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The Mining Investment Experts

**OZEQUITIES
COMMENTARY****On Presentation**

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Avoca Resources Ltd (“AVO”)

“Plenty of Interesting Exploration Projects with Nickel Drilling Starting this Week”

Background

An exploration stock with an active exploration over the next six months is Avoca Resources, which was spun out of Heron Resources about 18 months ago. Originally it listed with about seven joint ventures negotiated to a standard formula; third party companies could earn 70-80% of the AVO ground by spending approximately \$1m, then free carrying AVO through to bankable feasibility status. Joint venture partners included Teck, Harmony, Gold Fields, Placer Dome and Gutnick Resources. While this was a suitable platform for a junior company in times of difficult financing, the renewed enthusiasm of the stock market for exploration plays has enabled AVO to become more aggressive in its own projects, and it has picked up additional ground.

Jimberlana Dyke of Immediate Nickel Interest

The most interesting project, given the enthusiasm for nickel in the market, is the potential of 200 km of leases covering the Jimberlana Dyke around Norseman. Although this was originally in the portfolio as a PGM play, a review of the historical data has shown that there is great potential for nickel/copper mineralisation that is very different to the standard komatiite style found closer to Kambalda.

Most of the previous work for nickel was undertaken about 30 years ago. At Bronzite Ridge, 50 km west of Norseman, WMC intersected 13.7m at 2.7% Ni and 0.8% Cu at a depth of 60m. This appears as an offset dyke i.e. a brecciated feature that has splayed off the main dyke. The exploration model has similarities to Sudbury and Voiseys Bay style deposits.

AVO has recently completed TEM surveys to define massive sulphide bedrock targets at Bronzite North and Dundas (where there is a 500m outcropping Ni/Cu gossan), and it is due to commence a 1,200m, eight hole program this week. Down-hole TEM surveys will be conducted progressively in order to refine the data.

In the past WMC geologists have referred to the area being “ubiquitously mineralised with nickel and copper sulphides”. AVO now needs to find where these metals have been concentrated, bearing in mind that only 20% of the strike length has been assessed and six occurrences have been found in that area.

Mt Fisher – A New Gold Project

AVO has recently applied for the Mt Fisher gold project located 50 km NE of Bronzewing, and south of Cullen’s Gunbarrel project. This ground was explored by CRA and Delta in the 1980s with some encouragement and the identification of a 15 km long trend of anomalism, but without a major discovery. It was subsequently held by private prospectors, and AVO picked up the ground when the licence lapsed.

The Dam prospect covers a 6km long anomalous gold zone defined by RAB, then RC and diamond drilling. The best results included 108m at 0.45 gpt and 18m at 1.5 gpt. At another prospect, named Dirks, intercepts include 2m at 13.4 gpt and 5m at 1.8 gpt. AVO plans to drill this project in March next year.

Conceptually Ideal Gold Target at Zuleika

For those who rely on structural geology to guide them to the best places to look for gold, it is hard to imagine a more ideal setting than the intersection of the Boulder-Lefroy Fault (the source of the Golden Mile in Kalgoorlie) and Zuleika Shear. AVO has picked up leases with 50 strike kilometres of shear zone geology both under and adjacent to Lake Cowan. AVO’s enthusiasm for this ground is highlighted by its statement that it believes this will develop into a cornerstone project, with potential for gold and nickel.

Big Copper/Gold Targets in South Australia

AVO has been spending much of its time over the past year assessing some very large copper/gold plays in South Australia, where its leases cover 7,500 km².

At Port Julia it drilled a hole that hit chalcopyrite in haematitic breccia at a depth of 160m, at basement. Geologically this is encouraging but it

is more indicative of style of mineralisation at the margins of Prominent Hill type systems, so more work is required to find the central zone. The difficulty here is that it could be a very expensive exercise.

At Glensea, AVO has drilled three holes 6 km apart. Again this was geologically very successful with the first hole hitting 0.9m at 3.25% Cu and 0.24 gpt from 115m. The third hole hit 0.4m at 3.5% Cu and 0.94 gpt gold in high grade massive chalcopyrite veins, from a down hole depth of 183.7m.

AVO now has to find thicker zones of mineralisation in its quest for another Moonta style deposit (i.e. 6 mill. tonnes at 5% Cu). The next step is to run TEM to better define the target.

A third project, at Wandearah, has produced a 15km long copper/rare earth/uranium anomaly that will be drilled in February next year.

Management Seems High Calibre

AVO's Managing Director is Rohan Williams, a geologist who spent his previous working career with WMC, including a stint as Chief Geologist for the St Ives Project. For eight years he specialised in nickel, and another seven years were spent on gold. This is his first foray into the small mining scene, but the presence of Rob Reynolds as Chairman (ex Delta Gold) provides an experienced hand. Having Gold Fields as a 15% shareholder provides some substance to the share register.

In Summary

The Jimberlana Dyke project seems to be one of the more exciting nickel exploration projects currently being tested, with the style of target having considerable potential. The nickel is there; AVO just has to find commercial concentrations. The location of LionOre's Maggie Hayes nickel project just to the west of the leases adds to the allure.

The newly acquired gold projects may provide some interesting results over the next six months, while the various joint venture projects could continue with a useful flow of news.

The South Australian projects could have enormous upside, but they could also send a junior company broke if approached the wrong way.

With \$2m in the kitty, and the next six months budgeted to consume \$1m in exploration costs, AVO will be looking for an opportunity to raise capital – probably \$1-2m. The timing of this will probably depend upon the market appetite, but the punters would probably want to be able to speculate on the Jimberlana drilling over the next month.

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