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MAIDEN 118Koz UNDERGROUND RESERVE AT CHALICE HERALDS AVOCA'S SECOND UNDERGROUND MINE

ASX 200 gold producer, Avoca Resources Limited ("Avoca") (ASX:AVO), is pleased to announce its initial underground Probable Reserve for the Chalice gold deposit at its expanding Higginsville Gold Project near Kambalda, in Western Australia.

Following the completion of an in-house feasibility study on the underground resource at Chalice, Avoca has delivered a reserve estimate of **720Kt @ 5.1 g/t gold for 118,000 ounces**.

The **new Chalice Underground Reserve will allow Avoca to develop its second underground gold mine at Higginsville**, and will be the third mining reserve after Trident and the Fairplay open pit reserve. Avoca believes there is excellent prospectivity for additional resources to be discovered at Chalice, as well as in the immediate near-mine region.

Avoca's Managing Director, Rohan Williams, said the advancement of the Chalice deposit was a significant development toward Avoca realising its goal of a +10 year mine life for the Higginsville Gold Project.

"The maiden reserve at Chalice is a significant milestone, with a high resource to reserve conversion rate, low operating costs, and significant potential for further resource expansions," Mr Williams said.

Avoca acquired the Chalice leases in July 2007. Following Avoca's re-interpretation of a 79,000 ounce Inferred Resource at the time of purchase, and subsequent diamond drilling campaigns, Avoca has achieved **an 84% reserve conversion** of the 140,000 ounce Indicated Resource announced in November 2009.

Avoca will use the same successful mine development strategy and mining methods it has employed at the nearby Trident underground mine. Avoca estimates underground development will commence in mid 2010 following the dewatering of the Chalice open pit. Ore development is scheduled to commence in the middle of 2011, and stoping toward the end of 2011. The current mining schedule for the initial reserve produces 57,000 ounces at 5.5 g/t in FY2012, 44,000 ounces at 5.5 g/t in FY2013 and 17,000 ounces at 3.8 g/t in FY2014.

Initial mining will target the higher grade Olympus deposit (see Figure 1) with subsequent development of the Atlas deposit. The capital development required to mine the Atlas deposit will provide ready access to mining the current Inferred Resources that sit between Olympus and Atlas, which will be the subject of reserve generative studies once underground mining commences at Chalice.

The Chalice reserve site-based **cash operating costs are estimated to be A\$518 per ounce. There is no Morgan Stanley royalty on the Chalice deposit.** Capital costs are estimated to be \$42 million, however capital savings of \$3 million are currently being investigated using alternate pit-dewatering options.

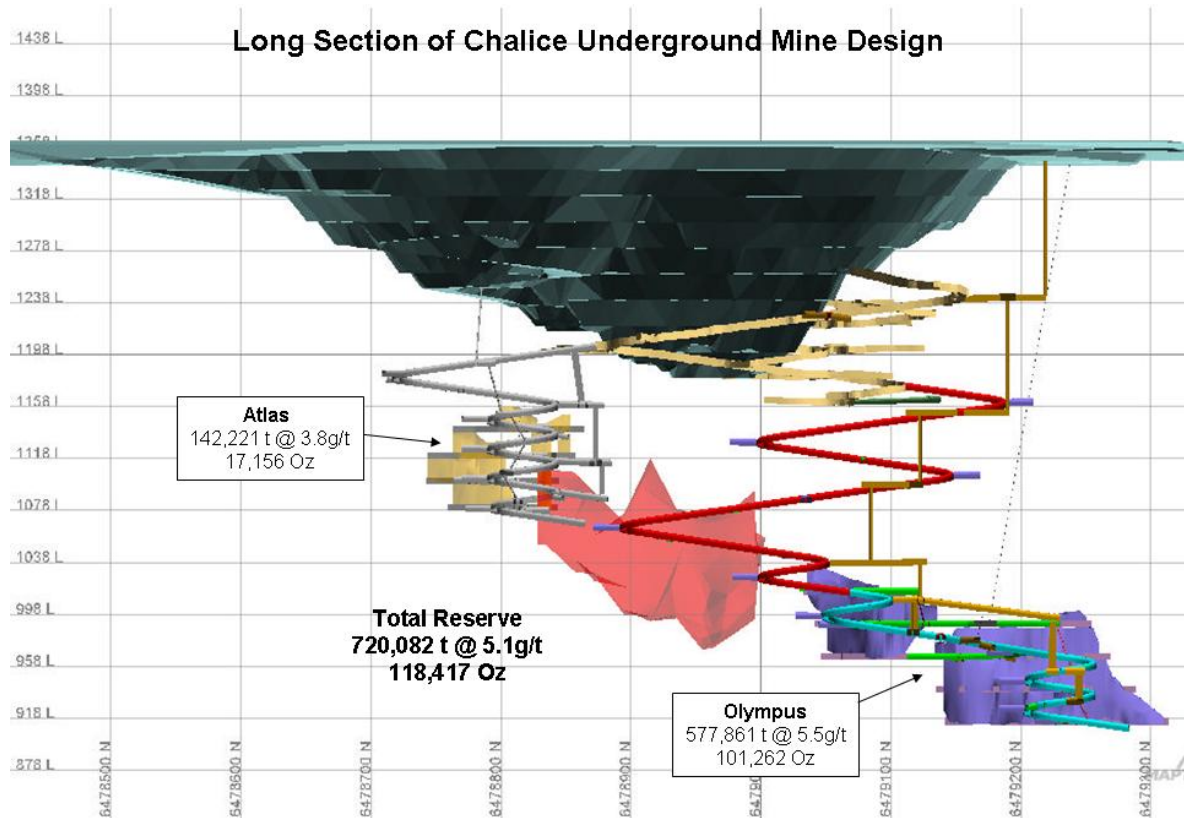


Figure 1: Long section of Chalice Underground Deposit showing mine plan and location of the Olympus (purple) and Atlas (light brown) lodes. The red zone between the Atlas and Olympus lodes is Inferred Resource and will be the focus of drilling and mining studies once underground development commences. The light brown coloured development at the base of the open pit is existing underground development.

Mining will be via a conventional decline development followed by ore development on 25m levels at Olympus and 20m levels at Atlas. Stopping will utilise conventional long hole open-stope mining. Ore will be trucked 30km to the centrally located Higginsville treatment plant for processing. Recoveries are expected to be 94%. All management and operational personnel will be accommodated at the existing Higginsville site.

Upside to the Chalice Reserve

Avoca believes there is excellent prospectivity for additional resources to be discovered at Chalice, both through continued drilling of the various footwall and hangingwall lodes discovered adjacent to the main lode(s) at Chalice; and at depth, where it is expected the highly mineralised main trend of Chalice will continue. Surface diamond drilling is currently testing for repeat lodes at depth.

Recent surface drilling at Chalice targeting the Inferred Resources has intersected **10m @ 7.3 g/t** in CHAD061, **5m @ 21.7 g/t** in CHAD053 and **3.2m @ 15.1 g/t** in CHAD060. None of these intersections have been incorporated in this new reserve.

In addition to the prospectivity associated with the immediate mine environs, Avoca believes the geological setting of the deposit is similar to that seen at Trident, and accordingly provides opportunity for new discoveries proximal to Chalice, as seen correspondingly at Trident.

For further enquiries, please contact:

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Avoca Background

Avoca is an ASX 200 gold mining and exploration company based in Perth, Western Australia. Avoca has grown rapidly since its listing in 2002, and its acquisition of the Higginsville exploration project in 2004, located 130km south of Kalgoorlie.

In the period of just four years following its acquisition of Higginsville, Avoca discovered the Trident ore deposit, completed a feasibility study, commenced mine development, constructed and commissioned a new 1 million tonne per annum CIL treatment facility (built on time and under budget) and poured its first gold bar.

Presently, Trident is Western Australia's third largest underground gold mine and is forecasting gold production of 190,000+ ounces in FY2010 at an operating cash cost of A\$452 per ounce (not including royalties).

Avoca has a highly credentialed management team with considerable expertise in exploration, project development and underground mining. Avoca's managing director, Rohan Williams, has more than 15 years experience in the region.

The Avoca Board is confident that its management team will continue to expand and develop the existing 1.45 million ounce Higginsville resource base into realising its goal of a +10 year mine life for Higginsville.

The information in this report which relates to the Chalice Probable Ore Reserve is based on information compiled by Anthony James, a full time employee of Avoca Resources Limited and who is a Member of the Australasian Institute of Mining and Metallurgy. Anthony James has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Anthony James consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.