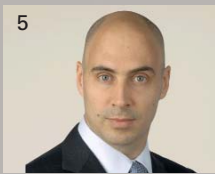


2007/2008 Highlights

- Avoca's first gold pour took place at the newly commissioned Higginsville treatment plant on Tuesday 1st July 2008.
- Construction of the \$AUD49.2 million one million tonne per annum CIL treatment plant was completed on time and under budget.
- Avoca's Higginsville Gold Project is the first new gold operation in Western Australia since 2001.
- Construction of additional project infrastructure at Higginsville including 160 person accommodation village, 10MW dual diesel gas-fired power station, site administration complex, waste water treatment facility, 1.5GL borefield, on-site assay laboratory and optic fibre telephone and data link between site and Perth were all completed on time and on budget.
- Total underground development at Trident for the year was 9,380m comprising 5,484m of capital development and 3,896m of operating development.
- Mine production totalling 145,000t @ 4 g/t gold for 18,686 ounces was stockpiled on the surface ROM pad awaiting treatment by year end.
- The Higginsville site had reached 906 days LTI-free.
- Exploration success continued at Trident with the discovery of the high grade Artemis Lodes. The Trident resource has increased to 951,000 ounces at a grade of 6 g/t gold and remains open at depth.
- Regional exploration within the 2,700km² Higginsville Project area was successful in discovering the outcropping Musket prospect located 40km south-east of the new treatment plant. The first diamond drill hole returned 18m @ 10.9 g/t gold at a depth of 55m.
- Highly encouraging intersections were recorded along the Higginsville Line of Lode at Two Boys, Fairplay North and the Vine JV; and also at Wills and Chalice.
- The Higginsville resource base increased to 1.45Moz. The underground Chalice resource increased 58% to 123,000 ounces at a grade of 5.2 g/t gold.
- Avoca secured an \$AUD71 million senior debt facility from Société Generale and Commonwealth Bank of Australia.
- Avoca purchased put options over 438,933 ounces providing a minimum revenue of \$AUD830 per ounce whilst giving the company full exposure to the appreciating gold price.

Annual Report covers showing progression from explorer to gold producer





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

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Auditor

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

Share Registry

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 Telephone (08) 9315 0933
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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



Dear Fellow Shareholders,

The past year has been a period of outstanding advancement for the company with the completion of the Higginsville treatment plant and successful commissioning plus the continued growth of the company's mineral resource in the Higginsville region.

The completion of the Higginsville gold treatment plant and associated infrastructure is a tremendous achievement for the company and those involved with the planning, construction and production must be congratulated for their untiring efforts in achieving such a good result. To be able to complete the construction of the treatment plant on time and slightly under budget given the economic conditions currently prevailing in the mining industry, is indeed, a wonderful achievement.

The company's financial position has been strengthened through a \$71 million debt facility to provide the necessary funding requirement until Trident attains its designed production profile which includes providing a \$23 million revolving line of credit.

With Avoca becoming an Australian gold producer, there has been greater support from the investment community both in Australia as well as overseas. It is very pleasing to see that Avoca has now been admitted to the ASX 200 index. It is one of five companies that have been added to the index in the September quarter rebalance of the index.

Whilst most of the attention has focussed on the construction at Trident, the exploration team has consistently been adding to the overall resource base. With new discoveries at Wills, Musket and Chalice, the directors remain confident that the Higginsville region will be a significant source of feed for the treatment facility for many years.

The achievements of the company over the past year are a great tribute to the management team who have, very successfully, assembled the necessary professionals to not only construct the plant and associated infrastructure but also an extremely competent group of mine personnel. On behalf of the board, congratulations to all those hard working employees, contractors and service providers in carrying out your roles in a professional and efficient manner.

Finally, thank you to all you loyal shareholders for your continued support and trust in the management team in enabling them to achieve the successful outcome.

A handwritten signature in black ink, appearing to read 'R Reynolds'.

Robert G Reynolds Chairman





Managing Director's Report

For everyone involved in Avoca's transformation from a small explorer, as it was when the Company acquired the Higginsville exploration leases in mid 2004, to becoming a mid-tier gold producer in less than four years, it was a very proud moment. Remarkably, the gold pour marked Higginsville as the first new gold operation in Western Australia since 2001.

In last year's Annual Report, I commented on the 2006/2007 year being one of excitement, challenges, milestones and hard work culminating in the commencement of ore being mined at the Company's Trident gold mine. I also noted that the year we were about to embark on would bring new excitement, challenges, milestones and hard work. Looking back at the 2007/2008 year now, it is clear my expectations were well founded as it was the busiest and best year we have yet had.

Your Company was one of the very few Australian companies over the last 5 years to complete a major project construction on time and under budget. The successful commissioning of Avoca's new one million tonne per annum CIL treatment facility was an enormous achievement in the industry's current environment where increasing cost pressures and shortages of experienced personnel are key challenges. This achievement was made possible through the excellent efforts of our Project Management Team working closely with our construction contractor, GR Engineering Services Pty Ltd. Whilst the completion of the treatment facility was certainly the key achievement, and without doubt the market's focus on our short term performance, we were also able to complete on time and under budget several other infrastructure projects which included a 160 person eco-architecturally designed accommodation camp, a mine office administration building and security gatehouse; a waste water treatment facility; a 10 MW dual-engine gas-fired and diesel power station; an overhead power line that reticulates power across the site; a 1.5 gigalitre borefield that pumps water along a 30km pipeline to the treatment facility complete with wireless telemetry control; a modern core farm and core cutting facility; mine vehicle workshop, light vehicle workshop, electrical workshop, and contractors' offices; an on-site assay laboratory; and an optic fibre telephone and data link between the Higginsville site and the Perth office.

The completion of the treatment facility was the precursor to Avoca's most significant milestone, which occurred on Tuesday the 1st of July 2008 when Avoca entered the ranks of an Australian gold producer. A small team of Avoca personnel witnessed the Company's first gold pour which yielded a 192 ounce gold bar (the photograph of the first pour is the cover of this Annual Report). For everyone involved in Avoca's transformation from a small explorer, as it was when the Company acquired the Higginsville exploration leases in mid 2004, to becoming a mid-tier gold producer in less than four years, it was a very proud moment. Remarkably, the gold pour marked Higginsville as the first new gold operation in Western Australia since 2001.

In addition to the cost-control and schedule-control efforts of managing the construction and commissioning of the Higginsville's infrastructure items described above, the Trident

mine management teams and exploration teams remained very focused throughout the year on mine development and commencement of stoping at Trident; and discovering new ore sources and extending known ore positions.

During the year, significant advance was made at the Trident gold mine. Development regularly exceeded 1000m per month in the first half of CY2008. Much of this increased rate of development was from ore development required for the large Western Zone stopes which are scheduled for production in October 2008. In addition, ore drive development continued on the rich Athena Lodes. Total ore drive development on all high grade lodes at Trident was 3,382m in the 2007/2008 year. Stopping commenced in January 2008 on the Eastern Zone lodes, with minor Athena Lodes stoping occurring toward the end of the year. Grade control drilling of the Eastern Zone showed that some areas in between the steep east-dipping high grade lodes that defined the original Eastern Zone reserve were mineralised. This recognition led to larger blocks of the Eastern Zone being mined by large volume, sub-level open stoping techniques. By the end of the financial year, 145,000t at an estimated grade of 4.0 g/t gold for 13,000 ounces had been stockpiled on the surface awaiting treatment following the completion of plant commissioning.

Mine capital development focused on the main Trident decline and the Athena decline, with 5,484m advance achieved during the year. Decline development is now 1,350m from the portal at the base of the Poseidon South pit, and has reached a vertical depth of 292m below the surface.

The upcoming 2008/2009 year will be Avoca's first production year and marks the beginning of Avoca's cash flow. We are planning to produce 160,000 ounces of gold from Trident at an estimated cash operating cost of between \$AUD400 and \$AUD450 per ounce. As there is no operating history of Trident or the new treatment facility, the cash cost is estimated at this time.

The Company enjoys a strong working relationship with its mining contractor, Australian Contract Mining Pty Ltd (ACM) and is pleased to report that in early CY2008, an important milestone of 2 years lost time injury free was reached. Since the commencement of ACM's mining activities in February 2006, where it rehabilitated the portal and old workings at the base of the Poseidon South pit, the Trident gold project has reached 906 days LTI free. This is another excellent achievement by all personnel on site.

The third key focus of Avoca during the 2007/2008 year, after project infrastructure construction and Trident mine development and stoping; has been to maintain an aggressive exploration campaign at Higginsville. I am happy to report that exploration has been successful in discovering new gold ore

deposits, extending known ore positions, and intersecting encouraging mineralisation in new areas that we hope to turn into new discoveries in the 2008/2009 year.

Exploration drilling at the Trident gold mine has extended the ore system to a depth of approximately 850m below surface with the discovery of the Artemis Lodes. The Trident ore deposit has a plunge extent of over 1,900m making it the best gold discovery south of Kalgoorlie in the last 20 years. The updated resource as of 30 June 2008 at Trident is 951,000 ounces at an impressive grade of 6.0 g/t gold, and it remains open at depth. Extensions identified at Trident during the year include those at Apollo, Athena, Eastern Zone and the Poseidon South E Lodes.

The new Musket gold discovery represents an exciting new growth opportunity for the Company. Located 40km south east of the Higginsville treatment facility, Musket has been defined for over 300m strike and lies between the surface and a depth of 120m. It is open in all directions. The best intersection was from the very first diamond drill hole, intersecting 18m @ 10.9 g/t gold from a vertical depth of 55m. It is remarkable that it is still possible to discover outcropping gold deposits in the Higginsville - Norseman area. Musket represents the second grass-roots gold discovery made by Avoca at Higginsville, after the Wills discovery last year.

Exploration drilling also continued at Chalice, where the underground resource has recently increased 58% to 123,000 ounces at a grade of 5.2 g/t gold. Avoca successfully extended underground mineralisation and discovered a new lode located 100m into the footwall of the main Chalice lode. The new footwall lode discovery represents a very interesting opportunity, as this now known to be mineralised position has scarcely been tested by the previous owners of Chalice.

During the year, the Company acquired the Two Boys lease located 1.5km south of Trident as well as the underground gold rights to the key M15/348 lease, the northern part of which overlies the Poseidon South pit – the southern part abuts Two Boys. Exploration drilling on the newly acquired tenure returned highly encouraging results including 4m @ 21 g/t from 88m depth lying 150m east of Avoca's 100% owned Two Boys underground decline, and 17.2m @ 18.9 g/t gold from 154m at Fairplay North, located 500m south of Two Boys.

Exploration continues to play a very important role in Avoca's growth, and the growth of the Higginsville resource base, which now stands at 1.45 million ounces. This represents a 24% increase on resources reported in last year's Annual Report. Your Company is very much of the view that considerable exploration success is still likely at Higginsville and invites you to read about other prospect areas not covered in this overview, but described in more detail in the Review of Operations that follows.

At the corporate level, Avoca entered into an \$AUD71 million senior debt facility with Société Generale (Australia Branch) and the Commonwealth Bank of Australia. The facility was used to repay an unsecured \$AUD23 million loan from Société Generale, provide replacement funds from proposed toll treatment arrangements that did not proceed, and provide general working capital. The structure of the facility allows for an \$AUD23 million revolving line of credit.

During the June 2008 quarter, the Company purchased put options for 438,933 ounces at a strike of \$AUD830 per ounce. The options guarantee a minimum gold price revenue of \$830 per ounce for those ounces produced at Higginsville until May 2010.

In conclusion, the 2007/2008 year was a very successful year for your Company. The success is due to the diligence of Avoca's employees, the contractors we use, and the relationship we build with them to ensure each party returns a mutually beneficial outcome. I would like to thank and pay tribute to everyone who has worked for Avoca over the last year, both directly and indirectly. The construction phase on site at Higginsville, whilst successful, was not easy. Up to 280 people were on site at any one time, spread over two burgeoning camps - both very different to the high quality, newly commissioned accommodation village currently being enjoyed by site-based people today. 2008/2009 will present different opportunities and challenges for Avoca and its people. I am confident that it too will be another successful year, and to that end would like to extend my thanks to you, the Avoca Shareholder, for your continued support and interest.



Rohan I Williams Managing Director

