

Directors' Report

The Directors present their report on the Consolidated Entity consisting of Avoca Resources Limited and the entity it controlled at the end of and during the year ended 30 June 2009.

Directors

The following persons held office as Directors of Avoca Resources Limited during the whole of the financial year and up to the date of this report:

Robert G Reynolds
Rohan I Williams
Stephanie J Unwin
David F Quinlivan
Jan A Castro

Principal activities

During the year the principal continuing activities of the Group consisted of:

- (a) Mining and treatment of gold bearing ore at the Higginsville Gold Project, and construction of supporting infrastructure.
- (b) Mineral exploration and development in Western Australia.

The following significant changes in the nature of the activities of the Group occurred during the year:

The Higginsville Gold Project commissioned the 1.0 Mtpa CIL gold treatment plant during July and August 2008 which resulted in the first gold pour from the project in July 2008. Since July 2008, the Higginsville Gold Project has continued producing gold.

Dividends

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year.

Review of operations

Operating result for the period

A summary of the operating result for the Consolidated Entity is set out below:

Consolidated	2009 \$'000	2008 \$'000
Operating loss from continuing operations before tax	(23,244)	(3,890)
Income tax benefit/(expense)	6,974	2,567
Net loss after tax attributable to members of the company	(16,270)	(1,323)

Financial performance

During the year, the Higginsville Gold Project, successfully transitioned from the project development phase to gold production with the continuation of commissioning in July 2008 of its 1.0 Mtpa treatment plant. The first gold pour was achieved in July 2008.

Mining operations from the Trident underground ore-body continued during the year with an ongoing focus of extending decline and level development as well as setting up and commencing the mining of stope production areas. Mining activity and the resulting dominant ore source transitioned from development ore to stope ore during the first quarter of the financial year with September 2008 seeing 75% of the ore mined coming from stopes. Ore mined from stopes and ore from development for the year totalled 950,373 tonnes at a grade of 4.2 g/t. Mining activities during the year focused on the following ore-bodies: Eastern Zone 28%, Western Zone 58%, Athena 13% and Poseidon South 1% of ore tonnes hoist.

Total gold production for the year was 131,227 ounces (2008: Nil ounces) which comprised 126,647 ounces of recovered bullion and 4,580 ounces of gold in circuit at balance date. During the first twelve months of operation, the Higginsville treatment plant performed better than design on both throughput and recovery measures. Actual throughput totalled 1,106,705 tonnes of ore against design throughput of 1,000,000 tonnes of ore and actual gold recovery achieved was a 97% average for the year against a design recovery rate of 96%. The fourth quarter production throughput rate achieved equated to an annualised ore processing rate of 1.2 mtpa, representing a 20% increase above the design throughput rate of 1.0 mtpa. No comparatives are available for the 2008 financial year as the treatment plant was commissioned in the 2009 financial year.

A summary of the production performance for the year ended 30 June 2009 is provided in the following table.

Directors' Report

Operating result for the period (continued) Financial performance (continued)

		Qtr Sep-08	Qtr Dec-08	Qtr Mar-09	Qtr Jun-09	FY2009
Ore mined	(tonnes)	165,639	242,655	274,630	267,449	950,373
Mined grade	(g/t)	3.8	3.5	3.5	5.8	4.2
Ore treated	(tonnes)	251,635	264,415	289,620	301,035	1,106,705
Head grade	(g/t)	2.9	3.3	3.2	5.5	3.8
Recovery	(%)	96.7	96.8	97.0	97.5	97.0
Ounces produced*	(oz)	21,766	27,856	28,802	52,803	131,227
Ounces sold	(oz)	19,786	25,556	29,022	46,497	120,861
Cash Cost [#]	(\$/oz)	-	-	762	442	-

* Ounces produced is gold poured, and for the June quarter includes gold-in-circuit stocks at year-end.

Cash costs do not include royalties.

Total gold sales revenue of \$145,756,067 (2008: \$Nil) was generated from the sale of 120,861 ounces recovered from the Higginsville Gold Project at an average gold price of A\$1,206 (2008: \$Nil) per ounce. Gold on hand not sold at 30 June 2009 was 5,785 ounces (2008: Nil ounces). Other revenue includes interest earned during the year totalling \$671,192 (2008: \$3,578,551).

Prior to the commencement of gold production at the Higginsville Gold Project, project operating costs were capitalised to either ROM inventory stocks or mine development expenditure on the balance sheet. During the year, costs capitalised to ROM inventory stocks were charged to the income statement as and when the ore was processed, the resulting inventory movement for the year was \$5,893,552 (2008: \$Nil). Capitalised mine development expenditure is being amortised using the units-of-production method over the associated Trident resource base.

Costs expensed to the income statement totalled \$169,949,228 (2008: \$7,742,734), the increase from the previous year reflecting the commencement of operations and resulting suspension of the capitalisation of project development costs.

Cash operating costs improved over the year as the mined grade increased. This was a direct result of the completion of mining operations in the upper production areas of Trident within the Eastern Zone and the commencement of production in the third quarter of the higher grade areas within Trident on the Western Zone 1005RL. During the year, the increase in ore sourced from stopes using bulk mining methods also contributed to overall unit cost savings from the start of the year.

Capitalised exploration costs written off to the income statement in the year totalled \$511,514 (2008: \$2,922,529). The write-off reflects the suspension of exploration activities on non-core or inactive tenements outside of the Higginsville region.

Corporate administration costs for the year totalled \$2,261,009 (2008: \$1,077,000), which included expenses related to the corporate office, compliance costs and operations support and technical services.

Depreciation and amortisation of fixed assets and capitalised mine development totalled \$42,369,105 (2008: \$116,238) for the year. The higher depreciation and amortisation charge in the year was attributable to the increase in tonnes mined during the year, the commissioning and commencement of treatment plant

operations for the first time and commissioning and first time use of other project infrastructure.

Net finance costs increased (before capitalisation) to \$9,321,113 (2008: \$4,901,669) in the year mainly due to the increase in the debt drawn to fund the completion of the development of the Higginsville Gold Project. Total debt drawn (net of scheduled repayments) during the year amounted to \$18,000,000, increasing the senior debt borrowings to \$61,000,000 (2008: \$43,000,000).

Expenses (excluding interest costs) charged to the Income Statement in the year as a result of the Company's deferred premium gold put option program totalled \$9,474,091 (2008: \$53,468). The valuation of this asset was determined using a Black-Scholes valuation model and was impacted during the year by changes in option volatility, forward gold prices and forward interest rates. Cash payments made on account of the deferred premium gold put option program totalled \$4,581,721 for the year.

Acquisition costs associated with the Dioro Exploration NL off-market takeover offer which were expensed in the year totalled \$578,658 (2008: \$Nil).

Financial position

As at 30 June 2009 the Consolidated Entity's net asset position increased to \$157,280,503 (2008: \$115,754,636).

Current assets increased to \$47,847,234 (2008 \$17,431,983) mainly due to a higher cash balance. Cash increased following a \$28.9M capital raising by the parent entity in January 2009 together with operating cash flow contributions from the Higginsville project and proceeds from the draw-down of senior debt. Over the year, inventories decrease to \$5,672,461 (2008: \$11,424,984) mainly as a result of the reduction in high-grade ROM stocks to 17,205 tonnes (2008: 145,306 tonnes) following the commencement of ore processing in July 2008.

Total non-current assets increased to \$239,561,177 (2008: \$218,307,430). The increase was attributable to exploration expenditure incurred on tenements located within the Higginsville region, increase in the deferred tax asset, increase in the investment in listed securities which is mainly the inclusion of the Dioro Exploration NL shareholding of \$8,624,636 (2008: \$Nil) at fair value, offset by a reduction to derivative financial assets – gold put options, following a fair value adjustment of \$9,474,091.

Directors' Report

Operating result for the period (continued)

Financial position (continued)

Current liabilities increased to \$56,456,180 (2008: \$30,062,763). The increase is attributable to the restatement of senior debt borrowings from a non-current liability to current liability of \$20,000,000 (2008: \$5,000,000), recognising the current nature of the scheduled senior debt repayments due in the 2010 financial year and an increase in trade creditor and accrued expenses. Increases in creditor and accrued expenses reflect the ramp up of operational activities at the Higginsville Gold Project, together with the ongoing capital development of the mine including infrastructure and the construction of the paste plant.

Non-current liabilities decreased to \$73,670,728 (2008: \$89,922,014) due mainly to the reduction in convertible bond debt following the conversion of 93 bonds during the year totalling \$18,600,000 (bond face value). As at 30 June 2009, the outstanding convertible bond face value was \$20,400,000 (2008: \$39,000,000). This was offset by an increase in senior debt borrowings to \$41,000,000 (2008: \$38,000,000) which reflects the final drawn position on the facility following the completion of the construction of the Higginsville Gold Project.

The Avoca Group has a working capital deficiency at balance date of \$8,609,946 (2008: \$12,630,780) mainly due to the recognition of gold production at cost rather than at fair value (expected fair value increase is \$8.3 million - refer to comments below) and the reclassification of scheduled senior debt repayments from non-current borrowings to current borrowings totalling \$20 million. The debt repayment schedule comprises a \$10 million repayment in September 2009 and a \$10 million repayment in March 2010. At balance date, there was 4,580 ounces of produced gold in circuit and 5,784 ounces of gold bullion on hand not sold. The sale value (fair value) of this gold using spot gold price at balance date is \$12.0 million. Net of recorded inventory costs, the improvement in current assets as a result of the sale of this gold is \$8.3 million, which largely offsets the working capital deficiency noted above. The Group will generate and have access to sufficient operating cash flows from the Higginsville Gold Project over the 2009 / 2010 financial year to settle these repayments and maintain appropriate working capital funding capacity.

Cash flows

At 30 June 2009 the consolidated entity had \$38,946,374 (2008: \$1,569,410) in cash and cash equivalents on-hand. Available undrawn senior debt funding was \$1,158,000 (2008: \$23,680,000) at balance date. Bullion on hand not sold at balance date comprised 5,785 ounces which had an estimated sale value of A\$6.8M. As a result of the above, available funding lines at balance date totalled \$46.8 million.

Cash flow from operating activities for the year was \$51,925,055 (2008: \$901,761). The increase reflects the commencement of operations at the Higginsville Gold Project and resulting sale of gold over the course of the year. Payments to suppliers and employees increased to \$88,824,847 (2008: \$2,987,287) reflecting post-commissioning increases in the projects operating activity levels and the expensing of project operating costs to the income statement that would otherwise have been capitalised prior to project commissioning. Interest received decreased to \$659,449 (2008: \$3,996,331) as prior year cash reserves were used during the year to fund the development of the project. Interest paid increased to \$5,903,578 (2008: \$371,162) following

an increase in the drawn debt position during the year. The increase in debt funding was used to develop the project and provide working capital funding. Interest paid on the convertible bonds decreased during the year as a result of the conversion of bonds.

Cash flow used in investing activities amounted to \$63,202,622 (2008: \$144,852,441) and was mainly in the following areas;

- Mine development and infrastructure expenditure at Higginsville - \$50,022,793
- Purchase of property, plant and equipment, principally at Higginsville - \$5,417,300
- Surface exploration expenditure - \$7,983,529.

Mine development activities at Higginsville focused on the continuation of decline development, level development, mine infrastructure and grade control and extensional drilling. Surface exploration expenditure was mainly focused on regional tenements in the Higginsville region, including work undertaken on Chalice, Musket, Fairplay, Two Boys, and Vine JV prospect.

Cash flow from financing activities totalled \$48,654,532 (2008: \$36,172,482) which during the year included net proceeds from capital raisings / issue of shares (net of costs) of \$29,449,771, (2008: \$6,172,482), senior debt draw downs of \$23,000,000 (2008: \$53,000,000) and senior debt scheduled repayments of \$5,000,000 (2008: \$23,000,000).

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

a) Higginsville Gold Project commissioning

During the year, the Higginsville Gold Project successfully transitioned from the project development phase to gold production with the commissioning in July 2008 of its 1.0 mtpa treatment plant. The first gold pour was achieved in July 2008. The ramp up of the treatment plant to design or better performance from commissioning was also completed during the year. Substantially all of the associated surface infrastructure was completed on or prior to July 2008. Mining activity and the resulting dominant ore source transitioned from development ore to stope ore during the first quarter of the financial year. Since September 2008, the treatment plant feed has been largely sourced from stope work areas from within the Trident ore body. Construction of the Trident Paste Plant commenced in the last quarter of the financial year and was 69% complete at balance date. The paste plant project remains on time and on budget for an October 2009 commissioning.

b) Dioro Exploration NL takeover offer

On the 14 April 2009, the parent entity announced a conditional all-script off-market takeover offer for all the shares of Dioro Exploration NL. Since this announcement, the parent entity has made a number of revisions to its initial offer and made it unconditional. On 11 August 2009, the parent entity announced that its offer of 1 Avoca Resources Limited share for every 2.3 Dioro Exploration NL shares was final and that the offer would close on 19 August 2009. At the time of signing this report, the parent entity had secured a shareholding in Dioro Exploration NL of 44.85%.

Directors' Report

Significant changes in the state of affairs (continued)

c) Changes in issued capital

Contributed equity increased by \$56.7 million from the 30 June 2008 balance: \$120.9 million to the 30 June 2009 balance: \$177.6 million as a result of:

	2009 \$
Capital raising with the issue of 20,500,000 fully paid ordinary shares @ \$1.47 each. The funding to be used to construct the Trident paste plant and to provide working capital headroom. The raising was completed on 16 January 2009	30,135,000
Issue of 483,335 fully paid ordinary shares as consideration for the acquisition of the Chalice tenements. The shares were issued on 13 February 2009	841,003
Issue of 855,000 fully paid ordinary shares @ between \$0.25 and \$0.90 on the exercise of employee options	645,208
Value of conversion rights on issue of convertible bonds, share issues were made on 15 July 2008, 9 June 2009 and 16 June 2009	19,366,489
Issue of 4,563,300 fully paid ordinary shares as consideration for the acquisition of Dioro Exploration NL. Share issues were made over the period 21 April 2009 to 30 June 2009.	6,822,133
Less:	
Transaction costs arising on share issues, net of current deferred tax	(1,112,792)
Net increase in share capital	56,697,041

Net cash received from the increase in contributed equity amounting to \$29.5 million. The total of new shares issued during the year was 37,082,196 shares.

d) Operating loss for the year

The consolidated entity reported a net loss for the year of \$16,269,945, which increased accumulated losses to \$27,880,418.

Matters subsequent to the end of the financial year

- (a) Since balance date a conversion notice was received from a bond holder requesting the conversion of 1 bond to 114,876 ordinary shares, representing a \$0.2 million increase in share capital. The ordinary shares were issued on 16 July 2009.
- (b) On 14 April 2009, the parent entity, Avoca Resources Limited ("Avoca") announced an off-market conditional takeover offer for all the shares of Dioro Exploration NL ("Dioro"). The offer was for an exchange of shares on the basis of 1 Avoca share for every 2.82 Dioro shares. At the time of the announcement, Avoca had an existing shareholding in Dioro of 14.95% which was acquired via an unconditional purchase agreement with two of Dioro's major shareholders. Since balance date the following subsequent events have occurred:

- (i) On 6 July 2009, the parent entity increased its off-market takeover offer to 1 Avoca share for every 2.40 Dioro shares. This would require the issue of 32,454,380 shares in the parent entity.
- (ii) On 13 July 2009 the parent entity made its off-market takeover offer for Dioro unconditional.
- (iii) On 29 July 2009, the parent entity increased its off-market takeover offer for Dioro to 1 Avoca share for every 2.30 Dioro shares. This would require the issue of 33,865,440 shares in the parent entity. The Dioro Board recommended to their shareholders that they accept this revised offer.
- (iv) On 30 July 2009 Ramelius Resources Limited announced its intention to make a conditional offer to acquire shares in Dioro.
- (v) On 11 August 2009 the parent entity announced that its off-market takeover offer was final and is to close on 19 August 2009.
- (vi) On 19 August 2009, the parent entity's offer for Dioro shares closed. Including the pre-offer shareholding, the parent entity had acquired 44.85% of Dioro, resulting in the issue of 16,471,820 shares in the parent entity.

Other than the above, no other matter or circumstance has arisen since 30 June 2009 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Since 30 June 2009, Avoca Mining Pty Limited has continued to mine and treat ore at its Higginsville Gold Project at the required rates. Construction of the Trident paste plant continues and remains on time and on budget. The Group will continue its ongoing focus on exploration and evaluation activities within the Higginsville region comprising tenements located at Chalice, Two Boys, Fairplay and Musket. Further exploration work will be undertaken on the Trident ore body, to increase the reserve and resource inventory and to investigate extensions to the ore body.

Additional comments on expected results of certain operations of the Group are included in this annual report under Operations and Development on pages 6 to 20.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Directors' Report

Environmental regulation and performance

The Group's mining activities are all in Western Australia, and are governed by Western Australian legislation, including the Mining Act 1978, the Mines Safety and Inspection Act 1994, Dangerous Goods Safety Act 2004 and other mining related and subsidiary legislation. The consolidated entity is subject to significant environmental legislation, including the Western Australian Environmental Protection Act 1986, Contaminated Sites Act 2003, Wildlife Conservation Act 1950 and the Commonwealth Environmental Protection and Biodiversity Conservation Act 1999, as well as safety compliance in respect of its mining and exploration activities.

The Energy Efficiency Opportunities Act 2006 requires that the Group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the Group intends to take as a result. As required under this Act, the Company has assessed its energy usage and will seek registration once it has reached the threshold for registration.

The National Greenhouse and Energy Reporting Act 2007 requires that the Group report its annual greenhouse gas emissions and energy use. The first measurement period for this Act ran from 1 July 2009 to 30 June 2010.

The Group has implemented systems and processes for the collection and calculation of the data required and will be able to prepare and submit its initial report to the Greenhouse and Energy data officer.

The Group holds a number of licenses to regulate its exploration and mining activities in Australia. These licenses are subject to various environmental regulations.

So far as the Directors are aware, no material breach of relevant environmental legislation occurred during the year and up to the date of this report.

Information on Directors

The names and details of the Directors of Avoca Resources Limited during the financial year and until the date of this report are:

Robert G Reynolds - CA, MAICD, MAIMM.

Chairman - non-executive. Age 61.

Experience and expertise

Mr Reynolds is a Chartered Accountant with over 35 years experience in commerce and practice. He joined Delta Gold Limited as its accountant and company secretary and became an executive director in 1988. He became a non-executive director in 1996 and remained as such until the merger with Goldfields Limited in late 2001. Mr Reynolds jointly oversaw the growth of Delta Gold Limited from a junior explorer to a medium-size gold mining company. His role was corporate planning, overseeing corporate governance and supervision of administration and financial management.

Other current directorships in public companies

Mr Reynolds holds directorships in Global GeoScience Limited (director since 2007) an ASX listed company, Exeter Resource Corporation (director since 2007) and Rugby Mining Ltd (director since 2007), both companies are listed on the TSXV.

Former directorships in last 3 years

None.

Special responsibilities

Mr Reynolds is a member of the audit committee and the remuneration committee.

Interests in shares and options

2,287,501 ordinary shares in Avoca Resources Limited.

500,000 options over ordinary shares in Avoca Resources Limited.

Rohan I Williams - B.Sc (Hons), MAIMM.

Managing Director - Executive. Age 44.

Experience and expertise

Mr Williams is a Geologist with over 19 years experience. Prior to joining Avoca Resources Limited as its founding Managing Director and CEO, Mr Williams was Chief Geologist of WMC Limited's St Ives Gold Operation. Mr Williams' previous exploration successes include the 1 million oz Belleisle gold deposit at St Ives Gold, the Daisy gold deposit at Central Norseman Gold Corporation and the Coronet Nickel Mine at Kambalda Nickel Operations.

Other current directorships in public companies

Mr Williams holds no other directorships of listed companies.

Former directorships in last 3 years

None.

Interests in Share and Options

3,418,079 ordinary shares in Avoca Resources Limited.

3,200,000 options over ordinary shares in Avoca Resources Limited.

Stephanie J Unwin - LLB, B.Econ.

Director - non-executive. Age 38.

Experience and expertise

Ms Unwin is a commercial lawyer with a corporate resources background. She is currently Legal Counsel and Company Secretary for Verve Energy. Ms Unwin commenced her career with the Australian Securities and Investments Commission. Ms Unwin has had extensive experience in providing both corporate and commercial legal services to predominantly resource companies, including joint ventures, takeovers, acquisitions, fundraising, initial public offerings and ASX and ASIC compliance matters as well as dispute resolution services.

Other current directorships in public companies

Ms Unwin holds no other directorships of listed companies.

Former directorships in last 3 years

None.

Special responsibilities

Ms Unwin is Chair of the remuneration committee and member of the occupational health safety & environment committee and risk and governance committee.

Interests in Share and Options

300,865 ordinary shares in Avoca Resources Limited.

No options over ordinary shares in Avoca Resources Limited.

Directors' Report

David F Quinlivan - B.C (Mining) (AWASM), FAIMM, CP Min, ASIA, SIA.

Director - non-executive. Age 54.

Experience and expertise

Mr Quinlivan is a Mining Engineer and has been involved in the mining industry for over 30 years with broad operational and mining project management experience including numerous mining feasibility studies. He is currently Chief Executive Officer of Mt Gibson Mining Limited.

Other current directorships in public companies

Mr Quinlivan is the principal of Borden Mining Services and a non-executive director of Churchill Mining Plc.

Former directorships in last 3 years

Former non-executive director of Jupiter Energy Limited, resigned 9 July 2007.

Special responsibilities

Mr Quinlivan is Chair of the occupational health safety and environment and audit committees.

Interests in Share and Options

No ordinary shares in Avoca Resources Limited.

300,000 options over ordinary shares in Avoca Resources Limited.

Mr Jan A Castro - JD, BA, MAICD.

Director - non-executive. Age 41.

Experience and expertise

Mr Castro is the Managing Director of Pala Investments AG, the exclusive investment advisor to Pala Investments Holdings Ltd., an investment fund focusing on the mining sector with over US\$1 billion under management. Prior to establishing Pala Investments AG in July 2006, Mr Castro was Senior Vice President-Investments and Corporate Affairs for Mechel OAO, a major Russian mining and metals company listed on the New York Stock Exchange.

Other current directorships in public companies

Mr Castro holds directorships in the following TSX listed companies, Anatolia Minerals Development Limited (director since 2008), Crowflight Minerals Inc (appointed 23 July 2009), CoalCorp Mining Inc (appointed 11 November 2008) and Churchill Mining Plc (appointed on 20 March 2009) listed on AIM.

Former directorships in last 3 years

None.

Special responsibilities

Mr Castro is Chair of the risk and governance committee and a member of the audit committee.

Interests in Share and Options

No ordinary shares in Avoca Resources Limited.

No options over ordinary shares in Avoca Resources Limited.

Company Secretary

The Company Secretary is Mr Kevin Hart CA.

Mr Hart was appointed to the position of Company Secretary on 18 October 2004. He has over 20 years experience in accounting, management and administration of public listed entities in the mining and exploration industry.

He is currently a partner in an advisory firm which specialises in the provision of Company secretarial services to ASX listed entities.

Meetings of directors

The number of meetings of the Company's Board of Directors and each Board committee held during the year ended 30 June 2009 and the number of meetings attended by each Director was:

Director	Full Meetings of Directors		Meetings of Committees							
			Audit		Occupational Health, Safety & Environment		Remuneration		Risk & Governance	
	A	B	A	B	A	B	A	B	A	B
Robert G Reynolds	11	11	3	3	*	*	2	2	*	*
Rohan I Williams *	11	11	*	*	*	*	*	*	*	*
Stephanie J Unwin	11	11	*	*	1	1	2	2	2	2
David F Quinlivan	10	11	3	3	1	1	*	*	*	*
Jan A Castro	10	11	3	3	*	*	*	*	2	2

A Number of meetings attended

B Number of meetings held during the time the Director held office or was a member of the committee during the year.

* Not a member of the relevant committee

Directors' Report

Remuneration report

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- focuses on sustained growth in shareholder wealth, consisting of growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives
- has economic profit as a core component of plan design.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long term incentives. As executives gain seniority within the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

The Board has established a remuneration committee which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. The committee also oversees the remuneration policies for employees. The Corporate Governance Statement provides further information on the role of this committee.

Non-Executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board has also considered the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Total remuneration for all non-executive directors was last voted upon by shareholders on 14 November 2008, whereby it is not to exceed \$500,000 per annum. Non-executive directors do not receive bonuses.

Directors' fees cover all main Board activities. No payments were made during the year for serving on committees.

Executive Pay

- base pay and benefits, including superannuation,
- short-term performance incentives, and
- long-term incentives through participation in the Avoca Resources Limited Directors, Officers, Employees and other permitted persons Option Plan.

The combination of these comprises the executive's total remuneration.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts.

Base Pay

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts.

Benefits

Executives can salary sacrifice certain benefits including motor vehicle and remote area housing benefits.

Superannuation

Retirement benefits are paid to complying superannuation funds nominated by the executives. During the period ended 30 June 2009, the Company contribution rate was 11% of ordinary time earnings.

Directors' Report

Remuneration report (continued)

A Principles used to determine the nature and amount of remuneration (continued)

Short-term incentives

The remuneration committee is responsible for setting appropriate targets and key performance indicators that link to the short-term incentive plan ("STI"). The committee has not established any ongoing short-term incentives apart from:

- A once off construction completion bonus was paid during the year totalling \$503,120 which recognised employee contributions towards the successful development of the Higginsville Gold Project.
The allocation of this short-term incentive was based on a number of objectives including expenditure compliance to budget, on time completion of construction works and personal contribution made.
- At the date of this report the Company has entered into an agreement with the Managing Director which includes a performance based component. Upon meeting certain key performance criteria set by the Chairman and the Board, the Managing Director can earn up to 50% of his base salary as a short-term cash incentive.
- The Board acting in its sole discretion can issue short-term cash incentives to any Avoca employee upon the successful meeting of company performance targets.

The remuneration committee is responsible for assessing whether the KPI's are met. To help make this assessment, the committee receives detailed reports on performance from management and external remuneration consultants.

The short-term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the remuneration committee.

The remuneration committee will develop over the following financial year further policy and plans around short-term incentives that reflect the Group's operational gold production activities at Higginsville and ongoing focus on exploration activities.

Refer also to the Corporate Governance Statement for more detail on the Board's policy in this area.

Long-term incentives

Given the potential tax liabilities associated with the planned changes to the income tax legislation, long-term incentives which have previously been provided to certain employees via the Avoca Resources Limited Directors, Officers, Employees and other permitted persons Option Plan has been suspended. The Company is awaiting the outcome of the planned legislation changes.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors, the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) and specified executives of Avoca Resources Limited and the Avoca Resources Limited Group are set out in the following tables.

The key management personnel of the Group are the directors of Avoca Resources Limited (see pages 38 to 39 above) and those executives that report directly to the Managing Director being:

- A P James - Operations Manager
- G A Dyker - Chief Financial Officer
- M Haugg - Higginsville General Manager (commenced 1st May 2009)
- S Roesler - Higginsville General Manager (resigned 31 December 2008)

Year ended 30 June 2009	Short-term employee benefits				Post-employment benefits	Long-term	Share-based payments	Total \$
	Cash salary and fees \$	Consulting Fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Long service leave \$	Options \$	
Name								
Non-executive directors								
R G Reynolds (Chairman)	120,000	-	-	-	13,200	-	-	133,200
S J Unwin	55,000	-	-	-	6,050	-	-	61,050
D F Quinlivan	55,000	-	-	-	6,050	-	-	61,050
J A Castro	55,000	-	-	-	-	-	-	55,000
Sub-total non-executive directors	285,000	-	-	-	25,300	-	-	310,300
Managing Director								
R I Williams ^	525,001	-	-	-	68,750	13,944	139,453	747,148
Other senior executives								
A P James ^	300,000	-	-	-	33,000	7,700	27,921	368,621
G A Dyker ^	280,000	-	-	-	35,933	7,145	111,609	434,688
M Haugg #2 *	45,833	-	-	-	5,042	1,064	5,692	57,631
S Roesler #3 *	134,976	-	-	-	12,925	-	-	147,901
Total key management personnel compensation (Group)	1,570,811	-	-	-	180,950	29,853	284,675	2,066,289

#2 Mr M Haugg commenced employment with Avoca Resources Limited on 1st May 2009

#3 Mr S Roesler terminated employment with Avoca Resources Limited on 31 December 2008

^ Executives of consolidated and Parent company

* Executive of the Company

Directors' Report

Remuneration report (continued)

B Details of remuneration (continued)

Year ended 30 June 2008	Short-term employee benefits				Post-employment benefits	Long-term	Share-based payments	Total \$
	Cash salary and fees \$	Consulting Fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Long service leave \$	Options \$	
Name								
Non-executive directors								
R G Reynolds (Chairman) #1	60,000	19,000	-	-	6,000	-	1,394	86,394
S J Unwin	35,000	-	-	-	3,383	-	836	39,219
D F Quinlivan	35,000	-	-	-	3,383	-	836	39,219
J A Castro	35,000	-	-	-	-	-	-	35,000
Sub-total non-executive directors	165,000	19,000	-	-	12,766	-	3,066	199,832
Managing Director								
R I Williams ^	386,005	-	150,000	-	52,662	10,000	530,493	1,129,160
Other senior executives								
A P James ^	284,997	-	40,000	-	27,650	7,500	73,797	433,944
G A Dyker ^	241,184	-	40,000	-	23,573	5,553	67,409	377,719
S Roesler #3 *	204,997	-	30,000	-	41,816	8,369	91,249	376,431
Total key management personnel compensation (Group)	1,282,183	19,000	260,000	-	158,467	31,422	766,014	2,517,086

#1 Mr R G Reynolds provided consulting services in addition to the directorship held with the Company

#3 Mr S Roesler terminated employment with Avoca Resources Limited on 31 December 2008

^ Executives of consolidated and Parent company

* Executive of the company

The relative proportions of total remuneration that are linked to performance incentives and those that are fixed are as follows:

Name	Fixed remuneration		At risk - STI ⁽¹⁾		At risk - LTI ⁽²⁾	
	2009	2008	2009	2008	2009	2008
Executive directors of Avoca Resources Limited						
R I Williams	81%	40%	0%	13%	19%	47%
Other key management personnel of the Group						
A P James	92%	74%	0%	9%	8%	17%
G A Dyker	74%	72%	0%	11%	26%	18%
M Haugg	90%	-	-	-	10%	-
S Roesler	100%	68%	0%	8%	0%	24%

(1) At risk - Short-term Incentives includes cash bonus paid during financial year

(2) At risk - Long-term Incentives includes share options amortised during financial year

Directors' Report

C Service agreements

Remuneration and other terms of employment for the Managing Director and the other key management personnel are formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses and participation, when eligible, in the Avoca Resources Limited Directors, Officers, Employees and other permitted persons Option Plan. Other major provisions of the agreements relating to remuneration are set out below.

All contracts with executives may be terminated early by either party with notice as set out in their service agreement, subject to termination payments as detailed below.

R I Williams, Managing Director

- Term of agreement - no fixed term commencing 4 November 2002.
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 of \$582,750 to be reviewed annually by the remuneration committee.
- Termination notice - two months notice.
- Payment of a termination benefit by the employer, other than amongst other things for gross misconduct is equal to the payment limit set by Sub-section 200G of the Corporations Act 2001.

D Share-based compensation

Options

Options over shares in Avoca Resources Limited are granted under the Avoca Resources Limited Directors, Officers, Employees and other permitted persons Option Plan which was approved by a special resolution at a general meeting of shareholders of the Company held on the 14 November 2007. The Option Plan is designed to provide long-term incentives for executives to deliver long-term shareholder returns. Under the Plan, participants are granted options which only vest if certain performance standards are met and the employees who have been continuously employed by the Group and are still employed by the Group at the end of the vesting period. The Plan allows the Company to issue free options to an eligible person. The options are exercisable at a fixed price in accordance with the Plan.

Options issued under the Plan have vesting periods of between 12 and 48 months except under certain circumstances whereby options may be capable of exercise prior to the expiry of the vesting period. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant Date	Date vested & exercisable	Expiry Date	Exercise price	Value per option at date of grant *
10-Sep-07	10-Sep-09	30-Jun-12	\$1.65	\$0.44
10-Sep-07	10-Sep-10	30-Jun-12	\$1.79	\$0.42
09-Jul-07	09-Jul-09	30-Jun-12	\$1.64	\$0.43
09-Jul-07	09-Jul-10	30-Jun-12	\$1.76	\$0.40
09-Jul-07	09-Jul-11	30-Jun-12	\$1.84	\$0.38
21-Nov-08	21-Nov-10	31-Oct-13	\$1.41	\$0.63
17-Dec-08	17-Dec-10	30-Nov-13	\$2.23	\$0.76
15-Jun-09	15-Jun-11	30-Jun-14	\$2.23	\$0.80
15-Jun-09	15-Jun-12	30-Jun-14	\$2.42	\$0.77

* Value per option at date of grant is calculated using a Black-Scholes Option Pricing model at grant date.

A P James, Operations Manager

- Term of agreement - no fixed term commencing 6 March 2006.
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 of \$333,000 to be reviewed annually by the remuneration committee.
- Termination notice - two months notice.

G A Dyker, Chief Financial Officer

- Term of agreement - no fixed term commencing 18 July 2007.
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 of \$310,800 to be reviewed annually by the remuneration committee.
- Termination notice - two months notice.

M Haugg, Higginsville General Manager

- Term of agreement - no fixed term commencing 1 May 2009.
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 of \$305,250 to be reviewed annually by the remuneration committee.
- Termination notice - two months notice.

Directors' Report

Remuneration report (continued)

D Share-based compensation (continued)

Options granted under the Plan carry no dividend or voting rights.

The exercise price of options is set at a premium to the volume weighted average price at which the Company's shares are traded on the Australian Securities Exchange during the week up to and including the date of grant and/or acceptance of an employment offer.

The Plan rules contain a restriction on removing the "at risk" aspect of the instruments granted to executives. Plan participants may not enter into any transaction designed to remove the "at risk" aspect of the instrument before it vests.

Details of options over ordinary shares in the company provided as remuneration to each director of Avoca Resources Limited and each of the key management personnel of the parent entity and the Group are set out below. When exercisable, each option is convertible into one ordinary share of Avoca Resources Limited. Further information on the options is set out in note 34 to the financial statements.

Name	Number of options granted during the year		Number of options vested during the year	
	2009	2008	2009	2008
Directors of Avoca Resources Limited				
R G Reynolds	-	-	-	-
S J Unwin	-	-	-	-
D F Quinlivan	-	-	-	-
J A Castro	-	-	-	-
R I Williams ⁽²⁾	200,000	1,000,000	-	2,000,000
Other key management personnel of the Group				
A P James ⁽¹⁾	150,000	-	-	1,500,000
G A Dyker ⁽¹⁾	150,000	450,000	-	-
M Haug ⁽³⁻⁴⁾	400,000	-	-	-
S Roesler	-	-	-	-

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted are disclosed in the table below:

2009	1	2	3	4
Exercise price	\$1.41	\$2.23	\$2.23	\$2.42
Grant date	21-Nov-08	17-Dec-08	15-Jun-09	15-Jun-09
Expiry date	31-Oct-13	30-Nov-13	30-Jun-14	30-Jun-14
Share price at grant date	\$1.31	\$1.60	\$1.86	\$1.86
Expected price volatility	79.9%	70.7%	74.3%	74.3%
Expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	8.3%	5.1%	5.1%	5.1%

2008

Exercise price	\$1.64	\$1.76	\$1.84	\$1.65	\$1.79
Grant date	09-Jul-07	09-Jul-07	09-Jul-07	10-Sep-07	10-Sep-07
Expiry date	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12	30-Jun-12
Share price at grant date	\$1.39	\$1.39	\$1.39	\$1.38	\$1.38
Expected price volatility	50.7%	50.7%	50.7%	50.7%	50.7%
Expected dividend yield	0%	0%	0%	0%	0%
Risk-free interest rate	6.1%	6.1%	6.1%	6.1%	6.1%

All options are granted for no consideration and vest based on the Plan's rules which allow periods of between 12 and 48 months. Vested options are exercisable for a period of 2 years after vesting.

Directors' Report

Remuneration report (continued)

D Share-based compensation (continued)

Shares provided on exercise of remuneration options

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to each director of Avoca Resources Limited and other key management personnel of the Group are set out below.

For the year ended 30 June 2009 no options granted as remuneration were exercised by any directors or key management personnel.

2008	Date of grant	Date of exercise	No. of ordinary shares issued	Amount paid per share *
Directors of Avoca Resources Limited				
R G Reynolds	-	-	-	-
S J Unwin	25-Jul-05	12-Oct-07	300,000	\$0.45
D F Quinlivan	-	-	-	-
J A Castro	-	-	-	-
R I Williams	15-Jul-04	29-Aug-07	2,250,000	\$0.25
R I Williams	25-Jul-05	28-Sep-07	1,000,000	\$0.45
Other key management personnel of the Group				
A P James	27-Jul-06	02-Nov-07	500,000	\$0.90
G A Dyker	-	-	-	-
S Roesler	-	-	-	-

* No amounts were unpaid on the shares issued on exercise of options.

E Additional information

Company performance

The table below shows the performance of the Company as measured by the increase in its share price and growth in market capitalisation over the last five years:

Year	30-Jun-09	30-Jun-08	30-Jun-07	30-Jun-06	30-Jun-05
A\$ Per share	\$1.75	\$2.24	\$1.34	\$0.70	\$0.32
A\$'000 - Market capitalisation	453,271	497,123	281,372	104,188	37,453
A\$'000 - Profit/(loss)	(16,270)	(1,323)	(4,451)	(1,596)	(2,130)

Details of remuneration: cash bonuses and options

For each cash bonus and grant of options included in the tables on pages 41 to 42, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonuses is payable in future years. No options will vest if the conditions are not satisfied, hence the minimum value of the options yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

Directors' Report

Remuneration report (continued)

E Additional information (continued)

Details of remuneration: cash bonuses and options (continued)

Name	Cash bonus ⁽¹⁾		Options					
	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$
Directors of Avoca Resources Limited								
R G Reynolds	-	-	2005	100%	-	-	-	-
S J Unwin	-	-	-	-	-	-	-	-
D F Quinlivan	-	-	2005	100%	-	-	-	-
J A Castro	-	-	-	-	-	-	-	-
R I Williams	-	-	2006	100%	-	-	-	-
			2007	-	-	30/06/2010	-	1,102
			2007	-	-	30/06/2011	-	27,644
			2007	-	-	30/06/2010	-	52,512
			2008	-	-	30/06/2011	-	111,837
Other key management personnel of the Group								
A P James	-	-	2006	100%	-	-	-	-
			2008	-	-	30/06/2011	-	66,442
G A Dyker	-	-	2007	-	-	30/06/2010	-	10,807
			2007	-	-	30/06/2011	-	33,603
			2008	-	-	30/06/2011	-	66,442
M Haugg	-	-	2009	-	-	30/06/2011	-	195,890
	-	-	2009	-	-	30/06/2012	-	113,918
S Roesler	-	-	2006	-	100%	-	-	-

(1) Amount included in the cash bonus remuneration for the year represents the discretionary amount allocated from a short-term incentive pool, which recognised employee contribution towards a number of objectives including expenditure compliance to budget, on time completion of construction works and personal contribution made.

Share-based compensation: Options

Further details relating to options are set out below.

Name	A Remuneration consisting of options %	B Value at grant date \$	C Value at exercise date \$	D Value at lapse date \$
Directors of Avoca Resources Limited				
R G Reynolds	-	-	-	-
S J Unwin	-	-	-	-
D F Quinlivan	-	-	-	-
J A Castro	-	-	-	-
R I Williams	18.7%	139,453	-	-
Other key management personnel of the Group				
A P James	7.6%	27,921	-	-
G A Dyker	25.7%	111,609	-	-
M Haugg	9.9%	5,692	-	-

A The percentage of the value of remuneration consisting of options is based on the value of options expensed during the current year.

B The value at grant date calculated in accordance with AASB 2 *Share-based Payment of options* granted during the year as part of remuneration.

C The value of options exercised during the year is calculated at the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the options.

D The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

Directors' Report

Loans to directors and executives

There were no loans to directors and executives during the financial year.

Shares under option

Unlisted Options

During the financial year the Company granted 3,260,000 unlisted options over unissued shares and issued 855,000 ordinary fully paid shares on the exercise of options.

As at the date of this report 11,300,000 unissued ordinary shares of the Company are under option as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
Various	31-Jul-10	\$0.45	1,700,000
22-May-06	01-Mar-10	\$0.75	500,000
24-Jul-06	30-Jun-11	\$0.90	1,650,000
15-Nov-06	30-Nov-11	\$1.60	2,000,000
18-Dec-06	31-Dec-11	\$1.65	300,000
09-Jul-07	30-Jun-12	\$1.64	300,000
09-Jul-07	30-Jun-12	\$1.76	300,000
09-Jul-07	30-Jun-12	\$1.84	400,000
09-Jul-07	30-Jun-12	\$1.66	150,000
09-Jul-07	30-Jun-12	\$1.80	100,000
10-Sep-07	30-Jun-12	\$1.65	250,000
10-Sep-07	30-Jun-12	\$1.79	200,000
21-Dec-07	31-Dec-12	\$2.71	150,000
21-Dec-07	31-Dec-12	\$2.95	100,000
15-Oct-08	30-Sep-13	\$1.96	150,000
15-Oct-08	30-Sep-13	\$2.01	150,000
15-Oct-08	30-Sep-13	\$2.18	100,000
21-Nov-08	31-Oct-13	\$1.41	1,700,000
17-Dec-08	30-Nov-13	\$2.23	200,000
21-Nov-08	31-Oct-13	\$1.75	250,000
15-Jun-09	30-Jun-14	\$2.23	250,000
15-Jun-09	30-Jun-14	\$2.42	150,000
15-Jun-09	30-Jun-14	\$1.90	150,000
15-Jun-09	30-Jun-14	\$2.06	100,000
			11,300,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Shares issued on the exercise of options

The following ordinary shares of Avoca Resources Limited were issued during the year ended 30 June 2009 on the exercise of options granted. Subsequent to the financial year 750,000 shares were issued on the exercise of options.

Date options granted	Issue price of shares	No of shares issued
17-Aug-04	\$0.25	200,000
25-Jul-05	\$0.45	300,000
24-Jul-06	\$0.90	355,000
		855,000

Directors' Report

Insurance of officers

During the financial year the Company paid an insurance premium of \$83,390 (2008: \$53,884) to insure certain officers of the Company. The officers of the Company covered by the insurance policy include the directors named in this report.

The Directors and Officers Liability insurance provides cover against legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers, the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

The Company has not provided any insurance for an auditor of the Company.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and the Group are important.

Details of the amounts paid or payable to the auditor PricewaterhouseCoopers for audit services provided during the year are set out below.

The Board of directors have considered the position, and in accordance with advice received from the audit committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

Consolidated	2009 \$	2008 \$
Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports	95,000	58,500
Non-PricewaterhouseCoopers audit firm:		
Audit and review of financial reports (Butler Settineri)	-	25,118
Total remuneration for audit services	95,000	83,618

Directors' Report

Auditor's Independence declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 50.

Auditor

PricewaterhouseCoopers was appointed on 14 November 2007 and continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.

A handwritten signature in black ink, appearing to read 'R I Williams', with a long horizontal flourish extending to the right.

R I Williams
Director

31 August 2009
Perth

PricewaterhouseCoopers
ABN 52 780 433 757

QV1
250 St Georges Terrace
PERTH WA 6000
GPO Box D198
PERTH WA 6840
DX 77 Perth
Australia
www.pwc.com/au
Tel +61 8 9238 3000
Fax +61 8 9238 3999

Auditor's Independence Declaration

As lead auditor for the audit of Avoca Resources Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Avoca Resources Limited and the entities it controlled during the period.



Nick Henry
Partner
PricewaterhouseCoopers

Perth
31 August 2009