	–	–	–	12,420
Share based payments	–	–	–	–	185	–	–	185
Balance at 31 August 2013	**7,768**	**91,139**	**2,167**	**1,068**	**3,022**	**45**	**(40,287)**	**64,922**

	Ordinary share capital £'000	Share premium £'000	Merger reserve £'000	Foreign exchange reserve £'000	Share based payment reserve £'000	Equity component of convertible loan note £'000	Accumulated losses £'000	Total £'000
Balance at 1 September 2011	**4,378**	**76,709**	**2,167**	**582**	**2,313**	**45**	**(17,656)**	**68,538**
Profit for the year	–	–	–	–	–	–	(7,070)	(7,070)
Other comprehensive income								
– Currency translation differences	–	–	–	440	–	–	–	440
Total comprehensive income	–	–	–	440	–	–	(7,070)	(6,630)
Issue of shares	450	4,950	–	–	–	–	–	5,400
Share option expired	–	–	–	–	(103)	–	103	–
Share based payments	–	–	–	–	627	–	–	627
Balance at 31 Aug 2012	**4,828**	**81,659**	**2,167**	**1,022**	**2,837**	**45**	**(24,623)**	**67,935**

The notes on pages 46 to 75 form an integral part of these financial statements

Company Statement of Changes in Shareholders' Equity

As at 31 August 2013

	Ordinary share capital £'000	Share premium £'000	Share based payment reserve £'000	Equity component of convertible loan note £'000	Accumulated losses £'000	Total £'000
Balance at 1 September 2012	**4,828**	**81,659**	**2,837**	**45**	**(15,682)**	**73,687**
Loss for the year	–	–	–	–	(35,758)	(35,758)
Total comprehensive income	–	–	–	–	(35,758)	(35,758)
Issue of shares	2,940	9,480	–	–	–	12,420
Share based payments	–	–	185	–	–	185
Balance at 31 August 2013	**7,768**	**91,139**	**3,022**	**45**	**(51,440)**	**50,534**

	Ordinary share capital £'000	Share premium £'000	Share based payment reserve £'000	Equity component of convertible loan note £'000	Accumulated losses £'000	Total £'000
Balance at 1 September 2011	**4,378**	**76,709**	**2,313**	**45**	**(15,198)**	**68,247**
Loss for the year	–	–	–	–	(587)	(587)
Total comprehensive income	–	–	–	–	(587)	(587)
Issue of shares	450	4,950	–	–	–	5,400
Share option expired	–	–	(103)	–	103	–
Share based payments	–	–	627	–	–	627
Balance at 31 Aug 2012	**4,828**	**81,659**	**2,837**	**45**	**(15,682)**	**73,687**

Share premium: The share premium reserve represents the consideration that has been received in excess of the nominal value of shares on issue of new ordinary share capital

Merger reserve: The merger reserve represents shares that have been issued at a premium to their nominal value on acquisition of another company

Foreign exchange reserve: The foreign exchange reserve represents the exchange gains or losses resulting from translating foreign currency amounts to the reporting currency during the consolidation of the accounts of the Group companies

Share based payment reserve: The share-based payment reserve represents cumulative amounts charged to the Statement of Comprehensive Income in respect of share based payment arrangements, where it has not yet been settled by means of an award of shares

Equity component of convertible loan note: The equity component of the convertible loan notes represents the remaining equity component of convertible notes which has not yet been converted into shares

Accumulated losses: The accumulated losses represent profits and losses retained in previous and current period

The notes on pages 46 to 75 form an integral part of these financial statement

Consolidated Statement of Cash Flows

For the year ended 31 August 2013

	Notes	2013 £'000	2012 £'000
Cash flows from operating activities			
Operating loss for the period:		(16,305)	(8,099)
Adjustments for:			
Share based payments expense		185	627
Depreciation and amortisation expense		7,328	6,551
Impairment charge		3,264	–
Gain on disposal of assets		(32)	(27)
Inventory obsolescence write back	16	(18)	(47)
Foreign exchange losses / (gains)		2,513	(429)
Doubtful debt expense	17	296	993
Provision for mine rehabilitation	21	–	(45)
Movements in employment provisions	21	279	411
Net operating loss before changes in working capital		(2,490)	(65)
Payment to Vatukoula Social Assistance Trust Fund		(103)	(397)
Decrease in inventories		837	492
Decrease in receivables		2,888	561
(Decrease) / increase in accounts payable		(1,204)	5,666
Net cash (used) / generated in operating activities		(72)	6,257
Cash flows from investing activities			
Exploration for and evaluation of mineral resources	12	(1,085)	(4,164)
Purchase of property, plant and equipment		(2,177)	(7,245)
Payments for mine properties and development	14	(10,624)	(4,952)
Proceeds from disposals of property plant and equipment		29	233
Interest received	8	8	65
Net cash used in investing activities		(13,849)	(16,063)
Cash flows before financing		(13,921)	(9,806)
Cash flows from financing activities			
Proceeds from issuance of shares	19	12,420	5,400
Interest paid		(308)	(88)
Proceeds / (repayment) of borrowings	22	62	(5)
Net cash provided by financing activities		**12,174**	**5,307**
Net decrease in cash and cash equivalents		**(1,747)**	**(4,499)**
Cash and cash equivalents at beginning of the period	18	2,437	6,892
Effect of foreign exchange on cash and cash equivalents		(73)	44
Cash and cash equivalents at end of the period	18	**617**	**2,437**

The notes on pages 46 to 75 form an integral part of these financial statements

Company Statement of Cash Flows

For the year ended 31 August 2013

	Notes	2013 £'000	2012 £'000
Cash flows from operating activities			
Operating loss for the year:		**(38,181)**	**(2,178)**
Adjustments for:			
Share based payments expense		27	360
Impairment		36,852	–
Net operating loss before changes in working capital		(1,302)	(1,818)
Increase in receivables		(11,640)	(8,060)
Increase/(decrease) in accounts payable		298	(4)
Net cash used in operating activities		(12,644)	(9,882)
Cash flows from investing activities			
Interest received		2	53
Net cash used in investing activities		2	53
Cash flows before financing		(12,642)	(9,829)
Cash flows from financing activities			
Proceeds from issuance of shares	19	12,420	5,400
Interest paid		(18)	(75)
Net cash provided by financing activities		**12,402**	**5,325**
Net decrease in cash and cash equivalents		**(240)**	**(4,504)**
Cash and cash equivalents at beginning of the year	18	270	4,774
Cash and cash equivalents at the end of the year	18	**30**	**270**

The notes on pages 46 to 75 form an integral part of these financial statements

Notes to the Financial Statements

For the year ended 31 August 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 situated at Level 5, 2 More London Riverside, London, SE1 2AR. The Company is listed on the AIM market of the London Stock Exchange.

The nature of the Group's and Company's operations and principal activities are set out in the Directors' Report on page 32.

2. Basis of preparation

The consolidated financial statements of Vatukoula Gold Mines plc. and all its subsidiaries (the 'Group') have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Pounds Sterling (GBP) and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

The principal accounting policies adopted by the Group and Company in the preparation of the financial statements are set out below.

The Board has reviewed the accounting policies set out in the financial statements and considers them to be most appropriate to the Group's business.

These financial statements are presented in Pounds Sterling. Group revenues are in US Dollars. Given that the Fijian dollar is not widely used as a reporting currency and that the parent company is listed in the United Kingdom it is deemed appropriate for the presentation currency of the Group to be in Pound Sterling.

Statement of Compliance with IFRS

The Group's and Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS and interpretations) as adopted by the European Union.

New accounting standards

The Group and Company adopted IFRS 7 'Financial Instruments: Disclosures'– Transfers of Financial Assets'. There was no impact from the adoption of this standard as the Group did not transfer any financial instruments during the year.

There was no material effect of other IFRS's, IAS's and IFRIC's that came into effect in the year, as these new or amended standards, amendments and interpretations did not apply to operations of the Group and the Company.

The Group and the Company have not applied the following standard, amendments and interpretations that are applicable and have been issued, but are not yet effective.

New/Revised International Financial Reporting Standards		**Issued**	**Effective Date**
IFRS 13	Fair Value measurement	Original issue May 2011	Annual periods beginning on or after 1 January 2013
IFRS 10	Consolidated Financial Statements	Original issue May 2011	Annual periods beginning on or after 1 January 2013
IAS 19	Employee benefits – Amended standards resulting from the post- Employee benefits and termination benefits projects	Amended June 2011	Annual periods beginning on or after 1 January 2013
IAS 27	Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (as amended in 2011)	May 2011	Annual periods beginning on or after 1 January 2013

2. Basis of preparation (continued)

New/Revised International Financial Reporting Standards		Issued	Effective Date
IAS 28	Investments in Associates – Reissued as IAS28. Investments in Associates and Joint Ventures (as amended in 2011)	May 2011	Annual periods beginning on or after 1 January 2013
IFRS 10	Consolidated Financial Statements – Amendment: Investment Entities	Original issue September 2012	Annual periods beginning on or after 1 January 2014
IFRS 11	Joint arrangements	Original issue May 2011	Annual periods beginning on or after 1 January 2014
IFRS 12	Disclosure of interests in other Entities	Original issue May 2011	Annual periods beginning on or after 1 January 2014
Improve-ments to IFRSs	Amendments to various standards and interpretations affecting the scope, recognition, measurement, presentation and/or disclosure	May 2011	Annual periods beginning on or after 1 January 2013
IFRIC20	Stripping costs in the production phase of a surface mine		Annual periods beginning on or after 1 January 2013
IFRS 9	Financial Instruments'	October 2009	Annual periods beginning on or after 1 January 2015

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial applications.

3. Summary of significant accounting policies

(a) Basis of consolidation

The consolidated financial information incorporates the financial statements of the Company and its subsidiaries (the "Group"). Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

(b) Going concern

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Business Review section of this report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial review. In addition note 25 to the financial statements include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and details of its financial instruments and it its exposure to credit and liquidity risk.

In assessing the Group's going concern the Directors have taken into account the above factors, including the financial position of the Group and in particular its cash position, the current gold price and market expectation for the same over the medium term, and the Group's capital expenditure and financing plans.

The Group's forecasts and projections, taking account of reasonable possible changes in gold price, mining costs and the concentration of the gold in the ore delivered to the mill show that the Group should be able to operate using its current cash position and financing facilities. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the Financial Statements
For the year ended 31 August 2013

3. Summary of significant accounting policies (continued)

(b) Going concern (continued)

Subsequent to the year end the Group completed the first tranche of the US$40 million dollar financing via the placing of 188,897,000 new ordinary shares at 6.89 pence per share. Included in the Group's forecasts and projections is the completion and drawdown of the US$20 million secured loan notes agreed with Zhongrun.

Zhongrun have informed the Group that it remains willing and will be able to complete the subscription for the secured loan notes. However as a result of administrative delays Zhongrun and the Group have agreed an extension of the time for payment until the end of February 2014.

(c) Business combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition costs incurred are expensed and included in administrative expenses. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Where there is a difference between the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the business combination, any excess cost is recognised in the statement of financial position as goodwill and any excess net fair value is recognised immediately in the profit or loss as negative goodwill on acquisition of subsidiary. The non-controlling interest in the acquiree is initially measured as the non-controlling interest proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(d) Significant accounting judgements, estimates and assumptions

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognised in the consolidated financial statements

(i) Mineral Resources and Reserves
Quantification of mineral resources requires a judgement on the reasonable prospects for eventual economic extraction. Quantification of ore reserves requires a judgement on whether mineral resources are economically mineable. These judgements are based on the assessment of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors involved, in accordance with the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. These factors are a source of uncertainty and changes could result in an increase or decrease in mineral resources and ore reserves. This would in turn affect certain amounts in the financial statements such as amortisation, rehabilitation provisions which are calculated on a projected life of mine figures.

(ii) Provisions and Contingent Liabilities (notes 21 & 30)
Judgements are made as to whether a past event has led to a liability that should be recognised in the financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgements and estimations. These judgements are based on a number of factors including the nature of the claim or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realised. Several of these factors are a source of estimation uncertainty.

(iii) Inventory Valuations
Valuations of gold stockpiles, gold in circuit and gold within the fine ore bin requires estimations of the amount contained in, and the recovery rates from, the various work in progress gold circuits. These estimations are based on analysis of samples and prior experience. A judgement is also applied when the gold in circuit will be recovered and what gold price should be applied in calculating the net realisable value; these are both sources of uncertainty.

(iv) Income taxes (see note 9)
The Group is subject to income taxes in the United Kingdom, Fiji and Brazil. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Estimates and Assumptions

The preparation of financial statements requires the application of estimates and assumptions on future events, which affects assets and liabilities at the reporting date and income and expenditure for the period. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. Summary of significant accounting policies (continued)

(d) Significant accounting judgements, estimates and assumptions (continued)

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(v) Share-based payment transactions (see note 19)
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model. The Black-Scholes model is particularly sensitive to expected volatility. Therefore any change in the methodology of the calculation of volatility will impact the amount expensed as share based payments on the statement of comprehensive income.

The value expensed in the statement of comprehensive income is £185,000 (2012: £627,000).

(vi) Intangible assets (see note 12)
Amortisation
Intangible assets (other than goodwill) are amortised over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Due to the long lives of assets, changes to the estimates used can result in significant variances in the carrying value.

The Group assesses the impairment of intangible assets subject to amortisation or depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include the following:

– significant underperformance relative to historical or projected future operating results;
– significant changes in the manner of the use of the acquired assets or the strategy for the overall business; and
– significant negative industry or economic trends.

The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent in the application of the Group's accounting estimates in relation to intangible assets affect the amounts reported in the financial statements, especially the estimates of the expected useful economic lives and the carrying values of those assets. If business conditions were different, or if different assumptions were used in the application of this and other accounting estimates, it is likely that materially different amounts could be reported in the Group's financial statements. In particular it would affect, the value of the intangible asset and rehabilitation provisions.

The carrying value at the reporting date of the intangible assets is £32,758,000 (2012: £36,841,000).

(vii) Mine Rehabilitation Provisions (see note 21)
The Mine Rehabilitation provision requires a judgement on likely future obligations, based on assessment of technical, legal and economic factors. The ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes in the relevant legal requirements, the emergence of new restoration techniques and changes to the life of mine. Changes to any of these costs will affect amounts in the financial statements, such as the mine asset and the provision for mine rehabilitation.

The carrying value at the reporting date of the mine rehabilitation provision is £4,660,000 (2012: £3,247,000).

(viii) Allowance for doubtful debts (see note 17)
Each receivable balance is assessed to determine recoverability. Provisions are made for those debtors where evidence indicates that recoverability is doubtful. Amounts are written off when they are deemed irrecoverable. Any changes to estimates made in relation to debtors recoverability may result in materially different amounts being reported by the Group's financial statements. In particular any changes will affect trade and other receivable as well as the statement of comprehensive income.

The carrying value at the reporting date of the provision for doubtful debts is £520,000 (2012: £3,913,000).

(e) Revenue recognition

Revenue is recognised when persuasive evidence exists that all of the following criteria are met:

- the significant risks and rewards of ownership of the product have been transferred to the buyer;
- neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold has been retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the sale will flow to the Group; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

Notes to the Financial Statements
For the year ended 31 August 2013

3. Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

Gold doré sales

The transfer of risks and rewards for the sale of the gold doré is assessed as taking place when the physical possession is passed to the customer upon collection of the gold doré from the mining premises. The customer does not have any right of return subsequent to the physical transfer, and accordingly at this point revenue is recognised.

Finance revenue

Interest revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(f) Turnover and Segmental Analysis

The reportable segments identified make up all of the Group's external revenue, which is derived primarily from the sale of gold. The reportable segments are an aggregation of the operating segments within the Group as prescribed by IFRS 8. The reportable segments are based on the Group's management structures and the consequent reporting to the Chief Operating Decision Maker, the Board of Directors. Our sector results are attributable to unallocated head office corporate costs, gold production & exploration costs, and other costs. These reportable segments also correspond to geographical locations such that each reportable segment is in a separate geographic location, i.e.; unattributed head office costs – UK, gold mining – Fiji, other activities – Brazil.

Income and expenses included in profit or loss for the year are allocated directly or indirectly to the reportable segments. Expenses allocated as either directly or indirectly attributable comprise: cost of sales, gold duty and administrative expenses.

Non-current segment assets comprise the non-current assets used directly for segment operations, including intangible assets, property, plant and equipment and mine properties and development.

Current segment assets comprise the current assets used directly for segment operations, including inventories, trade receivables, other receivables and pre-payments.

Inter-company balances comprise transactions between operating segments making up the reportable segments. These balances are eliminated to arrive at the figures in the consolidated accounts.

(g) The Company's investments in subsidiaries

In its separate financial statements the Company recognises its investments in subsidiaries at cost, less any provision for impairment. Differences arising from changes in fair values of intercompany loans receivable at below market rates of interest are treated as an increase in the investment in the subsidiary.

(h) Foreign currency

The consolidated financial statements are presented in Pounds Sterling ("£"), which is the parent company's functional currency and the Group's presentation currency. Each entity in the Group determines it own functional currency and items included in the financial statements of each entity are measured using that functional currency. The assets and liabilities of these subsidiaries are translated into the presentation currency of Vatukoula Gold Mines plc. at the rate of exchange ruling at the reporting date and their Statements of Comprehensive Income are translated at the average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

All other differences arising on translation are included in the profit or loss except for exchange differences arising on non-monetary assets and liabilities where the changes in fair values are recognised directly in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Exchange differences recognised in profit or loss of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve. On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the Statements of Comprehensive Income as part of the profit or loss.

(i) Goodwill on acquisition

Goodwill arising on the acquisition of a subsidiary or jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

3. Summary of significant accounting policies (continued)

(i) Goodwill on acquisition (continued)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

(j) Inventories

Ore stock, consisting of stocks on which further processing is required to convert them to trading stocks and gold doré, is valued at the lower of cost and net realisable value. Cost is calculated using a weighted average cost model, where inventories are valued at the weighted average cost of the closing inventory. Net realisable value is estimated selling price less the estimated costs necessary to make the sale.

Other inventories include:

(i) Stores, comprising plant spares and consumable stores are valued on the basis of weighted average cost after providing for obsolescence.

(ii) Work in progress is valued on the basis of first in first out and includes direct costs, depreciation and amortisation.

(iii) Insurance spares are stated at the lower of cost and net realisable value. Insurance spares are critical spare parts to equipment, that although may not be required on a regular basis are kept in inventory because, should a particular piece of equipment fail it would materially adversely affect production.

Gold in circuit

Gold in circuit is valued at the lower of cost and net realisable value. Cost comprises direct material, labour and transportation expenditure incurred in getting inventories to their existing location and condition, together with an appropriate portion of fixed and variable overhead expenditure based on weighted average costs incurred during the period in which such inventories were produced. Net realisable value is the amount anticipated to be realised from the sale of inventory in the normal course of business less any anticipated costs to be incurred prior to its sale.

(k) Intangible assets

Acquired intangible assets, which consist of mining rights and intangible computer software, are valued at cost less accumulated amortisation.

Amortisation for both types of intangibles is calculated using the units of production method which is calculated over the life span of the mine. As at 31 August 2013, the estimated remaining life span of the mine is 7 years. This is the entire period over which the mine is currently being amortised.

The Group applies the full cost method of accounting for exploration and evaluation costs, having regard to the requirements of IFRS 6 'Exploration for and Evaluation of Mineral Resources'. All costs associated with mining development and investment are capitalised on a project by project basis pending determination of the feasibility of the project. Such expenditure comprises appropriate technical and administrative expenses but not general overheads.

Such exploration and evaluation costs are capitalised provided that the Group's rights to tenure are current and one of the following conditions is met:

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale; or

(ii) the activities have not reached a stage which permits a reasonable assessment of whether or not economically recoverable resources exist; or

(iii) active and significant operations in relation to the area are continuing.

When an area of interest is abandoned or the directors decide that it is not commercial, any exploration and evaluation costs previously capitalised in respect of that area are written off to profit or loss. Amortisation does not take place until production commences in these areas. Once production commences, amortisation is calculated on the unit of production method, over the remaining life of the mine.

Impairment assessments are carried out regularly by the directors. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include the point at which a determination is made as to whether or not commercial reserves exist.

The recoverability of capitalised mining costs and mining interests is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves.

Notes to the Financial Statements
For the year ended 31 August 2013

3. Summary of significant accounting policies (continued)

(k) Intangible assets (continued)

The assets' residual value and useful lives are reviewed and adjusted if appropriate, at each reporting date. An asset's carrying value is written down immediately to its recoverable value if the asset's carrying amount is greater than its listed recoverable amount.

(l) Tangible assets

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost is the fair value of consideration given to acquire the asset at the time of its acquisition or construction and includes the direct cost of bringing the asset to the location and condition necessary for operation and the estimated future cost of closure and rehabilitation of the facility. Depreciation is provided on all tangible assets to write down the cost less estimated residual value of each asset over its useful economic life on a units of production method or straight line basis. The estimated useful lives are as follows:

Freehold land	Not depreciated
Plant and machinery	Over 3 – 10 years
Mine Asset	Life of mine basis
Motor vehicles	Over 3 years
Fixtures, fittings and equipment	Over 4 years
Work in progress	Not depreciated

The depreciation charge for each period is recognised in the Statement of Comprehensive Income.

Assets in the course of construction are capitalised in the Work in Progress account. The cost comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use, at which point it is transferred to property, plant and equipment and depreciation commences.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Repairs and maintenance which neither materially add to the value of assets nor appreciably prolong their useful lives are charged against income.

The gain or loss arising from the de-recognition of any items of property, plant and equipment is included in the profit or loss when the item is de-recognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

(ii) Mine properties and development ("MPD")

This represents the accumulated exploration, evaluation, development and acquisition expenditure in relation to areas of interest in which economically recoverable reserves exist.

Development costs that can be capitalised fall into the following categories:

- Initial Capital Development

  This includes, but is not restricted to the following:

  - Shaft sinking
  - Station (plant) development & underground workshops
  - Pump station and dams
  - Ore and waste pass systems

- Primary Capital Development

  This is the development carried out on each level in the exploration and exploitation of a mining area or orebody. It includes, but is not restricted to the following:

  - Cross cuts, haulages and drives to the orebody

3. Summary of significant accounting policies (continued)

(l) Tangible assets (continued)

- o Initial rises on the orebody to effect the first holdings to facilitate production
- o Main airways

- Secondary Capital Development

  This is the development carried out within an area in which the primary development has been completed and which is critical to the continued operation of the mine or mining area. It includes, but is not restricted to the following:

- o Airways, crosscuts and drives
- o Pump stations

The capitalised value of mine properties is depreciated on a life of mine basis. The life of mine has been calculated on a units of production method based on economically recoverable reserves and resources. The depreciation for the period is calculated using the following:

$$\frac{\text{Delivered gold ounces during the period}}{\text{Total estimated delivered ounces over the Life of Mine}} \quad X \quad \text{Net book value at the beginning of the period plus costs capitalised during the period}$$

The net carrying value of mine assets is reviewed regularly and, to the extent to which this amount exceeds its recoverable amount (based on the higher of estimated future net cash flows and the mine's asset's current realisable value) that excess is fully provided against in the financial year in which this is determined.

(m) Provision for mine rehabilitation

A provision for rehabilitation is initially recognised at the present value of expected future cash flows when there exists a constructive obligation for the entity to undertake rehabilitation at the mine site. When provisions for closure and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of closure and rehabilitation activities is recognised in property, plant and equipment and depreciated accordingly. The increase in the provision for rehabilitation relating to the unwinding of the discount on the provision to the date of settlement of the provision and the depreciation of the rehabilitation asset are recorded within profit or loss.

(n) Impairment of intangible and tangible assets excluding goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Impairment losses of continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment is treated as a revaluation decrease). An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated, a previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(o) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

Notes to the Financial Statements
For the year ended 31 August 2013

3. Summary of significant accounting policies (continued)

(o) Financial instruments (continued)

a. Trade and other receivables and other assets
Trade and other receivables and other assets are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired.

b. Cash and cash equivalents
For purposes of the consolidated statement of financial position and consolidated statement of cash flows, the Group considers all highly liquid investments which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents. Cash and cash equivalents comprise cash at bank and in hand, and short term deposits with an original maturity of three months or less, all of which are available for use by the Group unless otherwise stated.

c. Investments
Investments included as financial assets are valued at fair value and are held as available for sale. When available for sale assets are considered to be impaired, cumulative gains or losses previously recognised in equity are reclassified to the profit or loss in the period.

d. Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities include trade and other payables, bank loans, other borrowings, convertible loans and obligations under finance leases. All financial liabilities, are recognised initially at their fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liability and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

e. Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

f. Bank borrowings
Interest-bearing bank loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the Statement of Comprehensive Income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

g. Trade payables, provisions and other payables
Trade payables are not interest-bearing and are stated at cost. Other payables which are interest-bearing are measured at fair value. Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligations, and a reliable estimate of the amount can be made. Provisions are measured at fair value. Provision has been made in the financial statements for benefits accruing in respect of sick leave, annual leave, and long service leave.

h. Compound financial instruments
Compound financial instruments issued by the Group comprise convertible loan notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

(p) Financing costs and interest income

Financing costs comprise interest payable on borrowings and finance lease payments and interest income which is calculated using the effective interest rate method.

(q) Impairment of financial assets

At each reporting date, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amounts and the present value of estimated future cash flows discounted at the financial asset's original effective interest rates.

3. Summary of significant accounting policies (continued)

(r) Share Capital

Ordinary shares are recorded at nominal value and proceeds received in excess of nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Costs incurred directly relating to the issue of shares are accounted for as a deduction from share premium, otherwise they are charged to the Statement of Comprehensive Income.

(s) Taxation

Tax on profit or loss for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(t) Share-based payments

The Company operates a share option scheme for granting share options, for the purpose of providing incentives and rewards to eligible employees of the Group. The cost of share options granted is measured by reference to the fair value at the date at which they are granted.

Non-market performance and service conditions are included in the assumptions about the number of options expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to the original estimate, if any, in the statement of comprehensive income with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transactions costs are credited to share capital (nominal value) and share premium.

(u) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

(v) Leased assets

Operating lease: Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

Finance lease: Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

Notes to the Financial Statements
For the year ended 31 August 2013

3. Summary of significant accounting policies (continued)

(w) Employee benefits

a. Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in profit or loss as the related service is provided.

b. Long-term employee benefits
Obligations in respect of long-term employee benefits such as long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

c. Termination benefits
Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic probability of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be measured reliably. Benefits falling due in more than 12 months of the reporting date are discounted to their present value.

4. Turnover and segmental analysis

All turnover in the Group in the current and prior year is derived from the sales to one customer, which is included in the Gold mining segment. Other activities relate to a restoration obligation in Brazil.

2013	**Unattributed Head Office Costs £'000**	**Gold Mining £'000**	**Other Activity £'000**	**Total £'000**
Turnover	**–**	**39,080**	**–**	**39,080**
Mining	–	(23,512)	–	(23,512)
Processing	–	(9,081)	–	(9,081)
Gold duty	–	(1,150)	–	(1,150)
Overheads	–	(6,571)	–	(6,571)
Cost of sales	–	(40,314)	–	(40,314)
Gross Loss	**–**	**(1,234)**	**–**	**(1,234)**
Administrative expenses	(1,664)	(525)	(152)	(2,341)
Foreign exchange gains	–	(1,707)	–	(1,707)
Depreciation and amortisation	(1,590)	(5,721)	(17)	(7,328)
Underlying operating loss	**(3,254)**	**(9,187)**	**(169)**	**(12,610)**
Inventory obsolescence	–	18	–	18
Gain on disposal of assets	–	32	–	32
Impairment charge	–	(3,264)	–	(3,264)
Provision for doubtful debt	–	(296)	–	(296)
Share based payments	(28)	(157)	–	(185)
Operating loss	**(3,282)**	**(12,854)**	**(169)**	**(16,305)**
Interest receivable and other income	3	5	–	8
Interest payable and similar charges	(48)	(508)	–	(556)
Net loss before taxation	**(3,327)**	**(13,357)**	**(169)**	**(16,853)**
Taxation	1,189	–	–	1,189
Loss for the period	**(2,138)**	**(13,357)**	**(169)**	**(15,664)**
Other Segment Items				
Additions to intangible assets	–	1,085	–	1,085
Additions to property, plant, and equipment	–	2,216	26	2,242
Additions to mine properties and development	–	10,624	–	10,624
Current assets	142	9,964	77	10,183
Non currents assets	27,848	48,258	169	76,275
Current liabilities	(813)	(10,383)	(5)	(11,201)
Non current liabilities	(5,593)	(4,742)	–	(10,335)

4. Turnover and segmental analysis (continued)

2012	Unattributed Head Office Costs £'000	Gold Mining £'000	Other Activity £'000	Total £'000
Turnover	–	54,925	–	54,925
Mining	–	(35,686)	–	(35,686)
Processing	–	(10,281)	–	(10,281)
Gold duty	–	(1,660)	–	(1,660)
Overheads	–	(5,917)	–	(5,917)
Cost of sales	–	(53,544)	–	(53,544)
Gross profit	–	1,381	–	1,381
Administrative expenses	(1,769)	(829)	(164)	(2,762)
Foreign exchange gains	–	1,334	–	1,334
Depreciation and amortisation expense	(1,971)	(4,560)	(20)	(6,551)
Underlying operating loss	(3,740)	(2,674)	(184)	(6,598)
Inventory obsolescence write back/(provision)	–	47	–	47
Gain on disposal of assets	–	27	–	27
Rehabilitation charge	–	45	–	45
Provision for doubtful debt write back	–	(993)	–	(993)
Share based payments expense	(360)	(267)	–	(627)
Operating loss	(4,100)	(3,815)	(184)	(8,099)
Interest receivable and other income	53	12	–	65
Interest payable and similar charges	(51)	(54)	(6)	(111)
Net loss before taxation	(4,098)	(3,857)	(190)	(8,145)
Taxation	1,075	–	–	1,075
Loss for the period	(3,023)	(3,857)	(190)	(7,070)
Other Segment Items				
Additions to intangible assets	–	4,164	–	4,164
Additions to property, plant, and equipment	–	7,245	–	7,245
Additions to mine properties and development	–	4,952	–	4,952
Current assets	502	15,856	233	16,591
Non currents assets	29,437	44,447	185	74,069
Current liabilities	(192)	(12,114)	(9)	(12,315)
Non current liabilities	(7,074)	(3,336)	–	(10,410)

5. Cost of sales

	Group 2013 £'000	2012 £'000
Mining	(23,512)	(35,686)
Metallurgy	(9,081)	(10,281)
Gold duty	(1,150)	(1,660)
Bullion assay	(143)	(147)
Technical Services	(851)	(823)
Resource engineering	(1,259)	(1,030)
Supply and security	(434)	(726)
Human resources	(203)	(88)
Community & Housing	(1,385)	(1,256)
Safety training and environment	(512)	(491)
Mine general administration	(1,784)	(1,356)
	(40,314)	**(53,544)**

Notes to the Financial Statements
For the year ended 31 August 2013

6. Operating loss

	Group 2013 £'000	Group 2012 £'000
Operating loss is stated after charging/(crediting):		
– Auditors' remuneration		
Audit-related assurance services – Current year	86	86
Audit-related assurance services – Prior year under provision	–	25
Taxation compliance services	12	12
Non-audit services – Interim review	10	10
Non-audit services – Other	8	2
Auditors' remuneration payable to subsidiary auditors	34	29
– Share based payments expense granted by the Company	185	627
– Depreciation of property, plant and equipment	4,523	3,991
– Depreciation of mining properties and development	1,185	566
– Amortisation of intangible assets	1,620	1,994
– Inventory obsolescence write back	18	47
– Operating lease expenses: motor vehicles	–	41
– Operating lease expenses: mining	17	17
– Impairment charge	3,264	–
– Foreign exchange (loss)/gain	1,707	(1,334)

7. Employees

The average monthly number of persons (including directors) employed by the Group during the year was:

Group	**2013 Number**	**2012 Number**
Productive labour	1,245	1,261
Office and management	180	197
	1,425	**1,458**

Employment costs:	**2013 £'000**	**2012 £'000**
Wages and salaries	10,743	10,518
Social security	641	624
Share based payments expense	185	627
	11,569	**11,769**

Directors' remuneration:	**2013 £'000**	**2012 £'000**
Y I He †	12	–
D K Paxton	170	167
Y Ng ††	12	–
J A MacPherson	24	25
F Zheng †††	12	–
W Li ††††	4	–
Y Lu †††††	4	–
I C Orr-Ewing **	110	60
K C Morzaria *****	117	128
J F Kearney ****	18	24
J I Stalker ***	9	59
D A Lenigas *	–	8
	492	**471**

* D A Lenigas resigned as a director on 4th January 2012.
** I C Orr-Ewing resigned chairman and director on 22nd May 2013.
*** J I Stalker resigned as a director on 3rd January 2013.
**** J F Kearney resigned as a director on 21st June 2013.
***** K C Morzaria resigned as a director on 21st June 2013.
† Y I He was appointed as a director on 25th February 2013.

7. Employees (continued)

†† Y Ng was appointed as a director on 25th February 2013.
††† F Zheng was appointed as a director on 25th February 2013.
†††† W Lei was appointed as a director on 21st June 2013.
††††† Y Lu was appointed as a director on 21st June 2013.

Directors' remuneration in 2013 and 2012 solely consisted of salaries, and as at 31 August 2013 (2012: nil) there were no directors accruing benefits under a money pension scheme. No options were granted to directors during the year (2012: nil), and no options (2012: Nil) were exercised by the directors.

8. Interest receivable/payable and similar charges

Interest receivable and other income:	2013 £'000	2012 £'000
Bank interest	8	65
	8	**65**

Interest payable and similar charges:	2013 £'000	2012 £'000
Interest and bank charges	289	14
Interest on convertible loan notes	48	51
Unwinding of discount for mine rehabilitation	219	46
	556	**111**

9. Taxation

	2013 £'000	2012 £'000
Current taxation –	–	
Deferred taxation – effect of change in tax rate	(871)	(622)
Deferred taxation – current year	(318)	(453)
	(1,189)	**(1,075)**
Factors affecting tax charge:		
Loss before tax	(16,853)	(8,145)
Tax at 23.58% (2012: 25.17%)	(3,974)	(2,050)
Effects of:		
– Non deductible expenses	226	595
– Tax losses for which no deferred income tax was recognised	3,548	556
– Rate adjustment	(871)	(1,691)
– Tax effect of income not subject to income Tax	(118)	1,515
	(1,189)	**(1,075)**

The deferred taxation credit arises on the release of the deferred tax liability (note 31).

The Finance Act 2013, which was substantively enacted on 2 July 2013, has reduced the main corporation tax rate to 23% from 1 April 2013, 21% from 1 April 2014 and 20% from 1 April 2015. This reduction has been taken into account when calculating deferred tax assets and liabilities. The changes are not expected to have a material cash impact on the company.

The Group has estimated tax benefits in respect of tax losses of £2,953,000 (2012: £1,704,000) of which £2,162,000 will fully expire within 4 years and other net deferred tax benefits in respect of temporary differences of £1,159,000 (2012: 1,764,000) which have not been recognised as a deferred tax asset.

10. Loss for the year

The Company's loss for the year dealt within the accounts of Vatukoula Gold Mines plc. was £35,757,850 (2012: £2,391,889). As provided by S408 of the Companies Act 2006, no Statement of Comprehensive Income is presented in respect of Vatukoula Gold Mines plc.

Notes to the Financial Statements
For the year ended 31 August 2013

11. Loss per share

a. Basic

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

	2013 £'000	2012 £'000
Loss after tax	**(15,664)**	(7,070)

	2013 Number	2012 Number
Basic weighted average ordinary shares in issue during the period	**122,958,339**	90,509,159

	2013 Pence	2012 Pence
Basic loss per share	(12.74)	(7.81)

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

Outstanding share options could potentially dilute basic earnings per share by 8,407,112 shares in future periods, but were not included in the calculation of basic earnings per share because they are antidilutive for the year ended 31 August 2013.

Subsequent to year end the Group issued a total of 188,897,000 ordinary shares (note 34). These share issues would have significantly changed the number of ordinary shares outstanding as at 31 August 2013, if the share issues had occurred before 31 August 2013.

b. Diluted

All potential shares were anti-dilutive as the Group was in a loss making position. As a result diluted loss per share for the years ended 31 August 2013 and 31 August 2012 is disclosed as the same value as basic loss per share. The diluted weighted average ordinary shares in issue during the period were 122,958,339 (2012: 90,509,159).

12. 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	–	–	1,085	1,085
Exchange difference	–	(29)	(410)	(439)
As at 31 August 2013	**38,721**	**522**	**7,608**	**46,851**
Amortisation				
As at 1 September 2012	9,284	80	–	9,364
Current charge	1,590	30	–	1,620
Impairment charge	–	–	3,264	3,264
Exchange difference	–	(6)	(149)	(155)
As at 31 August 2013	**10,874**	**104**	**3,115**	**14,093**
Carrying value as at 31 August 2013	**27,847**	**418**	**4,493**	**32,758**

12. 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	–	–	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 2012	**29,437**	**471**	**6,933**	**36,841**

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 economic useful 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.

The directors believe that there have been no indicators of impairment for the mining rights for the year ended 31 August 2013 (and 31 August 2012).

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 (Note 31).

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 in accordance with IFRS 6. At the current production, reserves and gold price, the economic useful 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.

Exploration costs to the amount £3,264,000 (2012: Nil) relate to specific areas which have not led to the discovery of commercially viable quantities of mineral resources, and the Group has decided to discontinue such activities in those specific areas. These costs have been impaired. The assets impacted by the impairment are allocated to the Gold Mining segment (note 4).

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

Notes to the Financial Statements
For the year ended 31 August 2013

13. 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	–	2,216	–	26	–	–	2,242
Transferred on completion	–	(3,109)	3,109	–	–	–	–
Disposals	–	–	(169)	–	–	–	(169)
Changes in estimates	–	–	–	–	1,439	–	1,493
Exchange difference	(49)	(88)	(2,737)	(20)	(169)	(2)	(3,065)
As at 31 August 2013	**975**	**1,591**	**33,669**	**347**	**3,268**	**143**	**39,993**
Accumulated depreciation							
As at 1 September 2012	13	–	13,021	238	463	98	13,833
Charge for the period	17	–	4,436	3	66	1	4,523
Disposals	–	–	(169)	–	–	–	(169)
Exchange difference	(1)	–	(1,759)	(9)	(27)	(2)	(1,798)
As at 31 August 2013	**29**	**–**	**15,529**	**232**	**502**	**97**	**16,389**
Net book value							
At 31 August 2013	**946**	**1,591**	**18,140**	**115**	**2,766**	**46**	**23,604**
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

13. Property, plant and equipment (continued)

Company	Freehold land £'000	Total £'000
Cost		
As at 1 September 2012 and as at 31 August 2013	–	–
Accumulated depreciation		
As at 1 September 2012 and as at 31 August 2013	–	–
Net book value		
At 31 August 2012 and as at 31 August 2013	–	–
Cost		
As at 1 September 2011	250	250
Transfers to Investments in subsidiaries	(250)	(250)
As at 31 August 2012	**–**	**–**
Net book value		
At 31 August 2012	**–**	**–**
At 31 August 2011	**–**	**250**

14. Mine properties and development

	2013 £'000	2012 £'000
Cost		
Balance as at 1 September	13,865	8,695
Additions	10,624	4,952
Foreign exchange difference	(1,217)	218
Balance at end of period	**23,272**	**13,865**
Depreciation		
Balance as at 1 September	2,350	1,740
Current charge	1,185	566
Foreign exchange difference	(176)	44
Balance at end of period	**3,359**	**2,350**
Carrying value		
Balance at end of period	**19,913**	**11,515**

15. Investment in subsidiary companies

	Company	
	2013 £'000	2012 £'000
Cost		
As at 1 September	51,305	48,539
Transfers from Property, plant and equipment	–	250
Additions in the year: Share based payments to subsidiary companies	158	267
Additions in the year: Capital contribution	2,755	2,249
Balance as at 31 August	54,218	51,305
Impairment		
As at 1 September	1,810	1,810
Impairment charge	36,852	–
Balance as at 31 August	38,662	1,810
Net book value		
Balance as at 31 August	**15,556**	**49,495**

Notes to the Financial Statements
For the year ended 31 August 2013

15. Investment in subsidiary companies (continued)

Details of the subsidiaries:

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

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

Investments in subsidiary companies are measured at cost, less accumulated provisions for impairments.

The directors have assessed that the investment in subsidiaries is impaired as at 31 August 2013, as a result of significant decrease in forecast gold prices. The balance has been impaired by £36,852,000. The impairment was calculated based on the expected return from the subsidiary over the period that it is expected to make distributable profits.

16. Inventories

	Group	
	2013 £'000	2012 £'000
Consumables stores	5,260	5,990
Allowances for inventory obsolescence	(268)	(278)
Total consumables stores	4,992	5,712
Insurance spares	24	22
Allowances for obsolescence	(24)	(22)
Total insurance spares	–	–
Gold in circuit and gold stock	1,566	2,059
As at 31 August	**6,558**	**7,771**

A reversal of Allowances for inventory obsolescence amounted to £18,000 (2012: £47,000). Inventory previously written off has been reassessed as useful for production. After a foreign exchange loss of £8,000, the net movement in allowances for obsolescence was £10,000.

17. Trade and other receivables

	Group		Company	
Current	**2013 £'000**	**2012 £'000**	**2013 £'000**	**2012 £'000**
Trade receivables	1,827	2,131	–	–
Amounts owed by group undertakings	–	–	720	360
Other receivables	1,197	5,115	548	552
	3,024	7,246	1,268	912
Less: Provision for doubtful debts	(520)	(2,993)	(500)	(500)
Prepayments	504	3,050	48	120
Less: Provision for doubtful debts	–	(920)	–	–
Total current	**3,008**	**6,383**	**816**	**532**
Non current				
Amounts owed by group undertakings	**–**	**–**	**34,970**	**23,900**
Total Non-current	**–**	**–**	**34,970**	**23,900**

Trade receivables are amounts due from the sales of gold. The average credit period taken on sales of goods is two weeks (2012: two weeks).

17. Trade and other receivables (continued)

The provision for doubtful debts includes £Nil (2012: £2.5 million) in relation to the prepayments against the claimed tax liabilities of F$Nil (2012: F$11.5 million) by the Fiji Islands Revenue & Customs Authority ("FIRCA"). During the year the Group reached a settlement agreement with FIRCA in relation to the F$11.5 million taxation assessment against the Group. In the settlement the parties agreed that the Group had made advance tax payments million against this assessment and FRICA agreed to refund the Group F$2.2 million. In the previous year the Group provided continued to provide for £2.5 million in relation to the prepayments against the claimed tax liabilities as the claim was settled during the year the Group utilised provisions amounting to £2.5million as the amount to be refunded was negotiated with FIRCA. All pending litigations and claims by FIRCA were also finalised as part of this settlement.

The Group has significant concentration of credit risk with its single customer in respect of gold doré sales. The Group has credit risk management policies in place and exposure to credit risk is monitored on an ongoing basis. Management generally adopts conservative strategies and tight control in credit policy.

The following table provides an analysis of trade and other receivables that were past due as at 31 August 2013, but not provided for, followed by those past due and impaired. Subsequent to the year, all trade receivables of over 93 days have been paid. The Group believe that all the balances are ultimately recoverable.

	Group		Company	
	2013 £'000	**2012 £'000**	**2013 £'000**	**2012 £'000**
Not impaired				
Due 0-31 days	2,493	3,807	768	412
Past due 32-62 days	2	265	–	–
Past due 63 – 92 days	2	23	–	–
Past due more than 93 days	7	158	–	–
	2,504	4,253	768	412
Impaired				
Past due more than 93 days	520	2,993	500	500
Provision for doubtful debts	(520)	(2,993)	(500)	(500)
	–	–	–	–
	2,504	**4,253**	**768**	**412**

The credit quality of the Group's customer is monitored on an ongoing basis and receivables are assessed for impairment where indicators of such impairment exist.

The movement in provision for doubtful debts has been credited to the Statement of Comprehensive Income, after eliminating amounts utilised and a foreign exchange gain arising on consolidation to the amount of £2,000.

18. Cash and cash equivalents

	Group		Company	
	2013 £'000	**2012 £'000**	**2013 £'000**	**2012 £'000**
Cash at bank and in hand	617	2,437	30	270
	617	**2,437**	**30**	**270**

Notes to the Financial Statements
For the year ended 31 August 2013

19. Share capital

(a) Share capital

	Group and Company 2013 £'000	2012 £'000
Allotted, issued and fully paid		
155,358,339 ordinary shares of 5p each		
(31 Aug 2012: 96,558,339 ordinary shares of 5p each)	7,768	4,828

(b) Share issues during the year

	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								
Issue for cash	12/11/2012	0.33	0.05	0.28	20,000,000	1,000,000	5,600,000	6,600,000
Issue for cash	08/04/2013	0.15	0.05	0.10	8,800,000	440,000	880,000	1,320,000
Issue for cash	20/05/2013	0.15	0.05	0.10	15,000,000	750,000	1,500,000	2,250,000
Issue for cash	27/06/2013	0.15	0.05	0.10	15,000,000	750,000	1,500,000	2,250,000
					58,800,000	**2,940,000**	**9,480,000**	**12,420,000**

(c) Warrants and options

During the year ended 31 August 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	Total
Exercise price	**£**	**£0.50**	**£0.70**	**£0.77**	**£0.88**	**£0.90**	**£0.95**	**£0.97**	**£1.00**	**£1.39**	**£1.75**	
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
Balance at 31 August 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	Total
Exercise price	**£**	**£0.50**	**£0.70**	**£0.77**	**£0.88**	**£0.90**	**£0.95**	**£0.97**	**£1.00**	**£1.39**	**£1.75**	
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
Expired during the period	3.0	–	–	(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**

No share options were issued during the current year.

The following main conditions apply to all options and warrants currently on issue and outstanding as at 31 August 2013:

Management options vest over 3 years from date of grant, however should the grantee resign or be dismissed prior to the first anniversary of his or her employment the options will cease. Directors' options vest immediately and there are no performance conditions associated with the options.

Warrants were granted to professional advisors in lieu of services. All the warrants vested immediately on grant.

The total share-based payment expense in the year for the Group was £185,377 (2012: £627,388), and 7,772,408 (2012: 7,480,445) options are exercisable at the year end. No options were forfeited during the year (2012: Nil).

19. Share capital (continued)

(c) Warrants and options (continued)

There were no share option issues during the year ended 31 August 2013. The following table lists the inputs used for the option issues which occurred during the year ended 31 August 2012:

Grant date	08/02/2012	08/02/2012	24/04/2012
Dividend yield	0%	0%	0%
Expected volatility	65%	65%	65%
Risk-free interest rate	1.75%	2.75%	1.75%
Expected life of options	5 years	3 years	3 months
Exercise price	£0.70	£1.75	£0.77
Price at grant date	£0.89	£0.89	£0.52

The model used to arrive at the fair value of all the options granted during the year ended 31 August 2012 year was the Black-Scholes option pricing model. The weighted average fair value of the options granted during the year ended 31 August 2012 was determined as £0.05 per option.

The weighted average remaining contractual life of the 8.4 million options outstanding at the balance sheet date is 1.5 years (2012: 2.3 years). The weighted average share price during the year was £0.21 (2012: £1.59) per share.

The expected volatility of the options reflects the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The expected life of the options is based on historical data available at the time of the option issue and is not necessarily indicative of future trends, which may not necessarily be the actual outcome.

The share option scheme and the warrants on issue is an equity settled plan and fair value is measured at the grant date of the option.

20. Trade and other payables

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Trade payables	8,171	9,828	340	51
Accruals and other payables	233	225	151	142
	8,404	**10,053**	**491**	**193**

21. Provisions

	Group	
	2013 £'000	2012 £'000
Current		
Provision for annual leave	260	272
Provision for workers compensation	102	137
Other employee related provisions	899	664
	1,261	1,073
Non current		
Provision for mine rehabilitation	4,660	3,247
Provision for Long Service Leave	91	73
	4,751	3,320
	6,012	**4,393**

Notes to the Financial Statements
For the year ended 31 August 2013

21. Provisions (continued)

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	938	–	49	987
Reversed during the period	(682)	–	(26)	(708)
Unwinding of discount	–	219	–	219
Changes in estimates	–	1,439	–	1,439
Exchange difference	(68)	(245)	(5)	(318)
Balance at 31 August 2013	**1,261**	**4,660**	**91**	**6,012**

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 at the end of the life of the mine.

The provision for mine rehabilitation represents the current mine closure plan. The present value of the estimated cost is capitalised as a mine asset, as part of 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 capitalised mine asset is expected to be expensed over the life of mine which is currently 7 years (2012: 7 years). The life of mine is dependent on the economic viability of extracting the contained Mineral Resources 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 by the end of the life of mine.

22. Borrowings

	Group 2013 £'000	Group 2012 £'000
Current		
ANZ Banking Group	62	–
	62	**–**

ANZ Banking Group loan.

The ANZ loan was taken out to facilitate payment of the mine insurance premium. The loan is repayable by monthly instalments of £9,080 and interest is being charged at the rate of 6.95%.

The borrowings are secured against the master lease agreement and the master operating lease agreement.

23. Vatukoula Social Assistance Trust Fund

	Group 2013 £'000	Group 2012 £'000
Current:		
Vatukoula Social Assistance Trust Fund	1,127	1,189
	1,127	**1,189**
Non Current:		
Vatukoula Social Assistance Trust Fund	15	15
	15	**15**

The Vatukoula Social Assistance Trust Fund ("VSATF") was established for the purpose of social assistance for the employees made redundant by the previous mine operator and the local mining community in accordance with the Trust Deed dated 18 December 2009.

23. Vatukoula Social Assistance Trust Fund (continued)

The VSATF is part of the Vatukoula Trust Deed, a binding contract between the Company's wholly owned subsidiary and the Fijian Ministry of Lands and Mineral Resources. A total of F$6million is payable of which the Group paid F$1.5 million on 10 March 2010 and F$1.125 million on 31 December 2011. The remaining F$3.375 million has been allocated to Current and Non Current Liabilities as follows:

	F$'000	£'000
Current:		
Redundancy payment due within 1 year	3,325	1,127
	3,325	**1,127**
Non Current:		
Instalments according to Trust Deed due more than 1 year	50	17
	50	**17**
	3,375	**1,144**

The non current portion of the liability has been discounted to the net present value of the future cash flows at £15,000.

24. Convertible loans

(i) On 26 June 2009, the Group issued a fully redeemable convertible loan note for £485,000. The loan is repayable in cash, 5 years after the date of grant. The loan note carries a coupon rate of 11% per annum. The loan note carries the option to convert into ordinary shares at £0.50, equating to 970,000 shares in Vatukoula Gold Mines plc. During the year no convertible loan notes were converted to ordinary shares (2012: None).

The net proceeds from the issue of the convertible loans have been split between the liability element and an equity component as follows:

	Group and Company	
	2013 £'000	2012 £'000
Fair value	392	362
Equity component	(45)	(45)
	347	**317**

(ii) The movement in the liability component of the convertible loan note is as follows:

	Group and Company	
	2013 £'000	2012 £'000
Balance at 1 September	317	341
Unwind discounted present value of liability	12	9
Principal interest	36	42
Interest paid	(18)	(75)
Balance at 31 August	**347**	**317**

25. Financial instruments and risk management objectives and policies

The accounting policies for financial instruments have been applied to the line items below:

	Group	
	2013 £'000	2012 £'000
Loans and receivables		
Trade and other receivables	2,504	4,253
Cash and cash equivalents	617	2,437
	3,121	**6,690**

	£'000	£'000
Financial liabilities measured at amortised cost		
Trade payables	8,171	9,828
Borrowings	62	–
Convertible loan notes	347	317
	8,580	10,145

Notes to the Financial Statements
For the year ended 31 August 2013

25. Financial instruments and risk management objectives and policies (continued)

	Company 2013 £'000	Company 2012 £'000
Loans and receivables		
Trade and other receivables	35,786	24,432
Cash and cash equivalents	30	270
	35,816	24,702

	£'000	£'000
Fiancial liabilities measured at amortised cost		
Trade payables	340	51
Convertible loan notes	347	317
	687	368

Loans and receivables are measured using the amortised cost method. Available for sale financial instruments are initially recognised at fair value and subsequently remeasured to fair value at each year end, with any change in value recognised directly in equity, unless the instruments are unable to be reliably fair valued, in which case they are stated at cost. The carrying amounts of the Available for sale investments at 31 August 2013 is £nil (2012: £Nil).

The Group and Company's activities expose it to a variety of financial risks; currency risk, interest rate risk, credit risk, gold price risk, liquidity risk and capital risk. The policies for managing these risks are regularly reviewed and agreed by the Board. It is, and has been throughout the period under review, the Group and Company's policy that no trading in financial instruments should be undertaken.

(i) Currency rate risk

Loans between companies which are members of the Vatukoula Gold Mines plc. Group are made in the functional currency of the lending company. In all other respects, the policy for all Group companies is that they only trade in their principal operating currency, except in exceptional circumstances from time to time.

The Group's revenue derives from the sale of gold bullion by its Fijian operating subsidiary. Proceeds of gold bullion sales are received in US Dollars. As the Group reports in Pound Sterling, reported revenue is affected by the combination of changes in the US Dollar/Fijian Dollar and Pound Sterling/Fijian Dollar rates.

The Group's expenses in Fiji and Brazil are incurred in Fiji Dollars and Reals respectively. Any weakening in the Fijian Dollar/Reals would result in a reduction in expenses in Pound Sterling terms, which would be to the Group's advantage. There is an equivalent downside risk to the Group of strengthening in the Fijian Dollar/Reals which would increase Brazilian operating expenses in Pound Sterling terms. The following table illustrates the allocation of financial instruments across currencies:

	2013					2012				
Class	£ Sterling £'000	Brazilian Real £'000	Australian Dollar £'000	US Dollar £'000	Fiji Dollar £'000	£ Sterling £'000	Brazilian Real £'000	Australian Dollar £'000	US Dollar £'000	Fiji Dollar £'000
Financial assets										
Trade receivables	96	21	–	1,807	–	172	29	–	2,012	–
Cash and cash equivalents	30	41	13	9	524	301	195	29	171	1,741
Financial liabilities										
Trade payables	338	3	2,218	138	5,564	74	6	2,244	146	7,358
Borrowings	–	–	–	–	62	–	–	–	–	–
Convertible loan notes	347	–	–	–	–	317	–	–	–	–

The following table illustrates the Group's sensitivity to the fluctuation of the major currencies in which it transacts. A 15% increase has been applied to each currency in the table below, representing management's assessment of a reasonably possible change in foreign exchange rates:

25. Financial instruments and risk management objectives and policies (continued)

(i) Currency rate risk (continued)

	Group 2013 £'000	Group 2012 £'000
Financial assets		
Impact on profit after tax on 15% increase in Fijian Dollar fx rate against Sterling	79	261
Impact on profit after tax on 15% decrease in Fijian Dollar fx rate against Sterling	(79)	(261)
Impact on profit after tax on 15% increase in Reals fx rate against Sterling	9	34
Impact on profit after tax on 15% decrease in Reals fx rate against Sterling	(9)	(34)
Financial liabilities		
Impact on profit after tax on 15% increase in Fijian Dollar fx rate against Sterling	(884)	(1,103)
Impact on profit after tax on 15% decrease in Fijian Dollar fx rate against Sterling	884	1,103
Impact on profit after tax on 15% increase in Reals fx rate against Sterling	–	(1)
Impact on profit after tax on 15% decrease in Reals fx rate against Sterling	–	1

For currency rate risk, the Company's exposure is considered to not be significant because as it does not hold any financial instruments denominated in foreign currencies and therefore quantitative information has not been provided.

(ii) Interest rate risk

Interest rate exposure arises mainly from cash holdings. Contractual agreements entered into at floating rates expose the entity to cash flow risk whilst the fixed rate borrowings expose the entity to fair value risk.

The table below shows the Group's financial assets and liabilities split by those bearing fixed and floating rates and those that are non-interest bearing.

Class/categories	2013 Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000	2012 Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000
Financial assets						
Trade receivables	–	–	1,827	–	–	2,131
Other receivables	–	–	1,181	–	–	4,252
Cash and cash equivalents	617	–	–	2,437	–	–
Financial liabilities						
Trade payables	–	–	8,171	–	–	9,828
Accruals	–	–	233	–	–	225
Borrowings	–	62	–	–	–	–
Convertible loan notes	–	347	–	–	317	–

The fair value of all financial instruments is approximately equal to book value due to their short term nature and the fact that they bear interest at floating rates based on the local bank rate.

If interest rates had been 1% higher/lower and all other variables held constant, the Group's loss for the year ended 31 August 2013 would change by £15,270 (2012: £46,645).

For interest rate risk, the Company's exposure is considered to not be significant as it only holds cash and cash equivalents at a floating rate and therefore quantitative information has not been provided.

(iii) Credit risk

Credit risk arises from trade receivables and cash and cash equivalents. Credit exposure is measured on a Group and Company basis. The Group and Company's maximum exposure to credit risk relating to its financial assets is given in Note 17.

(iv) Gold price risk

The Group's policy is to sell gold at spot. The Group is exposed to gold price risk through gold price fluctuations.

An increase/decrease of 25% in the spot price of gold at 31 August 2013, with all other variables held constant, would have the following impact on the Statement of Comprehensive Income and equity at 31 August 2013:

Notes to the Financial Statements
For the year ended 31 August 2013

25. Financial instruments and risk management objectives and policies (continued)

(iv) Gold price risk (continued)

	Statement of Comprehensive Income and equity impact Increase/(decrease) £'000
25% increase in the gold spot price	9,477
25% decrease in the gold spot price	(9,477)

(v) Liquidity risk

Responsibility for liquidity risk management rests with the board of directors, which has established appropriate liquidity risk frameworks for the management of the Group's and Company's short, medium and long term funding and liquidity management requirements. The Group and Company manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and by matching maturity profiles of financial assets and liabilities.

The following table details the Group's maturity profiles of its financial assets and liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principle cash flows:

	2013		2012	
	Less than one year £'000	More than one year £'000	Less than one year £'000	More than one year £'000
Financial Assets				
Cash and cash equivalents	617	–	2,437	–
Trade and other receivables	3,008	–	6,383	–
	3,625	**–**	**8,820**	**–**
Financial Liabilities				
Borrowings	62	–	–	–
Trade and other payables	8,404	–	10,053	–
Convertible loan notes	–	347	–	317
	8,466	**347**	**10,053**	**317**

For liquidity risk, the Company's exposure is considered to not be significant as its only non-current financial liability is the convertible loan note and the maturity profile information is provided within the Group's analysis above.

(vi) Capital risk

The Group's capital management objectives (defined as net debt plus equity) are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders, while maintaining a strong credit rating and headroom whilst optimising return to shareholders through an appropriate balance of debt and equity funding. The Group manages its capital structure and makes adjustments to it, in light of changes to economic conditions and the strategic objectives of the Company. Given the nature of early stage mining operations, the Group has been predominantly funded by equity. However once the mining operations are at a sufficiently advanced stage the Group may fund further expansion via debt. The Group includes within net debt borrowings, convertible loans, trade and other payables, less cash and short term deposits.

	2013 £'000	2012 £'001
Borrowings	62	–
Convertible loan	347	317
Trade and other payables	8,404	10,053
Less: Cash and cash equivalents	(617)	(2,437)
Net debt	8,196	7,933
Equity	64,098	67,935
Net debt plus equity	**72,294**	**75,868**

To maintain or adjust the capital structure, the Group may issue new shares or return capital to shareholders. No changes were made in the objectives, policies or processes during the year ending 31 August 2012 and 31 August 2013. During the year the Group funded the

25. Financial instruments and risk management objectives and policies (continued)

(vi) Capital risk (continued)

expansion of the operations at the mine predominantly via the issue of equity. The board thought this was the most appropriate means of funding given the stage of development of the Group, and the risks associated with the development of the Vatukoula Gold Mine.

26. Ultimate controlling party

There was no ultimate controlling party during the year end 31 August 2013. Subsequent to 31 August 2013, Zhongrun International Mining Co. Ltd increased its total holding to approximately 66% of the enlarged share capital of the Company (see note 33).

27. 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:

In order to fund the expansion of the operations at the Vatukoula Gold Mine, during the current year the Company has loaned an additional £11,357,000 (2012: £8,184,000) to the wholly owned Fijian subsidiary Vatukoula Gold Mines Ltd. The total loan has been discounted to the net present value of the future cash flows by £9,041,000 (2012: £8,664,000), resulting in a total balance as at 31 August 2013 of £33,868,000 (2012: £23,248,000). The loan charges interest at 0.5% with effect from 1 September 2012 (2012: 0.5%) and is repayable in full on 31 August 2016. The Company has also charged fees for management services to the subsidiary during the year, amounting to £360,000 (2012: £360,000). Total fees outstanding for management services was £720,000 (2012: £360,000) as at 31 August. Management fees outstanding are repayable on demand and carry no interest.

The net present value of the loan to Viso Gero International Inc. as at 31 August 2013 is £1,102,000 (2012: £1,011,000). The loan has been discounted to the net present value of future cash flows by £290,000 (2012: £381,000). The loan charges interest at 0.5% with effect from 1 September 2011 (2012: 0.5%) and is repayable in full on 31 August 2016.

During the current year, the Company has loaned an additional amount to River Diamonds (UK) Limited, a wholly owned subsidiary, of £39,600 (2012: £382,875), of which River Diamonds (UK) Limited repaid £16,335. The total balance as at 31 August 2013 is £Nil (2012: £Nil). The Company has written off £23,265 during the year ended 31 August 2013 (2012: £382,875). The loan is interest free and does not have any fixed repayment period.

During the year, the Company paid consultancy fees in respect of director's fees of £9,000 in (2012: £59,000) to Promaco Ltd, a company related to J I Stalker, director of Vatukoula Gold Mines plc. At the year-end £Nil was payable to Promaco Ltd (2012: £Nil).

The Company deems key management personnel to be both the executive and non-executive directors. Remuneration paid to the executive directors is disclosed in note 7.

28. Commitments

(a) Details of mining leases and special site rights held by the Group are as follows:

(i) On 22 March 2004, Vatukoula Gold Mines Ltd entered into Special Mining Lease ("SML") agreements with the Government of Fiji to lease a piece of land in the Province of Ba for the purpose of mining minerals. The terms of the lease agreement is for 20 years ending on 21 March 2025. Vatukoula Gold Mine Ltd has three agreements and the details are as follows:

Mining lease title	Lease number
Vatukoula Gold Mines Ltd (formerly known as Westech Gold Ltd) under freehold title	54
Majority of the lease is owned by Nosomo Landowners. The remainder of SML is crown Freehold	55
Vatukoula Gold Mines Ltd (formerly known as Westech Gold Ltd) under freehold title	56

Under the current agreement, rent is payable for Lease No. 54 and 56 at the rate of F$39,660 (2012: F$39,660) per annum, which is the equivalent of £13,445 (2012: £14,002). Rent payable for Lease No. 55 is F$9,566 (2012: F$9,566) per annum, which is the equivalent of £3,243 (2012: £3,377).

(ii) On 21 March 2008 and 30 June 2008, Vatukoula Gold Mines Ltd entered into Special Prospecting Licenses ("SPL") agreements with the Government of Fiji. The terms of the lease agreement are as follows:

Notes to the Financial Statements
For the year ended 31 August 2013

28. Commitments (continued)

(a) Details of mining leases and special site rights held by the Group are as follows (continued)

Special Prospecting Lease Number	Expiry
SPL1201	21 March 2025
SPL1344	30 June 2013
SPL1360	30 June 2013

Under the current agreement, rent is payable for SPL1201 at the rate of F$13,882 (2012: F$13,882) per annum, which is the equivalent of £4,706 (2012: £4,962). Rent payable for SPL1344 is F$5,332 (2012: F$5,332) per annum, which is the equivalent of £1,808 (2012: £1,907). Rent payable for SPL1360 is F$26,437 (2012: F$26,437) per annum, which is the equivalent of £8,962 (2012: £9,454). At the date of this report the Company has applied to Mineral Resources Department for an extension of licenses that expired as at 30 June 2013 and has been advised that the processing of the renewal is currently in progress.

(iii) Total commitments for future SML and SSR lease rentals, which have not been provided for in the financial statements, are as follows:

	Group	
	2013 £'000	**2012 £'000**
No later than 1 year	21	18
Later than 1 year an no later than 5 years	85	198
Later than 5 years	133	181
	239	**397**

(b) Capital commitments

Capital commitments as at 31 August 2013 amounted to £ 474,000 (2012: £495,728). These commitments are in relation to projected expenditure on mine properties and development.

29. Leases

(a) Operating leases

Details of operating leases held by the Group are as follows:

(i) The Group currently has no operating leases with ANZ for motor vehicles. During 2012 the Group had operating lease repayable by monthly instalments of F$ 20,245, which was the equivalent of £7,088 .

(ii) The operating lease was secured over the master operating lease agreement over motor vehicles.

(b) Finance leases

Details of finance leases held by the Group are as follows:

(i) The finance lease was fully repaid during 2012

(ii) Total future minimum finance lease payments are payable as follows:

	Group	
	2013 £'000	**2012 £'000**
Not later than one year	–	5
Later than one year and not later than five years	–	–
	–	**5**

The finance liability was secured by a master lease agreement and a charge over the lease assets and fully repaid during 2012.

30. Contingent liabilities

a. The following contingent liabilities are in relation to the Fijian subsidiary.

	Group	
	2013 £'000	**2012 £'000**
Mining bond	3	4
Bankers undertaking	200	211
	203	**215**

Both the mining bond and the bankers undertaking are contingent liabilities to cover remediation or rehabilitation costs associated with any environmental breaches of the Special Site Rights. There have been no breaches to date, and depending on future events, it remains uncertain if these liabilities will realise or suffice.

b. The Group is a plaintiff in several litigations with respect to potential claims of creditors, workers compensation and industrial action. The directors have estimated that the possible liability for certain cases is F$306,000 (2012: $Nil), the equivalent of £104,000 (2012: Nil). The directors believe that the remaining litigations will not result in an economic outflow.

31. Deferred taxation

Movements in deferred taxation during the year are as follows:

	Group	
	2013 £'000	**2012 £'000**
Balance 1 September	6,758	7,776
Impact of change in tax rate	(871)	(622)
Impact of transfers to acquisition costs	–	57
Utilisation charged to the Statement of Comprehensive Income	(318)	(453)
	5,569	**6,758**

The deferred tax liability is in respect of the intangible assets recognised in the acquisition in a prior period (Note 12).

32. 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 £646,842
- The impact of the above change in estimate also reduced the Taxation credit by £148,481
- The basis for the Unit of production calculation used to determine the depreciation rate for Mine 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 £212,430
- The allocation of development related overheads between operating expenditure and capitalised Mine Properties and Development was calculated on a per tonne basis. Previously, this allocation was calculated on a per metre basis. This reduced cost of sales by £5.6 million and increased capitalised Mine Properties and Development by £5.6 million.

33. Post balance sheet events

On 21 October 2013, the Company completed the first tranche of a placing with Zhongrun whereby Zhongrun has subscribed for 90,000,000 new ordinary shares in the Company at a price of £0.69 per share, to raise £6.2 million.

On 5 November 2013, the Company completed the second tranche of the placing with Zhongrun whereby Zhongrun has subscribed for 98,897,000 new ordinary shares in the Company at a price of £0.69 per share, to raise £6.8 million. As a result of this placing, Zhongrun's total holding increased to approximately 66% of the enlarged share capital of the Company.

In January 2014 the Company agreed with Zhongrun to extend the time for payment by Zhongrun of the US$20 million loan note to 28 February 2014. Zhongrun formally acknowledged and represented that it is willing and will be able to make full payment of the US$20 million loan note.

Notice of General Meeting

Shareholders should note that a form of proxy accompanies these Accounts. **To be valid, forms of proxy for use at the meeting must be completed and returned so as to be received at the offices of the Company's registrars, Capita Asset Services (Proxies), The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 10:00 am on 8 March 2014.** The completion and depositing of a form of proxy will not preclude you from attending and voting in person at the Annual General Meeting should you wish to do so.

NOTICE is hereby given that the Annual General Meeting of the Company will be held at the offices of Laytons Solicitors LLP at 2 More London Riverside, London SE1 2AP on 11 March 2014 at 10:00 am to consider, and if thought fit pass, the following resolutions of which resolutions 1 to 5 will be proposed as Ordinary Resolutions and resolution 6 will be proposed as a Special Resolution:

Accounts

1. To receive and adopt the Directors' Report and Accounts for the period ended 31 August 2013.

Directors

2. To elect Yongan Lu as a director.

3. To elect Wei Li as a director.

Auditors

4. To re-appoint Mazars LLP auditors of the Company to hold office until the conclusion of the next annual general meeting at which accounts are laid before the Company and authorise their remuneration to be fixed by the Directors.

Directors' Authority to Allot Shares

5. To resolve that for the purposes of section 551 of the Companies Act 2006 ("the Act") the Directors be generally and unconditionally authorised to exercise all powers of the Company to allot ordinary shares in the Company and grant rights to subscribe for or convert any security into shares in the Company up to the maximum nominal amount of £5,754,256 PROVIDED that the authority granted under this resolution shall lapse at the end of the next annual general meeting of the Company to be held after the date of the passing of this resolution or, if earlier, fifteen months from the date of the passing of this resolution but so that the Company be authorised to make prior to the expiry of such period above any offer or agreement which would or might require relevant securities to be allotted after the expiry of the said period and the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution.

SPECIAL RESOLUTION

Disapplication of statutory rights of pre-emption

6. To resolve that, subject to the passing of Resolution 5 set out in the notice of annual general meeting dated 11 March 2014, the Directors be empowered in accordance with section 570 of the Companies Act 2006 ("the Act") to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred on them to allot relevant securities (as defined in section 551 of the Act) by that resolution, as if section 561(1) of the Act did not apply to such allotment provided that the power conferred by this resolution shall be limited to equity securities for cash up to an aggregate nominal value not exceeding £5,754,256;

   PROVIDED that this power, unless renewed, shall expire at the end of the next annual general meeting of the Company to be held after the date of the passing of this resolution or, if earlier, fifteen months from the date of the passing of this resolution but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

By order of the Board

Laytons Secretaries Limited
Company Secretary

Dated: 15 February 2014

Notes

(1) Holders of Ordinary Shares, or their duly appointed representatives, are entitled to attend and vote at the AGM. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the meeting. A Shareholder can appoint the chairman of the meeting or anyone else to be his/her proxy at the meeting. A proxy need not be a Shareholder. More than one proxy can be appointed in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or shares held by that Shareholder. To appoint more than one proxy, the Form of Proxy should be photocopied and completed for each proxy holder. The proxy holder's name should be written on the Form of Proxy together with the number of shares in relation to which the proxy is authorised to act. If such is the case please indicate that the proxy instruction is one of multiple instructions being given. All Forms of Proxy must be signed and, to be effective, must be lodged with the Company's registrar (Capita Asset Services, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU) so as to arrive not later than 48 hours before the time of the meeting, or in the case of an adjournment 48 hours before the adjourned time.

(2) The return of a completed Proxy Form will not prevent a Shareholder attending the AGM and voting in person if he/she wishes to do so.

(3) Only Shareholders whose names appear on the register of members of the Company as at 48 hours before the time of the meeting shall be entitled to attend the AGM either in person or by proxy and the number of ordinary shares then registered in their respective names shall determine the number of votes such persons are entitled to cast on a poll at the AGM.

(4) In order to facilitate voting by corporate representatives at the AGM, arrangements will be put in place at the AGM so that (i) if a corporate Shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that Shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate Shareholder attends the meeting but the corporate Shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate Shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (1) above.

Notice of General Meeting continued

Explanatory notes on the resolutions to be proposed at the Annual General Meeting.

Resolution 1 – Accounts

The Directors are required by company law to present each year the Company's financial statements and the Directors' and the Auditors' report on the financial statements to the Company in a general meeting.

Resolutions 2 and 3 – Directors

The Company's Articles of Association require that any directors appointed during the year following the annual general meeting offer themselves for election at the next annual general meeting.

Two directors have been appointed since the last annual general meeting and therefore offer themselves for election. As announced on 20 May 2013, the Company agreed as part of the subscription by SCD Energy Inc. ("SCD") that SCD was entitled to nominate two directors for appointment to the board on completion of the first tranche of the subscription. Mr Yongan Lu and Mr Wei Li were appointed on 20 May 2013 and will be proposed for election:

Yongan Lu, *Non-executive Director,* age 44

Mr. Lu joined China Shandong International Economic & Technical Cooperation Corp., ("CSI") in 1991. He has served in numerous positions within the Company, including: General Manager of the Nepal Office of CSI, Deputy Manager of Economic Aid & Engineering Department of CSI, General Manager of Tanzania Branch of CSI. He is currently Manager of Mineral Resources of CSI.

Wei Li, *Non-executive Director*, age 45

Mr. Li joined China National Oil and Gas Exploration and Development Corporation in 1998 as a Senior Engineer in the Project Administration Department and was responsible for management and control of two projects in Kazakhstan. In 2000 he joined Greater Nile Petroleum Operating Company ("GNPOC") as Deputy Manager in the Planning Department where he advised management on policies, plans and decisions pertaining to GNPOC's operations. In 2009 he was appointed President of DRK Energy Limited, an oilfield services provider to the global market.

Resolution 4 – Auditors

The Company is required at each general meeting at which financial statements are laid to appoint auditors who will remain in office until the next general meeting at which financial statements are laid. This resolution will, therefore, propose the reappointment of Mazars LLP as auditors and authorise the Directors to fix their remuneration.

Resolution 5 – Authority to allot shares

The Companies Act 2006 provides that the Directors may not allot shares unless authorised to do so by the Shareholders. Such a power cannot be granted for longer than five years at any one time and the total nominal value of shares which can be allotted under the authority must be specified.

To renew the Board's powers in respect of the allotment and issue of ordinary shares, it is proposed that the Directors be granted unconditional authority, in substitution for the existing authority granted by shareholders at the Company's annual general meeting held on 25 February 2013, to allot and issue or to agree to allot and issue Ordinary Shares up to a nominal value of £5,754,256 (115,085,113 Ordinary Shares) at any time before the expiry of 15 months from the Annual General Meeting, or, if earlier, on the date of the following annual general meeting.

This represents approximately one third of the Company's issued Ordinary Share capital as at the date of this notice and which complies with the guidelines issued by the Association of British Insurers and representative bodies of institutional investors.

Resolution 6 – Disapplication of Pre-emption Rights

This resolution, which is in substitution for the authority granted to the Directors at the Company's annual general meeting held on 25 February 2013, is to grant the power to the Directors to allot equity securities for cash without first offering such shares pro-rata to existing Shareholders in accordance with the statutory rights of pre-emption.

This authority will allow the Directors to allot or agree to allot equity securities for cash up to an aggregate nominal value of £5,754,256 (115,085,113 Ordinary Shares) without complying with the pre-emption requirements of the Companies Act 2006. This represents approximately 30% of the Company's issued ordinary share capital as at the date of this notice and therefore exceeds the 5% disapplication recommended in the guidelines issued by the Association of British Insurers and representative bodies of institutional investors. The proposed disapplication is however in line with other AIM listed companies that are similar to the Company and recognises the professional costs of a pre-emptive share issue would be disproportionate to the net funds raised and the cost and delay in seeking specific shareholder approval for such issues.

If granted, the authority will expire 15 months after the Annual General Meeting, or, if earlier, on the date of the next annual general meeting.

VATUKOULA GOLD MINES PLC ("the Company")

Form of Proxy

For use in respect of the Annual General Meeting of the Company to be held on 11 March 2014 at 10.00 am

I/We (block capitals please) ....

of ....

being (a) member(s) of the Company hereby appoint the chairman of the meeting or (*see note 1*) ....

of ....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the time and the date above, and at any adjournment thereof in respect of all/ .... (see note 2) of the shares held by me/us.

Please indicate by placing "X" in the appropriate space below how you direct your proxy to vote or to abstain on the resolution to be submitted to the meeting (see note 2).

Resolution	***For***	***Against***	***Vote withheld***
1. To receive and adopt the Director's Report and Accounts for the year ended 31 August 2013			
2. To elect Yogan Lu as a director			
3. To elect Wei Li as a director			
4. To re-appoint Mazars LLP as auditors and to authorise the Directors to fix their remuneration			
5. To grant the Directors' authority to allot Ordinary Shares and grant rights to subscribe for or convert any security into shares in the Company up to the maximum nominal amount of £5,754,256			
6. To disapply statutory rights of pre-emption in respect of a nominal value not exceeding £5,754,256			

Signature or common seal (see notes 3 and 4) ....

Signed this .... day of 2014

Form of Proxy

Notes:

1. Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be a member of the Company but must attend the meeting in person) of his own choice to attend and to vote in his/her place.

2. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you may photocopy this form. Please indicate each proxy's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

3. If you wish to appoint a proxy other than the Chairman, delete the words "the Chairman of the Meeting or," initial the alteration and insert the name of the person you wish to appoint as your proxy.

4. All members are entitled to attend and vote at the meeting, whether or not they have returned a form of proxy.

5. To direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

6. If a member is a corporation, this form of proxy must be executed under its common seal or by the signature of an officer or attorney duly authorised in writing.

7. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all joint holders should be stated, and the vote of the senior holder who tenders a vote will be accepted to the exclusion of the vote(s) of other joint holder(s), seniority being determined by the order in which the names stand in the register of members of the Company.

8. In order to be valid, this Form of Proxy, duly executed together with any power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must be lodged at the Company's Registrars (Capita Asset Services, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU) not less than 48 hours before the time of the meeting or any adjournment of the meeting.

9. The return of a completed Form of Proxy will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

10. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Corporate Information

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Brokers to the Company
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London, SE2 2AP

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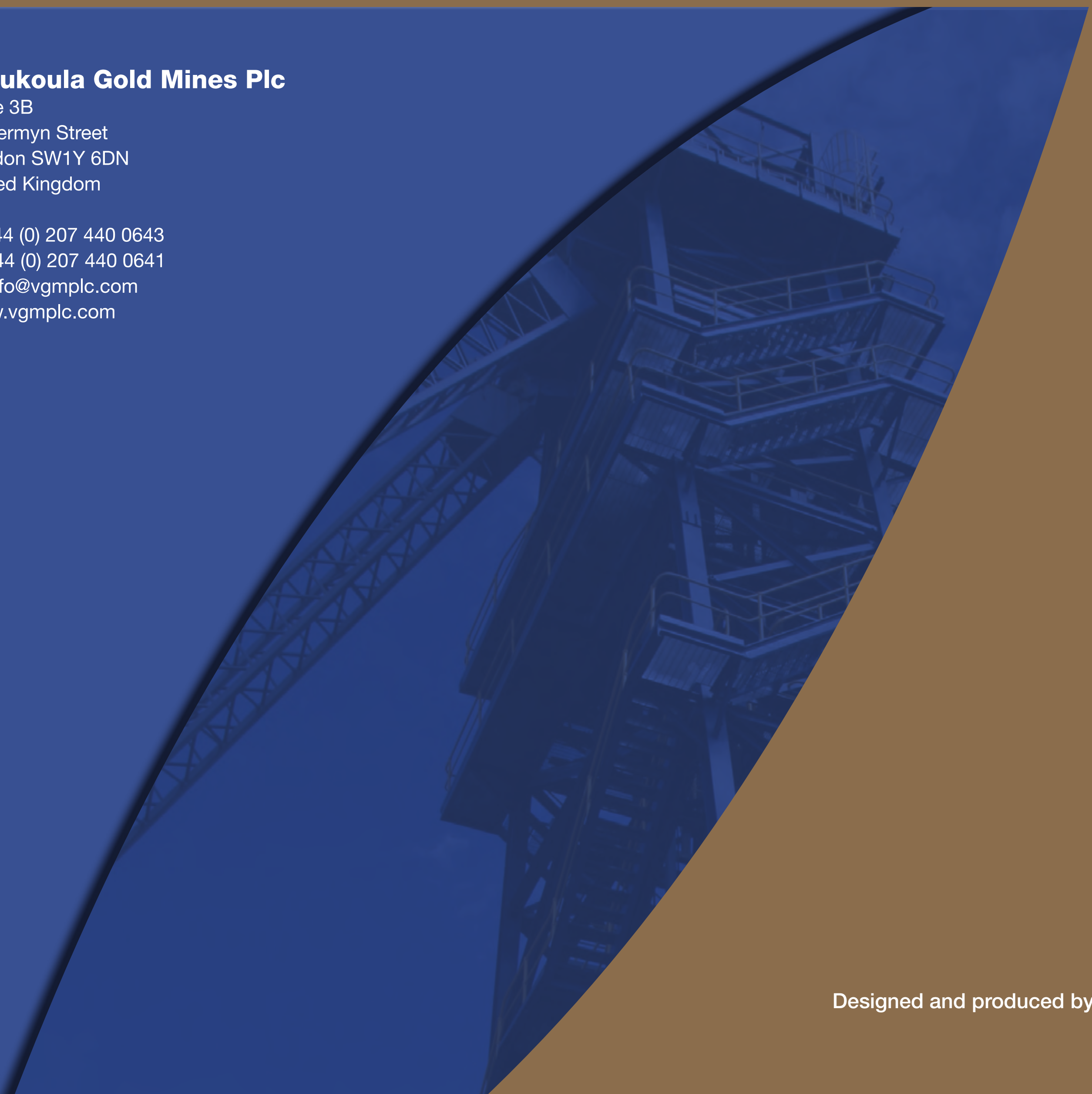

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