

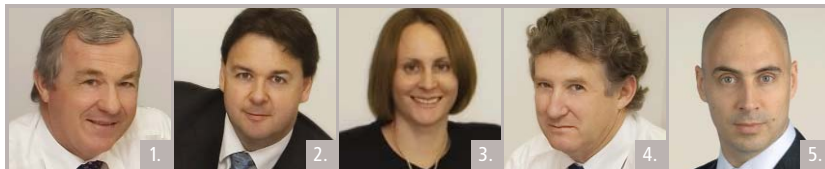
## 2008/2009 Highlights

- Avoca completed its first year as a gold producer with production of 131,227 ounces of gold from the treatment of 1,106,705t at an average grade of 3.8 g/t gold. Treatment plant recovery was excellent at 97%.
- The record June quarter produced 52,803 ounces of gold at an operating cash cost of A\$442 per ounce.
- Total mine production from Trident during the last 12 months was 950,373t @ 4.2 g/t gold for 128,332 ounces of gold, with 715,870t @ 4.2 g/t gold for 96,669 ounces derived from stoping and 234,483t @ 4.2 g/t gold for 31,663 ounces from ore development.
- Total mine development was 9,332m comprising 4,671m of operating (ore) development and 4,661m of capital (decline) development.
- An in-house Fairplay mining feasibility study estimated an open pit mining reserve of 1,045,575t @ 1.9 g/t gold for 64,571 ounces.
- An in-house pre-feasibility study was completed on the Chalice underground gold mine which returned a possible mining inventory of over 123,000 ounces. A full feasibility study has commenced aimed at confirming Chalice as Avoca's second underground gold mine at Higginsville.
- Exploration success continued at Higginsville with high grade results returned from 200m below the resource boundary at Trident; discovery of the Eos Lode at Trident – now defined over a 400m strike; infill drilling at Chalice; the Vine JV where mineralisation and alteration identical to that seen at Trident was intersected and at Musket where a new zone of mineralisation has been discovered 1.2km north of the original outcropping Musket discovery. In total, over 44km of surface drilling was completed during the year.
- The Higginsville site had reached 242 days LTI-free by year-end. There were no environmental incidents requiring reporting to the regulators.
- The Trident paste plant was completed on time and approximately \$1.5 million under budget. The paste plant will maximise the extractability of the Trident orebody by providing a high-strength fill medium being placed into mined stopes.
- Avoca acquired a 44.85% interest in Dioro Exploration NL following an off-market scrip takeover offer on the basis of 1 Avoca share for every 2.3 Dioro shares held. Avoca subsequently purchased 3 million Dioro options.

## Corporate Directory

### Directors

1. Robert G Reynolds *Non-Executive Chairman*
2. Rohan I Williams *Managing Director*
3. Stephanie J Unwin *Non-Executive Director*
4. David F Quinlivan *Non-Executive Director*
5. Jan A Castro *Non-Executive Director*



### Company Secretary

Kevin R Hart

### Principal and Registered Office

Level 1, 31 Ventnor Avenue  
West Perth, Western Australia 6005  
Telephone (08) 9226 0625  
Facsimile (08) 9226 0629  
Email [info@avocaresources.com.au](mailto:info@avocaresources.com.au)  
Website [www.avocaresources.com.au](http://www.avocaresources.com.au)

### Kalgoorlie Office

1 Atbara Street (Cnr Great Eastern Highway)  
Kalgoorlie, Western Australia 6430

### Auditor

PricewaterhouseCoopers  
QV1 Building  
Levels 19 - 21  
250 St George's Terrace  
Perth, Western Australia, 6000  
Telephone: (08) 9238 3000  
Facsimile: (08) 9238 3999

### Share Registry

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross, Western Australia 6153  
Telephone (08) 9315 0933  
Facsimile (08) 9315 2233

### Stock Exchange Listing

The Company's shares are quoted on the Australian Securities Exchange. The Home Exchange is Perth, Western Australia.

### ASX Code

AVO – ordinary shares



## Chairman's Letter to Shareholders

The 2009 financial year has been a momentous one in the history of Avoca with the transition of its flagship Trident underground mine at the Higginsville Gold Project from a development phase into a sustained production phase, thereby elevating Avoca to Australia's new mid-tier gold miner.



Dear fellow Shareholders,

On behalf of the Board of Directors, I am pleased to present the 2009 Annual Report and Financial Statements of Avoca Resources Limited ("Avoca").

The 2009 financial year has been a momentous one in the history of Avoca with the transition of its flagship Trident underground mine at the Higginsville Gold Project from a development phase into a sustained production phase, thereby elevating Avoca to Australia's new mid-tier gold miner. The onset of production and cash flow at Higginsville heralds the next phase of growth for Avoca.

The one million tonne per annum treatment plant at Higginsville is operating well above nameplate capacity and design recoveries. The commencement of treatment of high grade stoping ore from the rich 1005 level of Western Zone at Trident contributed to our record 52,803 ounce June quarter production result. The Trident mining team is successfully extracting large volume sub-level open stopes that allow production rates at Trident to exceed the design one million tonnes per annum. And importantly, safety performance was maintained, with the site reaching 242 days free of any lost time injuries by the end of the financial year, and no lost time injury is yet to be reported from the Trident mine in almost three years of pre-development, development and production activity.

Continued growth of the mineral resource in the Higginsville region through aggressive exploration provides the Avoca Board with confidence of an increased mine life for Higginsville. Avoca is ensuring a steady pipe-line of projects will continue to feed the mill over the long term, with Chalice shaping up as the Company's second underground gold mine scheduled to commence development in late 2010. In addition, open pit mining will also commence at the Fairplay mine and subject to a successful feasibility study, the recent Musket open pit discovery.

During the year the company made an off-market offer to acquire all the shares of Dioro Exploration NL ("Dioro") and at the close of the offer had secured 44.85% of the issued capital of Dioro. Dioro has appointed Mr Rohan Williams, Mr Jan Castro and myself as the three Avoca directors sitting on the Dioro board and we are taking an active interest in the development of Dioro going forward, for the benefit of all Dioro shareholders.

The Company's balance sheet was strengthened through a placement of shares which raised approximately \$30 million early in 2009. The raising was very well supported and was priced at only a 4.2% discount to the market price of Avoca immediately before the raising. The funds were applied to the construction of the Trident paste fill plant which I am pleased to say was completed on time and ahead of budget; and for additional working capital.

On behalf of the Board, I express our appreciation and extend our congratulations to the Avoca team and contractors for their achievements in our maiden production year, and thank our loyal shareholders for their continued support.

A handwritten signature in black ink, which appears to read "R Reynolds". The signature is fluid and cursive.

**Robert Reynolds** Chairman

## Managing Director's Report



We are confident of delivering over 190,000 ounces of gold in the coming FY2010 year at a site operating cash cost of A\$452 per ounce (excluding royalties), and further, we believe the Higginsville gold field is very capable of a sustained production profile of between 190,000 and 160,000 ounces of gold for a 10 year period.

### Dear fellow Avoca Shareholder,

The 2009 financial year was Avoca's first year as a gold producer. We produced over 131,000 ounces of gold from our Higginsville treatment plant where we processed 1.1 million tonnes of ore, the majority of which was mined from the underground Trident gold mine. It is extremely pleasing that Avoca has taken just 5 years to turn a small exploration company, as we were in 2004, into a sizeable Australian gold producer.

We do not intend, of course, to stop at being a 130,000 ounce per annum producer. We are confident of delivering over 190,000 ounces of gold in the coming FY2010 year at a site operating cash cost of A\$452 per ounce (excluding royalties), and further, we believe the Higginsville gold field is very capable of a sustained production profile of between 190,000 and 160,000 ounces of gold for a 10 year period. Indeed, that is the next challenge for Avoca - being able to deliver production certainty and profitability over a sustained period at Higginsville. I am confident we will achieve this goal as there remains considerable undiscovered gold endowment at Higginsville, and we are fortunate to have a motivated and highly competent exploration, development and mining workforce. Our vision, when we committed to commencing development at Trident, was to set up the gold operation to cater for a 10+ year mine life. We have built an excellent infrastructure network at Higginsville that will serve us well for at least 10 years.

The last 12 months provides an excellent example of a successful project ramp-up, beginning with the pouring of our first gold bar in early July 2008, through to the outstanding June 2009 quarter where we produced 52,803 ounces at a cash cost of A\$442 per ounce. There are always issues that appear during ramp-up, and it is a credit to the staff and contractors on site at Higginsville that within 12 months of the first gold pour, Avoca was able to produce over 52,000 ounces in a three month period from its Trident underground gold mine.

At the end of the financial year, we had mined 950,000 tonnes at a grade of 4.2 g/t gold from Trident. Approximately 70% of this material was mined from stopes, with the remainder from level development. A key milestone in achieving the underground production results was the successful completion of several open stopes within the thicker portions of the Western Zone.

The cover of this Annual Report is a photograph looking into one of the bigger open stopes mined. It is a very impressive photograph showing the dimensions of the voids being mined 300m underground. The stope height of this single stope void is 77m, or equivalent to a 25-storey building, and it produced over 150,000 tonnes of ore.

In addition to the production stoping, a total of 9.3km of underground development was completed at Trident during the year. The split between operating (level development on ore) and capital (decline development) is approximately 50:50 or about 4.6km each. Total development for Trident since project commencement through to the end of June 2009 is over 18km. Trident has now developed into a significant underground gold mine, and in fact, is currently Western Australia's third largest underground gold mine.

The Higginsville treatment plant completed an outstanding first full year of production. Right from its very first quarter (September 2008), it has operated at above its 1 million tonne per annum nameplate design. By year end it was consistently operating at or above a 1.2 million tonne per annum rate, and was achieving excellent recoveries. For the 52,803 ounce June 2009 quarter, recovery from the treatment plant was at 97.5%.

In order to keep the Trident mine plan and mine schedule sufficiently in advance of the current mine areas, a large amount of underground grade control drilling was completed during the year. Over 52km was completed by two to three underground diamond drill rigs operating 24 hours a day, 7 days a week. I would encourage readers to turn to page 11 of this report to inspect some of the plus 150 very impressive drilling results returned from this grade control drilling. It is very clear that the Trident gold mine is a rich gold deposit and will be the flagship of the Higginsville operation for some years to come. This view is further reinforced with the successful intersection of high grade mineralisation some 150m below the current Trident resource boundary at depths of 900+ metres. Surface drilling with HIGD158 and associated wedges has returned highly encouraging results with intersections of 2 to 10m thickness (down-hole) averaging 10 to 19 grams per tonne.

One of the two key drivers to maximise profitable operational longevity at Higginsville is to complete feasibility work on resource projects that are not part of the existing reserve base. As part of this strategy, a pre-feasibility was completed on Chalice and an inaugural 64,571 ounce reserve was released following a successful feasibility of the Fairplay open pit areas. Avoca anticipates releasing a Chalice reserve following the completion of the current drilling campaign, and subsequent mine design studies, in late 2009 or early 2010; as well as an updated Trident reserve in June 2010.

The second of the two key project longevity drivers is active exploration. As discussed in this Annual Report, I believe the 2,700km<sup>2</sup> Higginsville gold field contains a significant undiscovered gold endowment. Avoca completed almost 28km of surface exploration diamond drilling and 16km of surface RC drilling in the 12 months to 30 June 2009. Four areas of exploration focus included the Higginsville Line of Lode, down-plunge at Trident, Chalice and Regional. Drilling along the Higginsville Line of Lode has returned encouraging results at the Vine JV, where mineralisation and alterations styles identical to those seen at Trident have been intersected in broad spaced drilling within the Vine gabbro. In addition to the successful step out drilling defining mineralisation 200m below the Trident resource boundary, drilling at depth at Trident also confirmed that the Western Zone and Apollo Zones link together with all drill holes returning +100 gram x metre intersections. Additionally, the Eos Zone at Trident was discovered during the year, and has now been defined over a 400m strike.

Regional drilling has again focused in the Musket region, some 40km south-east of Trident, and directly east of Norseman. Here, drilling has both extended the known outcropping Musket mineralisation and discovered a second mineralised structure approximately 1.2km north of Musket. This latter exploration success demonstrates that the Musket opportunity may be larger than first considered.

The 2009 year was evidently a very active year at the Higginsville mine site. High levels of activity increase the risk of injury, and it is pleasing to note that there were zero lost time injuries (LTIs) within the Trident mine. In the three years of activity at Trident, from pumping water out of the open pit before the commencement of development, through to it becoming a 1 million tonne per annum underground mine, there has been no LTIs reported. There was however one LTI reported during the year where an individual fractured a wrist, and whilst this is disappointing, all personnel remain vigilant to ensure all workplaces are safe places of work.

From an environmental perspective, there were no reportable incidents to authorities from any of Avoca's sites. There has been significant progress made in the capping of an old, previously un-rehabilitated Higginsville tailings storage facility (TSF). Previously, one of the Higginsville TSFs remained water-saturated and was unable to be capped. Avoca has commenced a trial TSF-capping exercise and is having some success, and we are hopeful we will be able to remedy an unresolved environmental matter that was left for many years prior to Avoca's involvement.

Avoca was also active during the year in the corporate area with an off-market takeover offer made for all the shares in Dioro Exploration NL. At the end of the offer, Avoca had acquired 44.85% of all the shares in Dioro, and subsequently purchased 3 million Dioro options from an option holder, that once exercised (in accordance with the Corporations Act) would increase Avoca's holding in Dioro to 46.6%. The rationale of the takeover offer was to consolidate two southern Kalgoorlie gold operations to produce a +250,000 ounce producer with 4 million ounces of resources, two 1.2 million tonne per annum treatment plants and the largest tenement holding of the prospective Kalgoorlie to Norseman gold belt, the richest in Australia.

Finally I would like to thank you the Avoca shareholder for your support and interest over the last 12 months. I look forward to another exciting year ahead for the shareholders of Avoca in its endeavour to become Australia's pre-eminent mid-tier gold producer.



**Rohan I Williams** Managing Director