



**AVOCA RESOURCES LIMITED**

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Dear Dioro Shareholder,

### **AVOCA'S BID FOR DIORO TO CREATE A SIGNIFICANT WA GOLD PRODUCER**

I am pleased to present to you this Bidder's Statement containing an offer to acquire all of your shares in Dioro Exploration NL on the basis of 1 Avoca Share for every 2.82 Dioro shares you hold. The offer benefits all Dioro Shareholders as it provides you with an opportunity to participate in a combined company with a significant portfolio of quality assets and an achievable objective of becoming **Australia's pre-eminent mid-tier gold producer**.

The rationale for combining the two companies is compelling and I encourage you to **accept the Avoca offer** for the reasons explained in more detail on pages 5 to 18 of the enclosed Bidder's Statement.

Based on the \$1.69 closing price of Avoca's shares yesterday, 18 May 2009, the offer values each Dioro share at 60 cents, representing a **significant 51.7% premium** to the Dioro closing share price of 39.5 cents on 9 April 2009, the last trading day prior to the offer being announced. Using Dioro's volume weighted average share price of 33.5 cents for the 3 months up to and including 9 April 2009, the Avoca offer represents a **substantial premium of 78.8%**.

**Avoca is a highly successful and well regarded ASX 200 gold producer** based in Perth, Australia which like Dioro, has gold mining and exploration assets located in the south Kalgoorlie region. In 2004, Avoca acquired the Higginsville exploration project and within four months had discovered the Trident underground gold mine. Exactly four years after acquiring Higginsville, Avoca poured its first gold bar from Trident which heralded the successful commissioning of the first new gold operation in Western Australia for 7 years.

Avoca is planning to produce 180,000 ounces of gold at Trident next financial year at cash costs of A\$450 per ounce (not including royalties). Trident is presently Western Australia's third largest underground gold mine and Avoca has recently commenced mining the thick and high grade 1005 level which has already contributed to a record weekly gold production level of 4,280 ounces produced in the week ending 10 May 2009.

Combining the assets of Avoca and Dioro is a logical step forward and the Avoca Board is confident that it will provide a dramatic value driver for the shareholders of both companies. Following a successful transaction, the combined entity would produce approximately 250,000 ounces of gold per annum. With the largest tenement holding in Australia's richest gold belt, being from Kalgoorlie to Norseman, Avoca will also be well positioned to advance towards its long term goal of producing 500,000 ounces of gold per annum.

If you accept the offer and the transaction is successfully completed, you will become a shareholder in a combined entity with increased institutional support, greater share market liquidity and a demonstrated ability to access capital markets on favourable terms.

Early support for the Avoca offer has already been demonstrated by Avoca's recent purchase of a substantial 14.95% interest in Dioro from its major shareholders – Harmony Gold Mining Co. Limited and Baker Steel Capital Managers LLP – who have already recognised the benefits of accepting Avoca shares.

Since lodgement of the Bidder's Statement with the Australian Securities and Investments Commission on 5 May 2009, Avoca has received Foreign Investment Review Board approval to acquire 100% of Dioro, which fulfils a key condition of Avoca's offer for Dioro.

This is an exciting time to be an Avoca shareholder, given the company is wholly exposed to the continuing strength in gold prices, as well as having successfully ramped up production at Trident. I believe that the offer will create a combined group which is even better placed to reap the rewards of the continuing strength in gold prices.

Details of how to accept the offer are set out in section 2.2 of the Bidder's Statement and on the personalised acceptance form that accompanies the Bidder's Statement.

If you have any questions, please contact the Avoca Offer Information Line on 1300 751 719 (toll-free) (from within Australia) or on +61 3 9415 4346 (from outside Australia) or consult your financial or other professional adviser.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Reynolds', written in a cursive style.

Robert G Reynolds  
Chairman  
Avoca Resources Limited