Avoca Resources Limited

ABN 30 097 083 282

ANNUAL REPORT 2005

SUMMARY OF TENEMENTS & FINANCIAL REPORT

CONTENTS

Summary of Tenements

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
WESTERN AUSTRALIA							
Blister Dam Project							
E24/120	Avoca	G	100%[1]	P16/2166	Avoca	A	100%[1]
P16/2149	Avoca	G	100%[1]	P24/3773	Avoca	G	100%[1]
P16/2150	Avoca	G	100%[1]	P24/3774	Avoca	G	100%[1]
P16/2151	Avoca	G	100%[1]	P24/3776	Avoca	G	100%[1]

1 Heron retains all Nickel rights.

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
Cowarna JV							
E25/248	Avoca	G	100%[2]	E28/1225	Avoca	G	100%[2,3]
E25/278	Avoca	A	100%[2]	E28/1324	Avoca	G	100%[2]
E25/285	Avoca	A	100%[2]	E28/1559	Avoca	A	100%[2]
E25/297	Avoca	G	100%[2]	P25/1580	Heron	A	100%[2]

2 Integra Mining Ltd right to earn 80% by spending $0.5m.
3 Heron retains all Nickel rights.

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
Edjudina Laverton JV							
E31/465	Avoca	G	100%[4]	E31/524	Avoca	G	100%[4]
E31/479	Avoca	G	100%[4]	E31/618	Avoca	A	100%[4]

4 Vulcan Resources Ltd/ St Barbara Mines Ltd right to earn 80% by spending $1.0m.
Heron retains all Nickel rights.

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
Higginsville Project							
E15/160	Avoca Mining	G	100%	M15/629	Avoca Mining	G	100%
M15/976	Avoca Mining	A	100%	M15/639	Avoca Mining	G	100%
M15/977	Avoca Mining	A	100%	M15/640	Avoca Mining	G	100%
E15/846	Avoca	G	100%	M15/642	Avoca Mining	G	100%
E15/861	Heron	A	100%	M15/665	Avoca Mining	G	100%
M15/31	Avoca Mining	G	100%	M15/680	Avoca Mining	G	100%
M15/225	Avoca Mining	G	100%	M15/681	Avoca Mining	G	100%
M15/289	Avoca Mining	G	100%	M15/682	Avoca Mining	G	100%
M15/325	Avoca Mining	G	100%	M15/683	Avoca Mining	G	100%
M15/338	Avoca Mining	G	100%	M15/684	Avoca Mining	G	100%
M15/351	Avoca Mining	G	100%	M15/685	Avoca Mining	G	100%
M15/352	Avoca Mining	G	100%	M15/757	Avoca Mining	G	100%
M15/375	Avoca Mining	G	100%	M15/758	Avoca Mining	G	100%
M15/506	Avoca Mining	G	100%	M15/815	Avoca Mining	G	100%
M15/507	Avoca Mining	G	100%	M15/817	Avoca Mining	G	100%
M15/528	Avoca Mining	G	100%	M15/820	Avoca Mining	G	100%
M15/580	Avoca Mining	G	100%	P15/4692	Heron	A	100%
M15/581	Avoca Mining	G	100%	P15/4693	Heron	A	100%
M15/597	Avoca Mining	G	100%	P15/4694	Heron	A	100%
M15/610	Avoca Mining	G	100%	P15/4695	Heron	A	100%
M15/616	Avoca Mining	G	100%	P15/4720	Avoca	A	100%
M15/620	Avoca Mining	G	100%	P15/4721	Avoca	A	100%
Jimberlana Nickel-PGM Project							
E63/631	Avoca	G	100%	P63/1145	Heron	A	100%
E63/691	Avoca/ St Ives	G	20%	P63/1160	Avoca	G	100%
E63/709	Heron	A	100%	P63/1161	Avoca	G	100%
E63/712	Heron	A	100%	P63/1162	Avoca	G	100%
E63/793	Geotech/Platquest/ Williams	A	100%	P63/1163	Avoca	G	100%
E63/798	Avoca	G	100%	P63/1175	Avoca	G	100%
E63/802	Avoca	G	100%	P63/1176	Avoca	G	100%
E63/803	Avoca	G	100%	P63/1177	Avoca	G	100%
E63/804	Avoca	G	100%	P63/1178	Avoca	G	100%
E63/828	Avoca	G	100%	P63/1179	Avoca	G	100%
E63/864	Avoca	A	100%	P63/1180	Avoca	G	100%
E63/929	Avoca	G	100%	P63/1192	Avoca	G	100%
P63/1137	Heron	G	100%	P63/1216	Avoca	G	100%
P63/1138	Avoca	G	100%	P63/1217	Avoca	G	100%

Jimberlana Nickel-PGM Project (cont.)

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
M63/606	Avoca	A	100%	P63/1218	Avoca	G	100%
P63/1139	Avoca	G	100%	P63/1219	Avoca	G	100%
P63/1140	Avoca	G	100%	P63/1220	Avoca	G	100%
P63/1141	Avoca	G	100%	P63/1221	Avoca	G	100%
P63/1142	Avoca	G	100%	P63/1222	Avoca	G	100%
P63/1143	Heron	A	100%	P63/1223	Avoca	G	100%
P63/1144	Heron	A	100%	P63/1224	Avoca	G	100%

Kalgoorlie East Project

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
E25/290	Avoca	A	100%	M25/310	Avoca	A	100%
E28/1188	Heron	A	100%[5]	M25/315	Avoca	A	100%
M25/267	Avoca	A	100%	M25/316	Avoca	A	100%
M25/309	Avoca	A	100%	M25/335	Avoca	A	100%

5 Heron retains Nickel laterite rights

Kalgoorlie East JV

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
E28/927	Avoca	G	100%[6,7]	E28/1129	Avoca	G	100%[6,8]
E28/1003	Avoca	G	100%[6]	E28/1199	Avoca	G	100%[6,8]
E28/1116	Avoca	G	100%[6]	E28/1300	Avoca	A	100%[6]
M28/314	Avoca	A	100%[6]	E28/1309	Avoca	G	100%[6,8]
M28/315	Avoca	A	100%[6]	E28/1334	Avoca	A	100%[6]
M28/316	Avoca	A	100%[6]	E28/1349	Avoca	G	100%[6]
M28/317	Avoca	A	100%[6]	E28/1421	Avoca	G	100%[6]
M28/318	Avoca	A	100%[6]	E28/1504	Avoca	A	100%[6]
M28/319	Avoca	A	100%[6]	P28/985	Avoca	G	100%[6]
M28/320	Avoca	A	100%[6]	P28/1002	Avoca	G	100%[6]
M28/321	Avoca	A	100%[6]	P28/1003	Avoca	G	100%[6]
E28/1117	Avoca	G	100%[6,8]	P28/1011	Avoca	G	100%[6]
E28/1118	Avoca	G	100%[6,8]	P28/1012	Avoca	G	100%[6]

6 Teck Cominco signed Letter of Intent to earn 70% by spending $1.5m.
7 Heron retains all Nickel rights.
8 Heron retains Nickel laterite rights

Kanowna South Project

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
E27/292	Avoca	A	100%	P25/1741	Avoca	G	100%
E27/301	Avoca	G	100%	P25/1742	Avoca	G	100%
E27/304	Avoca	A	100%	P25/1743	Avoca	G	100%
P25/1739	Avoca	G	100%	P25/1744	Avoca	G	100%
P25/1740	Avoca	G	100%	P25/1745	Avoca	G	100%

Kookynie Project

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
E40/205	Avoca	A	100%				

Laverton JV

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
E38/832	Avoca/Metex	G	30%[9]	M38/959	Avoca/Metex	A	30%[9]
M38/958	Avoca/Metex	A	30%[9]				

9 Metex Resources Ltd has earned 70% by spending $0.5m

Mt Fisher

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
E53/1059	Avoca	G	100%	E53/1106	Avoca	G	100%
E53/1061	Avoca	G	100%	E53/1166	Avoca	A	100%
E53/1074	Avoca	G	100%	M53/09	Leece	G	100%[10]
E53/1075	Avoca	G	100%				

10 Avoca Resources Ltd has Option Agreement to purchase 100% interest

Mt Goose JV

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
E39/946	Avoca	A	100%[11]				

11 Regal Resources Ltd right to earn 80% by spending $0.5m.

Summary of Tenements

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held

Mt Morgans JV

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
M39/753	Avoca/Metex	A	30%[12]	M39/755	Avoca/Metex	A	30%[12]
M39/754	Avoca/Metex	A	30%[12]				

12 Metex Resources Ltd has earned 70% by spending $0.5m.

Mungari Gold Project

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
E15/726	Avoca	G	100%[13]	P15/4417	Avoca	G	100%[13]
M15/1737	Avoca	A	100%[13]	P15/4418	Avoca	G	100%[13]
M15/1738	Avoca	A	100%[13]	P15/4419	Avoca	G	100%[13]
E15/738	Avoca	G	100%[13]	M15/1739	Avoca	A	100%[13]
M15/1350	Heron	A	100%[13]	P15/4420	Avoca	G	100%[13]
P15/4215	Avoca	G	100%[13]	P15/4421	Avoca	G	100%[13]
P15/4216	Avoca	G	100%[13]	P15/4422	Avoca	G	100%[13]
P15/4217	Avoca	G	100%[13]	P15/4425	Avoca	G	100%[13]
M15/1453	Avoca	A	100%[13]	P15/4472	Avoca	G	100%[13]
P15/4416	Avoca	G	100%[13]	P15/4540	Avoca	A	100%[13]

13 Mines and Resources Australia Pty Ltd right to earn 51% by spending $1.0m.

Powder Sill Project

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
E15/411	Hazurn	A	100%	M16/414	Heron	A	100%
M16/377	Heron	A	100%	M16/446	Avoca	A	100%
M16/378	Heron	A	100%	M16/454	Avoca	A	100%
M16/379	Heron	A	100%				

Regional Project

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
E28/1240	Avoca	A	100%	E31/604	Avoca	A	100%
E28/1242	Avoca	G	100%	E39/971	Avoca	G	100%
E28/1332	Avoca	A	100%	E53/1066	Avoca	G	100%
E28/1392	Avoca	G	100%				

Shell Lakes Project

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
E69/1795	Avoca	A	100%	E69/1876	Avoca	A	100%
E69/1796	Avoca	A	100%				

Southern Laverton Tectonic Zone JV

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
E31/244	Avoca	G	20%[14]	E39/662	Avoca	G	20%[14]
M31/429	Avoca	A	20%[14]	E39/663	Avoca	G	20%[14]
E31/313	Avoca	G	20%[14]	E39/721	Avoca	G	20%[14]
M31/336	Avoca	A	20%[14]	M39/872	Avoca	A	20%[14]
E31/315	Avoca	G	20%[14]	M39/873	Avoca	A	20%[14]
M31/373	Avoca	A	20%[14]	M39/874	Avoca	A	20%[14]
E31/317	Avoca	G	20%[14]	E39/729	Avoca	G	20%[14]
M31/324	Avoca	A	20%[14]	M39/864	Avoca	A	20%[14]
M31/325	Avoca	A	20%[14]	M39/865	Avoca	A	20%[14]
M31/326	Avoca	A	20%[14]	M39/906	Avoca	A	20%[14]
M31/349	Avoca	A	20%[14]	M39/961	Avoca	A	20%[14]
M31/384	Avoca	A	20%[14]	E39/734	Avoca	G	20%[14]
E31/352	Avoca	G	20%[14]	M28/299	Avoca	A	20%[14]
E31/353	Avoca	G	20%[14]	M31/280	Heron	A	20%[14]
M31/430	Avoca	A	20%[14]	M31/313	Heron	A	20%[14]
M31/431	Avoca	A	20%[14]	P31/1546	Avoca	G	20%[14]
M31/368	Avoca	A	20%[14]	P31/1547	Avoca	G	20%[14]
M31/369	Avoca	A	20%[14]	M31/356	Avoca	A	20%[14]
M31/370	Avoca	A	20%[14]	P31/1569	Heron	A	20%[14]
M31/371	Avoca	A	20%[14]	P31/1570	Avoca	G	20%[14]
M31/372	Avoca	A	20%[14]	P31/1571	Avoca	G	20%[14]
E31/489	Avoca	G	20%[14]	P31/1572	Avoca	G	20%[14]
M31/360	Avoca	A	20%[14]	P31/1573	Avoca	G	20%[14]
M31/403	Avoca	A	20%[14]	P31/1574	Heron	A	20%[14]
E31/695	Avoca	A	20%[14]	P31/1575	Heron	A	20%[14]
E39/661	Avoca	G	20%[14]	P39/3691	Avoca	G	20%[14]

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held

Southern Laverton Tectonic Zone JV (cont.)

M39/960	Avoca	A	20%[14]	M39/812	Avoca	A	20%[14]

14 Great Gold Mines NL has earned 80% by spending $1.2m.

Victory Project

M37/931	Heron	A	100%	M37/1149	Avoca	A	100%
M37/1088	Avoca	A	100%	M37/1194	Avoca	A	100%

Wiluna South Gold Project

E53/1010	Avoca	G	100%	P53/1113	Avoca	G	100%
E53/1012	Avoca	G	100%				

Zuleika South Project

E15/570	Avoca	G	100%	E63/967	Avoca	B	100%
E63/856	Avoca	G	100%	P15/4475	Avoca	A	100%
E63/937	Avoca	G	100%				

Zuleika South JV

E15/786	Avoca	A	100%[15]	P15/4578	Avoca	G	100%[15]
E15/787	Avoca	A	100%[15]	P15/4579	Avoca	G	100%[15]
E15/793	Avoca	G	100%[15]	P15/4580	Avoca	G	100%[15]
E15/808	Avoca	A	100%[15]	P15/4581	Avoca	G	100%[15]
E15/810	Avoca	G	100%[15]	P15/4584	Avoca	G	100%[15]
E15/866	Avoca	A	100%[15]	P15/4585	Avoca	G	100%[15]
P15/4574	Avoca	G	100%[15]	P15/4586	Avoca	G	100%[15]
P15/4575	Avoca	G	100%[15]	P15/4587	Avoca	G	100%[15]
P15/4576	Avoca	G	100%[15]	P15/4588	Avoca	G	100%[15]
P15/4577	Avoca	G	100%[15]	P15/4751	Avoca	A	100%[15]

15 Barrick Gold of Australia Ltd right to earn 51% by spending $3.0m.

SOUTH AUSTRALIA

Cowell Project

EL3016	Avoca	G	100%[16]	ELa150/02	Avoca	A	100%[16]
EL3110	Avoca	G	100%[16]	ELa48/05	Avoca	A	100%
EL3148	Avoca	G	100%[16]				

16 Teck Cominco has Option to earn 80% by spending $1.5m.

Moonta Project

EL2749	Avoca	G	100%[17]	EL2955	Avoca	G	100%
EL2921	Avoca	G	100%[17]	EL3116	Avoca	G	100%[17]
EL2922	Avoca	G	100%	ELa155/02	Avoca	A	100%
EL2925	Avoca	G	100%[17]	ELa453/05	Avoca	A	100%[17]

17 Teck Cominco has Option to earn 80% by spending $1.5m.

Torrens Project

EL2924	Avoca	G	100%				

A/ Application

G/ Granted

B/ Exploration Licence in Ballot

Avoca/ Avoca Resources Limited

Avoca Mining/ Avoca Mining Limited

Heron/ Heron Resources Limited {Avoca holds registrable transfer documents}

Hazurn/ Hazurn Pty Ltd {Avoca holds registrable transfer documents}

Geotech/ Geotech International Pty Ltd {Avoca holds registrable transfer documents}

Platquest/ PlatQuest Resources Pty Ltd

St Ives/ St Ives Gold Mining Pty Ltd

Williams/ Mr John Williams {Avoca holds registrable transfer documents}

The Board of Directors of Avoca Resources Limited is responsible for its corporate governance, that is, the system by which the Company is managed.

1. BOARD OF DIRECTORS

1.1 Role of the Board and Management

The Board's role is to govern the Company. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board to carry out its functions, it has developed a Code of Conduct to guide the Directors and key executives in the performance of their roles. The Code of Conduct is detailed in Section 3.1 and is contained on the Company's website.

The Board represents shareholders' interests in developing and then continuing a successful mineral business, which seeks to optimise medium to long-term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Company is managed in such a way to best achieve this desired result. Given the size of the Company's exploration and development activities, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the Company, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Company.

The Board has sole responsibility for the following:

- Appointing and removing the Managing Director and any other executive director and approving their remuneration;
- Appointing and removing the Company Secretary/Chief Financial Officer and approving their remuneration;
- Determining the strategic direction of the Company and measuring performance of management against approved strategies;
- Review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and exploration expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Company's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Company's financial affairs;
- Review and ratify systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Company's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Company's corporate governance practices are being continually reviewed and improved as the Company's business develops.

The Board convenes regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities.

The Board may from time to time, delegate some of its responsibilities listed above to its senior management team.

The Managing Director is responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategy set by the Board. In carrying out his responsibilities the Managing Director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's operational results and financial position.

The role of management is to support the Managing Director and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

1.2 Composition of the Board

To add value to the Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge it responsibilities and duties. The names of the Directors and their qualifications and experience are disclosed in the Directors' Report. Directors are appointed based on the specific governance skills required by the Company and on the independence of their decision-making and judgment.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. The Chairman, Mr Quinlivan and Ms Unwin are Non-Executive Directors. Ms Unwin is not considered to be independent. The Company's Chairman, Mr Reynolds and Mr Quinlivan are considered to be independent.

The Board considers that the current structure complies with the ASX Corporate Governance Council Recommend-ation 2.1.

If the Company's activities increase in size, nature and scope the size of the Board will be reviewed and the optimum number of directors required for the Board to properly perform its responsibilities and functions will be re-assessed.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next Annual General Meeting. Under the Company's Constitution the tenure of Directors (other than Managing Director) is subject to re-appointment by shareholders not later than the third anniversary following his

1.2 Composition of the Board cont.

last appointment. Subject to the requirements of the Corporations Act, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. A managing director may be appointed for any period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

1. Leadership of the Company - overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.
2. Strategy Formulation - working with senior management to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
3. Overseeing Planning Activities - overseeing the development of the Company's strategic plans (including exploration programmes and initiatives) and approving such plans as well as the annual budget.
4. Shareholder Liaison - ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
5. Monitoring, Compliance and Risk Management - overseeing the Company's risk management, compliance, control and accountability systems and monitoring and directing the operational and financial performance of the Company.
6. Company Finances - approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures and financial and other reporting.
7. Human Resources - appointing, and, where appropriate, removing the Managing Director as well as reviewing the performance of the Managing Director and monitoring the performance of senior management in their implementation of the Company's strategy.
8. Ensuring the Health, Safety and Well-Being of Employees - in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
9. Delegation of Authority - delegating appropriate powers to the Managing Director to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a summary of which is contained on the Company's website.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.5 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.6 Trading in the Company Shares

The Company's share trading policy imposes basic trading restrictions on all employees of the Company with 'inside information', and additional trading restrictions on the Directors of the Company. A summary of the Company's Share Trading Policy is available on the Company's website.

'Inside information' is information that:

- is not generally available; and
- if it were generally available, it would, or would be likely to influence investors in deciding whether to buy or sell the Company's securities.

If an employee possesses inside information, the person must not:

- trade in the Company's securities;
- advise others or procure others to trade in the Company's securities; or
- pass on the inside information to others – including colleagues, family or friends – knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities.

1.4.6 Trading in the Company Shares cont.

This prohibition applies regardless of how the employee or Director learns the information (eg. even if the employee or Director overhears it or is told in a social setting).

In addition to the above, Directors must notify the Company Secretary as soon as practicable, but not later than 5 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act and the ASX Listing Rules, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

1.4.7 Attestations by Managing Director and Company Secretary

In accordance with the Board's policy, the Managing Director and the Company Secretary/Chief Financial Officer made the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing this Annual Report.

2. BOARD COMMITTEES

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

The Board has however established a framework for the management of the Company including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

If the Company's activities increase in size, scope and nature, the appointment of separate or special committee's will be reviewed by the Board and implemented if appropriate.

2.1 Audit Committee

The Company does not have an audit committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues and an audit committee cannot be justified based on a cost-benefit analysis.

In the absence of an audit committee, the Board when required sets aside time at Board meetings to deal with the issues and responsibilities usually delegated to the audit committee so as to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

The Board in its entirety reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements.

The Board in its entirety considers the appointment of the external auditor and reviews the appointment of the external auditor, their independence, the audit fee and any questions of resignation or dismissal.

The Board is also responsible for establishing policies on risk oversight and management.

2.2 Remuneration Committee

The Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

The responsibilities of the Board in its entirety include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Managing Director, reviewing the Avoca Resources Limited Directors, Officers and Employees Option Plan, reviewing superannuation arrangements, reviewing the remuneration of Non-Executive Directors and undertaking an annual review of the Managing Director's performance, including, setting with the Managing Director goals for the coming year and reviewing progress in achieving those goals.

The Company is committed to remunerating its senior executives in a manner that is market competitive and consistent with best practice as well as supporting the interests of shareholders.

Consequently, the remuneration of a senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- statutory superannuation; and
- participation in the Avoca Resources Limited Directors, Officers and Employees Option Plan.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses.

Non-Executive Directors are entitled to statutory superannuation.

The annual aggregate amount of remuneration payable to Non-Executive Directors was approved by shareholders on 25 July 2005 and is currently an amount not exceeding $250,000 per annum. Remuneration received by all of the Company's Directors is disclosed in the Directors' Report.

2.3 Nomination Committee

The Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

The responsibilities of the Board in its entirety include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Board also oversees management**2.3** succession plans including the Managing Director and his direct reports and evaluates the Board's performance and makes recommendations for the appointment and removal of Directors.

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience in the mining and exploration industry, appropriate to the Company's market. In addition, Directors should have the relevant blend of personal

2.3 Nomination Committee cont.

experience in:

- accounting and financial management;
- legal skills; and
- Managing Director - level business experience.

3. ETHICAL STANDARDS

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Company.

3.1 Code of Conduct for Directors and Key Executives

The Board has adopted a Code of Conduct for Directors and key executives to promote ethical and responsible decision-making. The code is based on a code of conduct for Directors prepared by the Australian Institute of Company Directors. A summary of the Company's Code of Conduct is also available on the Company's website.

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company:

- will act honestly, in good faith and in the best interests of the whole Company;*
- owe a fiduciary duty to the Company as a whole;
- have a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office;*
- will undertake diligent analysis of all proposals placed before the Board;
- will act with a level of skill expected from directors and key executives of a publicly listed company;
- will use the powers of office for a proper purpose, in the best interests of the Company as a whole;*
- will demonstrate commercial reasonableness in decision making;
- will not make improper use of information acquired as Directors and key executives;*
- will not disclose non-public information except where disclosure is authorised or legally mandated;[Ö]
- will keep confidential, information received in the course of the exercise of their duties and such information remains the property of the Company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the person from whom the information is provided, or is required by law;*
- will not take improper advantage of the position of Director* or use the position for personal gain or to compete with the Company;[Ö]
- will not take advantage of Company property or use such property for personal gain or to compete with the Company;[Ö]
- will protect and ensure the efficient use of the Company's assets for legitimate business purposes;[Ö]
- will not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company;*
- have an obligation to be independent in judgment and actions, and Directors will take all reasonable steps to be satisfied as to the soundness of all decisions of the Board;*
- will make reasonable enquiries to ensure that the Company is operating efficiently, effectively and legally towards achieving its goals;
- will not engage in conduct likely to bring discredit upon the Company;*
- will encourage fair dealing by all employees with the Company's suppliers, competitors and other employees;[Ö]
- will encourage the reporting of unlawful/unethical behaviour and actively promote ethical behaviour and protection for those who report violations in good faith;[Ö]
- will give their specific expertise generously to the Company;
- have an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this Code.*

(*From the AICD Code of Conduct)

([Ö]From the ASX Corporate Governance Council's Principles of Good Corporate Governance)

3.2 Code of Ethics and Conduct

The Company has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behavior and accountability within the Company. A summary of the Company's Code of Ethics and Conduct is also available on the Company's website.

All Directors and employees are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse Company information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must advise that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established the Code of Ethics and Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, government authorities, creditors and the community as whole. This Code includes the following.

Responsibilities to Shareholders and the Financial Community Generally

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful

3.2 Code of Ethics and Conduct cont.

and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

Employment Practices

The Company endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.

Responsibilities to the Community

As part of the community the Company:

- is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs;
- encourages all employees to engage in activities beneficial to their local community; and
- supports community charities.

Responsibility to the Individual

The Company is committed to keeping private information confidential which has been provided by employees and investors and protect it from uses other than those for which it was provided.

Conflicts of Interest

Employees and Directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

How the Company Monitors and Ensures Compliance with its Code

The Board, management and all employees of the Company are committed to implementing this Code of Ethics and Conduct and each individual is accountable for such compliance.

Disciplinary measures may be imposed for violating the Code.

4. DISCLOSURE OF INFORMATION

4.1 Continuous Disclosure to ASX

The continuous disclosure policy requires all executives and Directors to inform the Managing Director or in their absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information. The Company's Continuous Disclosure Policy is available on its website.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information is not material and need not be disclosed if:

(a) A reasonable person would not expect the information to be disclosed or is material but due to a specific valid commercial reason is not to be disclosed; and

(b) The information is confidential; or

(c) One of the following applies:

   i. It would breach a law or regulation to disclose the information;
   ii. The information concerns an incomplete proposal or negotiation;
   iii. The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
   iv. The information is generated for internal management purposes;
   v. The information is a trade secret;
   vi. It would breach a material term of an agreement, to which the Company is a party, to disclose the information;
   vii. It would harm the Company's potential application or possible patent application; or
   viii. The information is scientific data that release of which may benefit the Company's potential competitors.

The Managing Director is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

4.2 Communication with Shareholders

The Company places considerable importance on effective communications with shareholders. The Company's Shareholder Communications Strategy is available on the Company's website.

The Company's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company. The strategy provides for the use of systems that ensure a regular and timely release of information about the Company is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX;
- ASX Quarterly Reports;
- Half Yearly Report and Annual Report; and
- Presentations at the Annual General Meeting/General Meetings.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Company's strategy and goals.

The Company also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

5. RISK MANAGEMENT

5.1 Identification of Risk

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director and Company Secretary having ultimate responsibility to the Board for the risk management and control framework.

Areas of significant business risk to the Company are highlighted in the Business Plan presented to the Board by the Managing Director each year.

Arrangements put in place by the Board to monitor risk management include monthly reporting to the Board in respect of operations and the financial position of the Company.

5.2 Integrity of Financial Reporting

The Company's Managing Director and Company Secretary report in writing to the Board that:

- the financial statements of the Company for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

5.3 Role of Auditor

The Company's practice is to invite the auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

6. PERFORMANCE REVIEW

The Board has adopted a self-evaluation process to measure its own performance during each financial year. This process includes a review in relation to the composition and skills mix of the Directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Company's executives include:

- a review by the Board of the Company's financial performance; and
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company.

ASX CORPORATE GOVERNANCE COUNCIL'S PRINCIPLES OF GOOD CORPORATE GOVERNANCE AND BEST PRACTICE RECOMMENDATIONS

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve, the Company has turned to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. The Company is pleased to advise that its practices are largely consistent with those of the ASX guidelines. As consistency with the ASX guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council ("the Council") in place for the entire reporting period, the Company has identified when such policies or committees were introduced.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company does not consider that the practices are appropriate for the Company due to the size of the Company and its current operations.

To illustrate where the Company has addressed each of the Council's recommendations, the following summary cross-references each recommendation with sections of the Corporate Governance Statement.

INTRODUCTION

Avoca Resources Limited has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's corporate governance practices is set out on the Company's website at www.avocaresources.com.au:

- Corporate Governance Statement including disclosures and explanations;
- Board Charter;
- Summary of Code of Conduct for Directors and Key Executives;
- Summary of Share Trading Policy;
- Summary of Continuous Disclosure Policy;
- Summary of Shareholder Communications Strategy; and
- Summary of Company Code of Ethics and Conduct.

Explanations for Departures from Best Practice Recommendations

During the financial year the Company has complied with the majority of the Ten Essential Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the ASX Corporate Governance Council ("ASX Principles and Recommendations"), and as detailed over:

1. ROLE OF THE BOARD AND MANAGEMENT

Council Principle 1

Lay solid foundations for management and oversight.

Council Recommendation 1.1

Formalise and disclose the functions reserved to the Board and those delegated to management.

The Company complies with this recommendation. Refer Section 1.1 of the Corporate Governance Statement.

2. COMPOSITION OF THE BOARD

Council Principle 2

Structure the Board to add value.

Council Recommendation 2.1

A majority of the Board should be independent directors.

The Board considers that a majority of its Board is independent and it does comply with Recommendation 2.1. Refer Section 1.2 of the Corporate Governance Statement.

While the Board strongly endorses the position that boards need to exercise independence of judgment, it also recognises (as does ASX Corporate Governance Council Principle 2) that the need for independence is to be balanced with the need for skills, commitment and a workable Board size. The Board believes it has recruited members with the skills, experience and character to discharge its duties and that any greater emphasis on independence would be at the expense of the Board's effectiveness.

Currently the Non-Executive Directors who are considered to be independent within the ASX Corporate Governance Council's guidelines are Mr Reynolds and Mr Quinlivan.

For the financial year ended 30 June 2005 Ms Unwin was a principal at Pullinger Readhead Lucas, the major legal providers for the Company. Ms Unwin has been directly involved in the provision of the legal services by Pullinger Readhead Lucas, and did not meet the Company's criteria for independence. Subsequent to the end of the financial year, Ms Unwin has resigned from Pullinger Readhead Lucas.

At present the Company believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board Meeting before commencement of discussion on the topic.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of appointing additional independent Non-Executive Directors.

Council Recommendation 2.2

The chairperson should be an independent director.

The Company complies with this recommendation. Refer Section 1.2 of the Corporate Governance Statement.

Council Recommendation 2.3

The roles of chairperson and chief executive officer (Managing Director) should not be exercised by the same individual.

The Company complies with this recommendation. Refer Section 1.2 of the Corporate Governance Statement.

Council Recommendation 2.4

The Board should establish a nomination committee.

The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.

The Board acknowledges this does not comply with Recommendation 2.4 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of a nomination committee will be reviewed by the Board and implemented if appropriate.

Refer Section 2 of the Corporate Governance Statement.

3. ETHICAL AND RESPONSIBLE DECISION-MAKING

Council Principle 3

Actively promote ethical and responsible decision-making.

Council Recommendation 3.1

Establish a code of conduct to guide the Directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

3.1.1 the practices necessary to maintain confidence in the Company's integrity;

3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company complies with this recommendation and has a Code of Conduct to guide the Directors and key executives. Refer Sections 1.1, 3.1 and 3.2 of the Corporate Governance Statement.

Council Recommendation 3.2

Disclose the policy concerning trading in Company securities by Directors, officers and employees.

The Company complies with this recommendation. Refer Section 1.4.6 of the Corporate Governance Statement.

4. INTEGRITY OF FINANCIAL REPORTING

Council Principle 4

Safeguard integrity in financial reporting.

Council Recommendation 4.1

Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

The Company complies with this requirement. Refer Section 5.2 of the Corporate Governance Statement.

Council Recommendation 4.2

The Board should establish an audit committee.

The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.

The Board acknowledges this does not comply with Recommendation 4.2. If the Company's activities increase in size, scope and nature, the appointment of an audit committee will be reviewed by the Board and implemented if appropriate. Refer Section 2.1 of the Corporate Governance Statement.

Council Recommendation 4.3

Structure the audit committee so that it consists of:

- *only non-executive directors;*
- *a majority of independent directors;*
- *an independent chairperson, who is not chairperson of the board;*
- *at least three members.*

Refer Council Recommendation 4.2.

Council Recommendation 4.4

The audit committee should have a formal operating charter.

Refer Council Recommendation 4.2.

5. MAKE TIMELY AND BALANCED DISCLOSURE

Council Principle 5

Promote timely and balanced disclosure of all material matters concerning the Company.

Council Recommendation 5.1

Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Company complies with this recommendation. Refer Section 4.1 of the Corporate Governance Statement.

6. RESPECT THE RIGHTS OF SHAREHOLDERS

Council Principle 6

Respect the rights of shareholders and facilitate the effective exercise of those rights.

Council Recommendation 6.1

Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

The Company complies with this recommendation. Refer Section 4.2 of the Corporate Governance Statement.

Council Recommendation 6.2

Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company complies with this recommendation. Refer Section 5.3 of the Corporate Governance Statement.

7. RECOGNISE AND MANAGE RISK

Council Principle 7

Establish a sound system of risk oversight and management and internal control.

Council Recommendation 7.1

The Board or appropriate board committee should establish policies on risk oversight and management.

The Company complies with this recommendation. Refer Section 5.1 of Corporate Governance Statement.

Council Recommendation 7.2

The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state in writing that:

- *7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board;*
- *7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.*

The Company complies with this recommendation. Refer Sections 5.1 and 5.2 of the Corporate Governance Statement.

8. ENCOURAGE ENHANCED PERFORMANCE

Council Principle 8

Fairly review and actively encourage enhanced board and management effectiveness.

Council Recommendation 8.1

Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.

The Company complies with this recommendation. Refer Section 6 of the Corporate Governance Statement.

9. REMUNERATE FAIRLY AND RESPONSIBLY

Council Principle 9

Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.

Council Recommendation 9.1

Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.

The Company complies with this recommendation. Refer Sections 2.2 and 6 of the Corporate Governance Statement.

Council Recommendation 9.2

The Board should establish a remuneration committee.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company.

The Board acknowledges this does not comply with Recommendation 9.2. If the Company's activities increase in size, scope and nature, the appointment of a remuneration committee will be reviewed by the Board and implemented if appropriate.

Refer Section 2.2 of the Corporate Governance Statement.

Council Recommendation 9.3

Clearly distinguish the structure of non-executive directors' remuneration from that of executives.

The Company complies with this recommendation. Refer Section 2.2 of the Corporate Governance Statement.

Council Recommendation 9.4

Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

The Company complies with this recommendation as the Avoca Resources Limited Directors, Officers and Employees Option Plan was approved by shareholders on 21 September 2001.

10. RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

Council Principle 10

Recognise legal and other obligations to all legitimate stakeholders.

Council Recommendation 10.1

Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The Company complies with this recommendation. Refer Section 3.2 of the Corporate Governance Statement.

The Directors present their report on Avoca Resources Limited and the entity it controlled at the end of, or during the year ended 30 June 2005.

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

Non-Executive Chairman Appointed 30 January 2002

Mr Reynolds is a Chartered Accountant with over 35 years experience in commerce and practice. He joined Delta Gold Limited in 1983 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 from a junior explorer to a medium size gold mining company. His role was corporate planning, capital raising, overseeing corporate governance and supervision of administration and financial management.

Rohan I Williams – B.Sc (Hons), MAIMM

Managing Director (Executive) Appointed 25 September 2001

Mr Williams is a Geologist with over 18 years experience and was previously Chief Geologist of WMC Limited's St Ives Gold Operation. He has studied world-class nickel, copper and platinum group metals (Ni-Cu-PGM) ore occurrences in detail. 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.

David F Quinlivan – B.C (Mining) (WASM), FAIMM, CP Min, Asia, SIA

Non-Executive Director Appointed 15 February 2005

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 principal of Borden Mining Services and a Non-Executive Director of Jupiter Energy Limited and Churchill Mining PLC.

Stephanie J Unwin – LLB, B.Econ

Non-Executive Director Appointed 25 September 2001

Ms Unwin practices as a Corporate Lawyer in Western Australia. She was a Principal with the commercial law firm, Pullinger Readhead Lucas, having commenced her career with the Australian Securities and Investments Commission followed by working for a major national law firm. Ms Unwin has had extensive experience in providing corporate advisory services to predominantly resource companies, including takeovers, acquisitions, fundraising, initial public offerings and ASX and ASIC compliance matters.

Ian J Buchhorn – B.Sc(Hons), Dipl. Geosci, MAIMM

Mr Ian J Buchhorn was a Non-Executive Director from the beginning of the financial year until his resignation on 15 February 2005.

COMPANY SECRETARY

Kevin R Hart

Mr Hart is a Chartered Accountant and was appointed to the position of Company Secretary on 18 October 2004. He has over 20 years experience in accounting and the 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.

DIRECTORS' INTERESTS

As at the date of this report the Directors' interests in shares and unlisted options of the Company are as follows:

Director	Directors' Interests in Ordinary Shares	Directors' Interests in Unlisted Options
Robert G Reynolds	1,905,000	800,000
Rohan I Williams	440,000	4,250,000
David F Quinlivan	-	300,000
Stephanie J Unwin	72,500	500,000

Included in the Directors' interests in unlisted options are the following unlisted options, expiring 30 June 2006 and exercisable by payment of 25 cents each, that are vested and able to be exercised.

Director	Directors' Interests in Unlisted Options
Robert G Reynolds	300,000 Options
Rohan I Williams	1,000,000 Options
Stephanie J Unwin	200,000 Options

DIRECTORS' MEETINGS

The number of meetings of the Company's Directors held during the year ended 30 June 2005 and the number of meetings attended by each Director were:

	BOARD OF DIRECTORS' MEETINGS	
Director	Held	Attended
R G Reynolds	7	7
R I Williams	7	7
S J Unwin	7	7
D F Quinlivan (Appointed 15 February 2005)	4	3
I J Buchhorn (Resigned 15 February 2005)	3	2

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year consisted of mineral exploration and development in Western Australia and South Australia.

There were no significant changes in these activities during the financial year.

RESULTS OF OPERATIONS

The consolidated net loss after income tax for the financial year was $2,129,653 (2004: $716,945).

Included in the consolidated loss for the current year is a write-off of deferred exploration expenditure totalling $1,315,385 (2004: $254,343).

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 ACTIVITIES

Exploration

A detailed review of the consolidated entity's activities during the financial year is set out in the section titled "Review of Operations" accompanying these financial statements.

Financial Position

At the end of the financial year the consolidated entity had $2,538,256 (2004 $4,944,994) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure was $11,973,846 (2004: $9,358,658). Mineral exploration and evaluation expenditure during the year for the consolidated entity was $3,930,573 (2004: $1,316,172).

Expenditure was principally focused on the Higginsville Gold Project.

Impact of Legislation and other External Requirements

From 1 July 2005 the consolidated entity is required to comply with Australian equivalents to International Financial Reporting Standards (AIFRS) issued by the Australian Accounting Standards Board. The expected impact of the resulting changes in accounting policies are disclosed in Note 28 of the Financial Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- On 3 December 2004 the Company announced the completion of the acquisition of the Higginsville Gold Project from St Ives Gold Mining Company Pty Ltd a subsidiary of Gold Fields Limited.

  Consideration paid upon settlement was a cash payment of $2.25 million and the issue of 9,849,861 ordinary fully paid shares at a deemed price of 20.3 cents per share.
- On 13 December 2004 the Company announced the placement of 12,800,000 ordinary fully paid shares at a price of 20 cents each rasing $2,560,000.
- On 23 December 2004 the Company announced the issue of 5,080,000 ordinary fully paid shares at a price of 20 cents each raising $1,016,000. The issue was pursuant to the terms of the Company's Share Purchase Plan.
- On 25 April 2005 the Company announced the issue of 967,742 ordinary fully paid shares to Teck Cominco Australia Pty Ltd at a price of 31 cents each to raise $300,000 together with 1,000,000 options to subscribe for ordinary shares at an exercise price of 37 cents each on or before 31 March 2007. The issue was made pursuant to the South Australian Projects Agreement.

OPTIONS OVER UNISSUED CAPITAL

Unlisted Options

During the financial year the Company granted 4,550,000 unlisted options over unissued shares and issued 2,700,000 ordinary fully paid shares on the exercise of options.

Following shareholder approval obtained on 25 July 2005 and subsequent to the end of the financial year the Company granted the following unlisted options over unissued shares to Directors, employees and a consultant of the Company:

Number of Options Granted	Exercise Price	Expiry Date
4,100,000 (i)	45 cents each	31 July 2010

(i) unlisted options have a 24 month vesting period upon grant whereby option exercise can occur after 25 July 2007.

Since the end of the financial year 600,000 unlisted options exercisable at 25 cents each on or before 30 June 2006 have been exercised.

As at the date of this report unissued ordinary shares of the Company under option are:

Number of Options Granted	Exercise Price	Expiry Date
6,700,000	25 cents	30 June 2006
2,450,000 (i)	25 cents	30 June 2009
1,000,000 (ii)	25 cents	30 June 2009
1,000,000	37 cents	31 March 2007
4,100,000 (iii)	45 cents	31 July 2010

(i) Unlisted options had a 24 month vesting period upon grant whereby option exercise can occur after 15 July 2006.
(ii) Unlisted options have a 24 month vesting period upon grant whereby option exercise can occur after 17 August 2006.
(iii) Unlisted options have a 24 month vesting period upon grant whereby option exercise can occur after 25 July 2007.

These unlisted options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

The holders of unlisted options are not entitled to any voting rights until the options are exercised into ordinary shares.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

(i) Shareholders at a meeting held on 25 July 2005 approved the following:

- that the Non-Executive Directors remuneration be payable to an amount not exceeding $250,000 per annum.
- the issue of 4,100,000 options to Directors, employees and a consultant of the Company exercisable by payment of 45 cents each on or before 31 July 2010. The options may be exercised at any time during the period commencing 24 months after the issue date.

(ii) On 20 September 2005 the Company announced the placement of 25,000,000 ordinary fully paid shares at a price of 40 cents each to raise $10 million.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the consolidated entity are included elsewhere in this Annual Report. Disclosure of any further information has not been included in this report because, in the reasonable opinion of the Directors to do so would be likely to prejudice the business activities of the consolidated entity and is dependent upon the results of the future exploration and evaluation.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity holds various exploration licences to regulate its exploration activities in Australia. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration activities.

So far as the Directors are aware, all exploration activities have been undertaken in compliance with all relevant environmental regulations.

REMUNERATION REPORT

Remuneration Policy

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The Board obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration packages include fixed remuneration with bonuses or equity based remuneration entirely at the discretion of the Board based on the performance of the consolidated entity.

Total remuneration for all Non-Executive Directors was last voted upon by shareholders on 25 July 2005, whereby it is not to exceed $250,000 per annum. Non-Executive Directors do not receive bonuses. Directors' fees cover all main Board activities.

At the date of this report the Company has not entered into any agreements with Directors or Senior Executives which include performance based components, nor is there any provision for issuing securities to Directors or Senior Executives.

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

Details of Remuneration for Directors and Executive Officers

During the year there were no Senior Executives which were employed by the Company for whom disclosure is required.

Details of the remuneration of each Director of the consolidated entity are as follows:

2005

Directors	Base Emolument $	Superannuation Contributions $	Other Benefits $	Value of Options $	Total $
R G Reynolds	50,000	4,500	-	-	54,500
R I Williams (iii)	235,000	21,150	-	75,253	331,403
S J Unwin	28,333	2,550	-	-	30,883
D F Quinlivan (ii)	12,916	1,162	-	-	14,078
I J Buchhorn (i)	-	17,192	-	-	17,192
Total	326,249	46,554	-	75,253	448,056

(i) Ian Buchhorn resigned as a Director on 15 February 2005.
(ii) David Quinlivan was appointed to the Board on 15 February 2005.
(iii) Options represent 23% of RI Williams remuneration for the year.

In addition, Pullinger Readhead Lucas an entity associated with Ms S J Unwin provided legal services to the Company further details of which are disclosed in Note 18 (d) to the financial statements.

2004

Directors	Base Emolument $	Superannuation Contributions $	Other Benefits $	Value of Options $	Total $
R G Reynolds	50,000	4,500	-	-	54,500
R I Williams	175,000	15,750	-	-	190,750
I J Buchhorn	-	27,250	-	-	27,250
S J Unwin	25,000	2,250	-	-	27,250
Total	250,000	49,750	-	-	299,750
Executive					
Geoffrey D Collis (Exploration Manager)	105,223	8,233	25,000	-	138,456

Service Agreement

Remuneration and other terms of employment for the Managing Director is set out in a Service Agreement.

The contractual arrangements contain certain provisions typically found in contracts of this nature.

Payment of 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.

Unlisted Options

(i) The value of options set out in the remuneration table above relates to 2,250,000 unlisted options issued pursuant to shareholders approval at a General Meeting held on 17 June 2004 and granted in July. The options are exercisable by payment of 25 cents each on or before 30 June 2009 and have a 2 year vesting period. The options were independently valued using the Black Scholes option valuation methodology to be 6.98 cents each.

The fair value of the options as allocated to each reporting period evenly over the period from grant date to vesting date.

The options were provided at no cost to the recipient and are subject to a continuing employment service condition.

(ii) On 25 July 2005 shareholders approved the issue of the following options to Directors.

RG Reynolds	500,000
DF Quinlivan	300,000
RI Williams	1,000,000
SJ Unwin	300,000

The options have a 2 year vesting period and are exercisable by payment of 45 cents each on or before 31 July 2010.

OFFICERS' INDEMNITIES AND INSURANCE

During the year the Company paid an insurance premium 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 all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of 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.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the annual report.

NON-AUDIT SERVICES

During the year Butler Setttineri, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reason:

- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 *Professional independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act is set out on page 32.

Signed in accordance with a resolution of the Directors.

DATED at Perth this 28 th day of September 2005.

SJ Unwin

Director

Chartered Accountants

BUTLER SETTINERI

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Avoca Resources Limited for the year ended 30 June 2005, 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.

Butler Settineri

BUTLER SETTINERI
Chartered Accountants

COLIN P BUTLER
Partner

Perth
Date: 28 September, 2005

"Partners in Business"

		CONSOLIDATED		THE COMPANY	
	NOTE	2005 $	2004 $	2005 $	2004 $
Other revenue from ordinary activities	2	189,907	124,127	189,907	124,127
Total revenue	2	189,907	124,127	189,907	124,127
Employee expenses		(796,290)	(513,077)	(796,290)	(513,077)
Exploration expenditure written off	3	(1,315,385)	(254,343)	(1,315,385)	(254,343)
Non-Executive Directors' fees		(107,023)	(109,000)	(107,023)	(109,000)
Insurance expenses		(52,548)	(45,353)	(52,548)	(45,353)
Corporate advisory expenses		(177,321)	(42,500)	(177,321)	(42,500)
Rental expense on operating leases	3	(47,278)	(39,495)	(47,278)	(39,495)
Depreciation expenses	3	(32,068)	(22,582)	(32,068)	(22,582)
Corporate expenses		(139,564)	(103,787)	(139,564)	(103,787)
Provision for non-recovery of loan to controlled entity	3	-	-	447,291	(447,291)
Employee costs recharged to exploration		589,957	492,544	589,957	492,544
Other expenses from ordinary activities		(242,040)	(203,479)	(242,040)	(203,479)
Loss from ordinary activities before related income tax expense		(2,129,653)	(716,945)	(1,682,362)	(1,164,236)
Income tax relating to ordinary activities	5	-	-	-	-
Net loss attributable to members of the Company	14	(2,129,653)	(716,945)	(1,682,362)	(1,164,236)
Total revenues, expenses and valuation adjustments attributable to members of the Company and recognised directly in equity.	13(b)	(125,219)	(225,329)	(125,219)	(225,329)
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of the Company.		(2,254,872)	(942,274)	(1,807,581)	(1,389,565)
Basic earnings/(loss) per share (cents per share)	22	(2.1)	(1.1)		
Diluted earnings/(loss) per share (cents per share)	22	(2.1)	(1.1)		

The statements of financial performance are to be read in conjunction with the accompanying notes to the financial statements.

Statements of Financial Position

AS AT 30 JUNE 2005

		CONSOLIDATED		THE COMPANY	
		2005	2004	2005	2004
	NOTE	$	$	$	$
CURRENT ASSETS					
Cash assets	23(a)	**2,538,256**	4,944,994	**2,538,246**	4,944,984
Receivables	6	**79,757**	62,629	**79,757**	62,629
Other financial assets	7	**60,552**	36,827	**60,552**	36,827
TOTAL CURRENT ASSETS		**2,678,565**	5,044,450	**2,678,555**	5,044,440
NON-CURRENT ASSETS					
Receivables	6	**-**	-	**8,250,948**	-
Investments	8	**-**	-	**10**	10
Property, plant and equipment and motor vehicles	9	**88,075**	37,085	**88,075**	37,085
Capitalised mineral exploration and evaluation expenditure	10	**11,973,846**	9,358,658	**3,722,898**	4,267,617
TOTAL NON-CURRENT ASSETS		**12,061,921**	9,395,743	**12,061,931**	4,304,712
TOTAL ASSETS		**14,740,486**	14,440,193	**14,740,486**	9,349,152
CURRENT LIABILITIES					
Payables	11	**906,811**	4,912,329	**906,811**	268,579
Provisions	12	**46,634**	36,951	**46,634**	36,951
TOTAL CURRENT LIABILITIES		**953,445**	4,949,280	**953,445**	305,530
TOTAL LIABILITIES		**953,445**	4,949,280	**953,445**	305,530
NET ASSETS		**13,787,041**	9,490,913	**13,787,041**	9,043,622
EQUITY					
Contributed equity	13(a)	**18,018,987**	11,593,206	**18,018,987**	11,593,206
Accumulated losses	14	**(4,231,946)**	(2,102,293)	**(4,231,946)**	(2,549,584)
TOTAL EQUITY	15	**13,787,041**	9,490,913	**13,787,041**	9,043,622

The statements of financial position are to be read in conjunction with the accompanying notes to the financial statements.

		CONSOLIDATED		THE COMPANY	
		2005	2004	2005	2004
	NOTE	$	$	$	$
Cash flows from operating activities					
Interest received		189,907	124,127	189,907	124,127
Payments to suppliers and employees		(1,024,982)	(526,618)	(1,024,982)	(526,618)
Net cash used in operating activities	23(b)	(835,075)	(402,491)	(835,075)	(402,491)
Cash flows from investing activities					
Payments for exploration and evaluation		(3,617,798)	(1,605,949)	(816,769)	(1,408,660)
Higginsville Gold Project acquisition		(2,250,000)	(250,000)	-	-
Payments for plant and equipment and motor vehicles		(87,280)	(2,864)	(87,280)	(2,864)
Net cash used in investing activities		(5,955,078)	(1,858,813)	(904,049)	(1,411,524)
Cash flows from financing activities					
Proceeds from the issue of shares		4,551,000	4,369,600	4,551,000	4,369,600
Payments for transaction costs relating to the issue of shares		(167,585)	(182,963)	(167,585)	(182,963)
Payments for investing in controlled entity		-	-	-	(10)
Loans advanced to controlled entity		-	-	(5,051,029)	(447,289)
Net cash provided by/(used in) financing activities		4,383,415	4,186,637	(667,614)	3,739,338
Net increase/(decrease) in cash held		(2,406,738)	1,925,333	(2,406,738)	1,925,323
Cash at the beginning of the financial year		4,944,994	3,019,661	4,944,984	3,019,661
Cash at the end of the financial year	23(a)	2,538,256	4,944,994	2,538,246	4,944,984

The statements of cash flows are to be read in conjunction with the accompanying notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial report of the Company, Avoca Resources Limited and its consolidated entity ("consolidated entity") are stated to assist in a general understanding of the financial report. These policies have been consistently applied by the consolidated entity and are consistent with those of the prior year.

(a) Basis of Accounting

This financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the consolidated entity's assets and the discharge of its liabilities in the normal course of business.

The financial report is a general purpose financial report that has been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets.

(b) Principles of Consolidation

Controlled Entities

The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

Transactions Eliminated on Consolidation

Inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

(c) Income Tax

The consolidated entity adopts the income statement liability method of tax effect accounting. Income tax expense is calculated as the operating result adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit from the deductions to be realised and the consolidated entity will continue to comply with the conditions of deductibility imposed by the law.

(d) Non-Current Assets

Depreciable non-current assets, are depreciated over their expected economic life using the straight line method. Profits and losses on disposal of non-current assets are taken into account in determining the operating loss for the year. The depreciation rate used for each class of assets is as follows:

- Plant and equipment, 20 - 33%
- Motor vehicles, 22.5%

The carrying amounts of non-current assets, other than exploration, evaluation and development expenditure carried forward (refer Note 1(f)), are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount the asset is written down to the lower amount. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

(e) Acquisition of Assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to acquisition. Costs relating to the acquisition of new areas of interest are classified as exploration and evaluation expenditure, development properties or mine properties based upon the stage of development reached at the date of acquisition.

When equity investments are issued as consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could place in the market is a better indication of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of the proceeds received, otherwise expensed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont.

(f) Exploration and Evaluation Expenditure

Mineral exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- such costs are expected to be recouped through the successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in, or in relation to, the area of interest are continuing.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the year in which that assessment is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(g) Joint Ventures

Interests in joint ventures have been brought to account by including the appropriate share of the relevant assets, liabilities and costs of the joint ventures in their relevant categories in the financial statements. Details of these interests are shown in Note 17.

(h) Investments

Investments in controlled entities are carried at the lower of cost and recoverable amount. Refer to Note 8.

(i) Receivables and Revenue Recognition

Interest income on short term investments is recognised as it accrues.

The gross proceeds of asset sales are included as revenue of the consolidated entity.

(j) Employee Entitlements

Liabilities for employees' entitlements to wages and salaries, annual leave, and other current employee entitlements are accrued at nominal amounts on the basis of current wage and salary rates including related on-costs.

Liabilities for other employee entitlements, which are not expected to be paid or settled within 12 months of balance date, are accrued at undiscounted amounts, where material, in respect of all employees at the present values of future amounts expected to be paid.

Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable.

The value of the equity-based compensation scheme described in Note 16 is not being recognised as an employee benefits expense.

(k) Cash Flows

Cash on hand and in banks and short term deposits are stated at nominal value.

For the purpose of the statements of cash flows, cash includes cash on hand and deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

(l) Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

GST incurred is claimed from the ATO when a valid tax invoice is provided.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Contributed Equity

Issued capital is recognised as the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont.

(o) Earnings per Share

Basic earnings per share ("EPS") are calculated based upon the net loss divided by the weighted average number of shares. Diluted EPS are calculated as the net loss divided by the weighted average number of shares and dilutive potential shares.

(p) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight- line basis over the term of the lease.

(q) Comparative Amounts

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

	CONSOLIDATED		THE COMPANY	
	2005	2004	**2005**	2004
	$	$	**$**	$
2. REVENUE FROM ORDINARY ACTIVITIES				
Other Revenue				
Interest	**189,907**	124,127	**189,907**	124,127
	189,907	124,127	**189,907**	124,127
3. OPERATING LOSS				
The loss from ordinary activities before income tax expense has been determined after charging the following items:				
Exploration expenditure written off	**1,315,385**	254,343	**1,315,385**	254,343
Depreciation				
Plant and equipment	**25,636**	19,207	**25,636**	19,207
Motor vehicles	**6,432**	3,375	**6,432**	3,375
Rental expense on operating leases	**47,278**	39,495	**47,278**	39,495
Provision for employee entitlements	**9,683**	6,555	**9,683**	6,555
Provision for non-recovery of loan to controlled entity	**-**	-	**(447,291)**	447,291
4. AUDITORS' REMUNERATION				
Audit and review of the consolidated entity's financial statements	**11,100**	9,175	**11,100**	9,175
Taxation services	**2,528**	-	**2,528**	-
	13,628	9,175	**13,628**	9,175
5. INCOME TAX				
The aggregate amount of income tax attributable to the financial year differs from the prima facie tax benefit on the operating loss. The differences are reconciled as follows:				
Loss from ordinary activities	**(2,129,653)**	(716,945)	**(1,682,362)**	(1,164,236)
Prima facie tax benefit at 30% (2004: 30%)	**(638,895)**	(215,083)	**(504,708)**	(349,270)
Tax effect of permanent differences:				
Other non-deductible expenditure	**22,949**	3,344	**(111,238)**	137,531
Future income tax benefits not brought to account	**615,946**	211,739	**615,946**	211,739
Income tax expense attributable to ordinary activities	**-**	-	**-**	-

5. INCOME TAX cont.

Future Income Tax Benefits Not Brought to Account

The future income tax benefits not brought to account at 30% (2004: 30%) relating to income tax losses, the benefits of which will only be realised if the conditions for deductibility as set out in Note 1(c) occur, are as follows:

	CONSOLIDATED		THE COMPANY	
	2005	2004	**2005**	2004
	$	$	**$**	$
Tax losses	**3,115,079**	1,613,310	**2,107,920**	1,554,123

The consolidated entity has not entered into a tax consolidated group, and there has been no impact on the tax position as a consequence of the introduction of the revised tax legislation.

6. RECEIVABLES

	CONSOLIDATED 2005	CONSOLIDATED 2004	THE COMPANY 2005	THE COMPANY 2004
Current				
GST recoverable	**78,776**	58,239	**78,776**	58,239
Other receivables	**981**	4,390	**981**	4,390
	79,757	62,629	**79,757**	62,629
Non-Current				
Loan to controlled entity (i)	-	-	**8,250,948**	447,291
Less: Provision for non-recovery	-	-	-	(447,291)
	-	-	**8,250,948**	-

(i) The loan to the controlled entity is interest free, unsecured and has no set terms of repayment. The loan is in respect of acquisition exploration and evaluation expenditure on the Higginsville Project.

7. OTHER FINANCIAL ASSETS

	CONSOLIDATED 2005	CONSOLIDATED 2004	THE COMPANY 2005	THE COMPANY 2004
Current				
Prepayments	**60,552**	36,827	**60,552**	36,827
	60,552	36,827	**60,552**	36,827

8. INVESTMENTS

	CONSOLIDATED 2005	CONSOLIDATED 2004	THE COMPANY 2005	THE COMPANY 2004
Non-Current				
Investment in a controlled entity – at cost	-	-	**10**	10
	-	-	**10**	10

Particulars in relation to the controlled entity

Avoca Resources Limited is the parent entity.

NAME OF CONTROLLED ENTITY	CLASS OF SHARES	EQUITY HOLDING	
		2005	2004
Avoca Mining Limited (i)	Ordinary	**100%**	100%

(i) Avoca Mining Limited was incorporated in Western Australia.

	CONSOLIDATED		THE COMPANY	
	2005 $	2004 $	2005 $	2004 $
9. PROPERTY, PLANT AND EQUIPMENT AND MOTOR VEHICLES				
Plant and office equipment				
At cost	107,712	68,941	107,712	68,941
Accumulated depreciation	(65,348)	(39,714)	(65,348)	(39,714)
	42,364	29,227	42,364	29,227
Motor vehicles				
At cost	59,286	15,000	59,286	15,000
Accumulated depreciation	(13,575)	(7,142)	(13,575)	(7,142)
	45,711	7,858	45,711	7,858
	88,075	37,085	88,075	37,085
Reconciliation				
Reconciliation of the carrying amounts for each class of plant and equipment and motor vehicles are set out below:				
Plant and office equipment				
Carrying amount at beginning of the year	29,227	42,043	29,227	42,043
Additions	38,773	(6,391)	38,773	6,391
Depreciation	(25,636)	(19,207)	(25,636)	(19,207)
Carrying amount at the end of the year	42,364	29,227	42,364	29,227
Motor vehicles				
Carrying amount at beginning of the year	7,858	11,233	7,858	11,233
Additions	44,285	-	44,285	-
Depreciation	(6,432)	(3,375)	(6,432)	(3,375)
Carrying amount at the end of the year	45,711	7,858	45,711	7,858
10. CAPITALISED MINERAL EXPLORATION AND EVALUATION EXPENDITURE				
Non-Current				
In the exploration and evaluation phase				
Cost brought forward	9,358,658	3,419,899	4,267,617	3,419,899
Add: Expenditure incurred during the year (at cost)	3,930,573	1,316,127	770,666	1,118,836
Add: Acquisition of Higginsville Gold Project	-	4,500,000	-	-
Add: Acquisition costs associated with Higginsville Gold Project	-	393,750	-	-
Add: Other acquisition expenditure	-	38,225	-	38,225
Less: Reimbursement of expenditure	-	(55,000)	-	(55,000)
Exploration expenditure written off	(1,315,385)	(254,343)	(1,315,385)	(254,343)
	11,973,846	9,358,658	3,722,898	4,267,617

	CONSOLIDATED		THE COMPANY	
	2005	2004	**2005**	2004
	$	$	**$**	$

11. PAYABLES

Current (Unsecured)

Trade creditors and accruals	**906,811**	629,899	**906,811**	236,149
Amounts owed to St Ives Gold Mining Company Pty Ltd	**-**	4,250,000	**-**	-
Amounts owed to Directors and/or Director-related entities (i)	**-**	32,430	**-**	32,430
	906,811	4,912,329	**906,811**	268,579

(i) Further information relating to amounts owed to Director-related entities is disclosed in Note 18(e).

12. PROVISIONS

Current

Employee entitlements	**46,634**	36,951	**46,634**	36,951
Number of employees at year end	**6**	5	**6**	5

13. CONTRIBUTED EQUITY

(a) Ordinary Shares

117,039,348 (2004: 85,641,745) ordinary shares			**18,018,987**	11,593,206

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(b) Share Movements During the Year

		2005	2004	
	Number of Shares	**$**	Number of Shares	$
Beginning of the financial year	**85,641,745**	**11,593,206**	57,081,745	7,448,935
Share Placement on 13 January 2004 @ 16 cents per share	**-**	**-**	8,560,000	1,369,600
Share Placement on May 2004 @ 15 cents per share	**-**	**-**	14,884,655	2,232,698
Share Placement on 30 June 2004 @ 15 cents per share	**-**	**-**	5,115,345	767,302
Share Placement on 2 December 2004 @ 20.3 cents per share	**9,849,861**	**2,000,000**	-	-
Share Placement on 13 December 2004 @ 20 cents per share	**12,800,000**	**2,560,000**	-	-
Share Purchase Plan at 20 cents per share	**5,080,000**	**1,016,000**	-	-
Option exercise @ 25 cents per share	**2,700,000**	**675,000**	-	-
Share placement on 25 April 2005 @ 31 cents per share	**967,742**	**300,000**	-	-
Less expenses related to new shares issued	**-**	**(125,219)**	-	(225,329)
	117,039,348	**18,018,987**	85,641,745	11,593,206

13. CONTRIBUTED EQUITY cont.

(c) Terms and Conditions of Contributed Equity

Ordinary Shares

The Company is a public company limited by shares. The Company was incorporated in Perth, Western Australia.

The Company's shares are limited whereby the liability of its members is limited to the amount (if any) unpaid on the shares respectively held by them.

Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held.

(d) Unlisted Options

During the financial year the Company granted the following unlisted options over unissued shares:

Number of Options Granted	Exercise Price	Expiry Date
3,550,000	25 cents	30 June 2009
1,000,000	37 cents	31 March 2007

During the financial year 2,700,000 options were exercised by payment of 25 cents each. There were 50,000 options expiring 30 June 2006 cancelled on termination of employment. The number of options outstanding over unissued ordinary shares at 30 June 2005 is 11,750,000 (2004: 9,950,000). The terms of these options are as follows:

Number of Options	Exercise Price	Expiry Date
7,200,000	25 cents	30 June 2006
3,550,000	25 cent	30 June 2009
1,000,000	37 cents	31 March 2007

Subsequent to the end of the financial year 4,100,000 unlisted options over unissued shares were granted following shareholder approval obtained at a General Meeting held on 25 July 2005. (Refer also Note 27).

Avoca Resources Limited Directors, Officers and Employees Option Plan ("the Plan")

Details of additional options that could be issued under the Plan are set out in Note 16.

	CONSOLIDATED		THE COMPANY	
	2005	2004	**2005**	2004
	$	$	**$**	$
14. ACCUMULATED LOSSES				
Accumulated losses at the beginning of the year	**2,102,293**	1,385,348	**2,549,584**	1,385,348
Net loss attributable to members	**2,129,653**	716,945	**1,682,362**	1,164,236
Accumulated losses at the end of the year	**4,231,946**	2,102,293	**4,231,946**	2,549,584
15. TOTAL EQUITY RECONCILIATION				
Total equity at the beginning of the year	**9,490,913**	6,063,587	**9,043,622**	6,063,587
Add: Contributions of equity	**6,551,000**	4,369,600	**6,551,000**	4,369,600
Less: Cost of contributions of equity	**(125,219)**	(225,329)	**(125,219)**	(225,329)
Add: Share of operating loss	**(2,129,653)**	(716,945)	**(1,682,362)**	(1,164,236)
Total equity at the end of the year	**13,787,041**	9,490,913	**13,787,041**	9,043,622

16. OPTION PLAN

The establishment of the Avoca Resources Limited Directors, Officers and Employees Option Plan ("the Plan") was approved by special resolution at a General Meeting of shareholders of the Company held on 25 September 2001. All eligible Directors, executive officers and employees and consultants of Avoca Resources Limited who have been continuously employed by the Company are eligible to participate in the Plan.

Refer Note 13(d) for details regarding options granted during the year and outstanding at the end of the financial year.

The Plan allows the Company to issue free options to eligible persons. The options can be granted free of charge and are exercisable at a fixed price calculated in accordance with the Plan.

Options issued under the Plan have a 24 month vesting period prior to exercise, except under certain circumstances whereby options may be capable of exercise prior to the expiry of the vesting period.

17. INTERESTS IN JOINT VENTURES

Joint venture agreements have been entered into with third parties, whereby the third parties can earn an interest in exploration areas by expending specified amounts in the exploration areas.

There are no assets employed by these joint ventures and the consolidated entity's expenditure in respect of them is brought to account initially as capitalised exploration and evaluation expenditure (Refer Note 10).

18. DIRECTORS' AND EXECUTIVES' DISCLOSURES

(a) Remuneration Policy

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The Board obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration packages include fixed remuneration with bonuses or equity based remuneration entirely at the discretion of the Board based on the performance of the consolidated entity.

Total remuneration for all Non-Executive Directors was last voted upon by shareholders on 25 July 2005, whereby it is not to exceed $250,000 per annum. Non-Executive Directors do not receive bonuses. Directors' fees cover all main Board activities.

At the date of this report the Company has not entered into any agreements with Directors or Senior Executives which include performance based components, nor is there any provision for issuing securities to Directors or Senior Executives.

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

Details of Remuneration for Directors and Executive Officers

During the year there were no Senior Executives which were employed by the Company for whom disclosure is required.

Details of the remuneration of each Director of the consolidated entity are as follows:

2005

Directors	Base Emolument $	Superannuation Contributions $	Other Benefits $	Options $	Total $
R G Reynolds	50,000	4,500	-	-	54,500
R I Williams (iii)	235,000	21,150	-	75,253	331,403
S J Unwin	28,333	2,550	-	-	30,883
D F Quinlivan (ii)	12,916	1,162	-	-	14,078
I J Buchhorn (i)	-	17,192	-	-	17,192
Total	326,249	46,554	-	75,253	448,056

(i) Ian Buchhorn resigned as a Director on 15 February 2005.
(ii) David Quinlivan was appointed to the Board on 15 February 2005.
(iii) Options represent 23% of RI Williams remuneration for the year.

In addition, Pullinger Readhead Lucas an entity associated with Ms S J Unwin provided legal services to the Company further details of which are disclosed in Note 18 (d) to the financial statements.

2004

Directors	Base Emolument $	Superannuation Contributions $	Other Benefits $	Options $	Total $
R G Reynolds	50,000	4,500	-	-	54,500
R I Williams	175,000	15,750	-	-	190,750
I J Buchhorn	-	27,250	-	-	27,250
S J Unwin	25,000	2,250	-	-	27,250
Total	250,000	49,750	-	-	299,750
Executive					
Geoffrey D Collis (Exploration Manager)	105,223	8,233	25,000	-	138,456

Service Agreement

Remuneration and other terms of employment for the Managing Director is set out in a Service Agreement.

The contractual arrangements contain certain provisions typically found in contracts of this nature

Payment of 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.

18. DIRECTORS' AND EXECUTIVES' DISCLOSURES cont.

(b) Equity instruments

All options refer to options over ordinary shares of Avoca Resources Limited, which are exercisable on a one for one basis.

Options over equity instruments granted as remuneration

During the reporting period, the following options over ordinary shares were granted and/or vested to Specified Directors during the current year:

Specified Directors	Number of Options Granted during the Year	Number of Options Vested during the Year
Rohan I Williams	2,250,000	-
Robert G Reynolds	-	-
Stephanie J Unwin	-	-
David F Quinlivan	-	-

Subsequent to the end of the financial year 2,100,000 unlisted options have been granted to specified Directors. The options were granted following shareholder approval obtained on 25 July 2005. The options were granted on 25 July 2005, have an expiry date of 31 July 2010, an exercise price of $0.45 each and a 24 month vesting period. The options were provide at no cost to the recipient.

All options granted expire on the earlier of their expiry date or termination of the individual's employment. The options can be exercised two years from date of grant.

During and since the reporting period no specified director options have been exercised.

(c) Specified Directors' and Executive Share and Option holdings

The aggregate numbers of shares and options of the Company held directly, indirectly or beneficially by specified Directors of the Company or their personally-related entities is as follows:

	ORDINARY SHARES				UNLISTED OPTIONS	
Specified Directors	1 July 2004	Purchases	Sales	30 June 2005	30 June 2005	30 June 2004
Rohan I Williams	415,000	25,000	-	440,000	3,250,000	1,000,000
Robert G Reynolds	1,880,000	25,000	-	1,905,000	300,000	300,000
Stephanie J Unwin	47,500	25,000	-	72,500	200,000	200,000
David F Quinlivan	-	-	-	-	-	-

Share purchases were made pursuant to Avoca's Share Purchase Plan undertaken in December 2004.

(d) Other Transactions with the Company or its controlled entities

Ms SJ Unwin, a Director of the Company has an interest as partner in the legal firm, Pullinger Readhead Lucas. This firm provided legal advice to the consolidated entity. Legal fees amounting to $37,321 (2004: $86,197) were billed based on normal market rates for such services and were due and payable under normal payment terms.

(e) Payables to Directors of the Company and their Director-related entities

	CONSOLIDATED & THE COMPANY	
	2005	2004
	$	$
Aggregate amount payable at balance date:		
Current accounts payable	-	32,430

The amounts payable as at 30 June 2004 comprised amounts owed in relation to legal fees to an entity in which Ms S J Unwin has an interest (totalling $32,430).

19. NON-DIRECTOR RELATED PARTY TRANSACTIONS

The only non-Director related party to the Company is its wholly owned controlled entity, Avoca Mining Limited. Refer Note 8 for further details.

Avoca Resources Limited (the parent entity) has made a loan to Avoca Mining Limited of $8,250,948 (2004: $447,291). Refer Note 6 for further details.

Avoca Resources Limited advanced funds to Avoca Mining Limited in relation to the acquisition of the Higginsville Gold Project from St Ives Gold Mining Company Pty Ltd and the ongoing exploration and evaluation of the project.

There were no other related party transactions during the year.

20. EXPENDITURE COMMITMENTS

(a) Exploration

The consolidated entity has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the consolidated entity's exploration programmes and priorities. As at balance date, total exploration expenditure commitments on tenements held by the consolidated entity have not been provided for in the financial statements and which cover the following twelve month period amount to $3,791,847 (2004: $2,242,034) respectively. These obligations are also subject to variations by farm-out arrangements or sale of the relevant tenements. This commitment does not include the expenditure commitments which are the responsibility of the joint venture partners.

	CONSOLIDATED		THE COMPANY	
	2005	2004	**2005**	2004
	$	$	**$**	$
(b) Operating Lease Commitments				
Total operating lease expenditure contracted for at balance date but not provided for in the consolidated financial statements, payable:				
Not later than one year	**46,140**	2,438	**46,140**	2,438
Later than one year but not later than 2 years	**3,360**	-	**3,360**	-
	49,500	2,438	**49,500**	2,438

(c) Contractual Commitment

Pursuant to the terms of the South Australian Projects Agreement entered into with Teck Cominco Australia Pty Ltd proposed to spend a minimum of $270,000 on the South Australian project tenements on or before 31 March 2006.

21. SEGMENT INFORMATION

The consolidated entity operates predominantly in one segment involved in the mineral exploration and development industry. Geographically the Company is domiciled and operates in one segment being Australia.

	CONSOLIDATED	
	2005	2004
	$	$
22. EARNINGS/(LOSS) PER SHARE		
The following reflects the loss and share data used in the calculations of basic and diluted earnings/(loss) per share:		
Earnings/(loss) used in calculating basic and diluted earnings/(loss) per share	**(2,129,653)**	(716,945)
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share:	**101,037,768**	63,604,071
Effect of dilutive securities		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share	**101,037,768**	63,604,071

23. NOTES TO THE STATEMENT OF CASH FLOWS

	CONSOLIDATED		THE COMPANY	
	2005 $	2004 $	**2005 $**	2004 $
(a) Reconciliation of Cash				
Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:				
Cash on hand	**20**	20	**10**	10
Cash at bank	**150,477**	52,929	**150,477**	52,929
Deposits at call	**2,387,759**	4,892,045	**2,387,759**	4,892,045
	2,538,256	4,944,994	**2,538,246**	4,944,984
(b) Reconciliation of the loss from ordinary activities after income tax to the net cash flows used in operating activities				
Loss from ordinary activities after income tax	**(2,129,653)**	(716,945)	**(1,682,362)**	(1,164,236)
Non-cash items				
Depreciation	**32,068**	22,582	**32,068**	22,582
Exploration written off	**1,315,385**	254,343	**1,315,385**	254,343
Provision for non-recovery of loan to controlled entity		-	**(447,291)**	447,291
Change in operating assets and liabilities				
Increase in prepayments	**(2,844)**	(11,920)	**(2,844)**	(11,920)
(Increase)/decrease in receivables	**(4,038)**	(16,205)	**(4,038)**	(16,205)
Increase/(decrease) in trade creditors	**(55,676)**	59,099	**(55,676)**	59,099
Increase in employee entitlements	**9,683**	6,555	**9,683**	6,555
Net cash outflows used in operating activities	**(835,075)**	(402,491)	**(835,075)**	(402,491)

(c) Non Cash Financing and Investing Activities

Part consideration for the acquisition of the Higginsville Gold Project being $2,000,000 satisfied by the issue of 9,849,861 ordinary fully paid shares at a deemed price of 20.3 cents each.

24. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market, interest rates and the effective weighted average interest rates on those financial assets, is as follows:

2005

	NOTE	Weighted Average Effective Interest %	Funds Available at a Floating Interest Rate $	Assets/(Liabilities) Non Interest Bearing $	Total $
Financial Assets					
Cash assets	23(a)	5.44%	2,538,236	20	2,538,256
Receivables	6		-	79,757	79,757
Total Financial Assets			2,538,236	79,777	2,618,013
Financial Liabilities					
Payables	11		-	(906,811)	(906,811)
Total Financial Liabilities			-	(906,811)	(906,811)
Net Financial Assets/(Liabilities)			2,538,236	(827,034)	1,711,202

24. FINANCIAL INSTRUMENTS cont.

(a) Interest Rate Risk (cont.)

2004

	NOTE	Weighted Average Effective Interest %	Funds Available at a Floating Interest Rate $	Assets/(Liabilities) Non Interest Bearing $	Total $
Financial Assets					
Cash assets	23(a)	4.6%	4,944,974	20	4,944,994
Receivables	6		-	62,629	62,629
Total Financial Assets			4,944,974	62,649	5,007,623
Financial Liabilities					
Payables	11		-	(629,899)	(629,899)
Amounts due to Director-related Entities	11		-	(32,430)	(32,430)
St Ives Gold Mining Company Pty Ltd	11		-	(4,250,000)	(4,250,000)
Total Financial Liabilities			-	(4,912,329)	(4,912,329)
Net Financial Assets/(Liabilities)			4,944,974	(4,849,680)	(95,294)

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date, to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statements of financial position and in the notes to the financial statements.

The consolidated entity' does not have any material credit risk exposure to any single debtor or group of debtors, under financial instruments entered into by it.

(c) Net Fair Values

For assets and other liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The consolidated entity has no financial assets where the carrying amount exceeds net fair values at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statements of financial position and in the notes to the consolidated financial statements.

25. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

Superannuation Commitments

The Company contributes to individual employee accumulation superannuation plans at the statutory rate of the employees wages and salaries, in accordance with statutory requirements, to provide benefits to employees on retirement, death or disability.

Accordingly no actuarial assessment of the plans are required.

Funds are available for the purposes of the plans to satisfy all benefits that would have been vested under the plans in the event of:

- termination of the plans;
- voluntary termination by all employees of their employment; and
- compulsory termination by the employer of the employment of each employee.

During the year employer contributions to superannuation plans totalled $73,672 (2004: $62,188).

26. CONTINGENT LIABILITIES

There were no material contingent liabilities not provided for in the financial statements of the Company or consolidated entity as at 30 June 2005 other than:

Native Title and Aboriginal Heritage

Native title claims have been made with respect to areas which include tenements in which the Company has an interest. The Company is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Company or its projects. Agreement is being or has been reached with various native title claimants in relation to Aboriginal Heritage issues regarding certain areas in which the Company has an interest.

27. SUBSEQUENT EVENTS

(i) On 25 July 2005 shareholders approved:

- The issue of 4,100,000 options to Directors, employees and a consultant.
- The options are exercisable by payment of 45 cents each on or before 31 July 2010 and have a vesting period of 2 years before they can be exercised.
- That the Non-Executive Directors remuneration be payable to an amount not exceeding $250,000 per annum.

(ii) On 20 September 2005 the Company announced the placement of 25,000,000 ordinary fully paid shares at a price of 40 cents each to raise $10 million.

28. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with IFRS. The AASB will issue AASB equivalents to IFRS. The adoption of the Australian IFRS Equivalents will be first reflected in the Company's financial statements for the half-year ending 31 December 2005, and the year ending 30 June 2006.

The financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised in this note.

The consolidated entity has reviewed the transition to Australian equivalent to IFRS. The project is the responsibility of the Company Secretary who reports to the Managing Director and the Board of Directors. The Company Secretary will be managing the transition to IFRS to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005.

The impact of transition to AIFRS, including transitional adjustments disclosed are based on AIFRS standards that management expect to be in place, or where applicable, early adopted, when preparing the first AIFRS financial report (being half-year ending 31 December 2005). Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the Company's and consolidated entity's financial position, results of operations and cash flows in accordance with AIFRS. This note only provides a summary, therefore, further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

There is a significant amount of judgement involved in the preparation of the reconciliations from current Australian GAAP to AIFRS, consequently the final reconciliation presented in the first financial report prepared in accordance with AIFRS may vary materially from the reconciliations provided in this Note.

Revisions to the selection and application of the AIFRS accounting policies may be required as a result of:

- Changes in financial reporting requirements that are relevant to the Company's and consolidated entity's first complete AIFRS financial report arising from new or revised accounting standards or interpretations issued by the Australian Accounting Standards Board subsequent to the preparation of the 30 June 2005 financial report.
- Additional guidance on the application of AIFRS in a particular industry or to a particular transaction.
- Changes to the Company's and consolidated entity's operations.

Where the applicable interpretation of an accounting standard is currently being debated, the accounting policy adopted reflects management's current assessment of the likely outcome to those deliberations.

The rules for first adoption of AIFRS are set out in AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 1 July 2004. The Standard allows a number of exemptions to this general principle to assist in the transition to reporting under AIFRS.

The significant changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations and the elections expected to be made under AASB 1 are set out below.

1. **Exploration and Evaluation –** AASB6 Exploration and Evaluation of Mineral Resources has now been released which grandfathers accounting treatments which have previously been adopted by AASB1022. *No material change is expected from the implementation of this standard.*
2. **Impairment of Assets –** The recoverable amount of non-current assets will be assessed as the higher of net selling price and value in use, on a discounted basis. The consolidated entity currently assesses recoverable amounts of non-current assets based on undiscounted future net cash flows. *The impact of this is not expected to result in a material change.*

28. IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS cont.

3. **Restoration, rehabilitation and environmental expenditure –** Environmental obligations associated with the retirement or disposal of long lived assets will be recognised when the disturbance occurs and is based on the extent of damage incurred. The provision is measured as the present value of the future expenditure and a corresponding rehabilitation asset is also recognised. On an ongoing basis the rehabilitation liability will be re-measured in line with the changes in the time value of money (recognised as an expense in the statement of financial performance and an increase in the provision) and additional disturbances will be recognised as additions to a corresponding asset and rehabilitation liability. The rehabilitation asset will be accounted for in accordance with the accounting policy applicable to the asset to which it relates (ie Exploration and Evaluation).

   The consolidated entity will be required to remeasure the existing environmental rehabilitation provision to the present value of the future expenditure and recognise a related rehabilitation asset. The consolidated entity currently has no such liabilities, however, *it is expected that there will be no material difference to the liability and therefore no material impact is expected to the accounts.*

4. **Income Tax** - Under the Australian equivalent to AASB12 Income Taxes, deferred tax balances are determined using the balance sheet method, which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

   This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity. Under AIFRS deferred tax assets will be recognised for the carry forward or unused tax losses to the extent the future taxable profit is probable rather than virtually certain.

   There is expected to be no material impact from this change.

5. **Equity-based compensation benefits –** Under the Australian equivalent to AASB2 Share-based Payment, equity-based compensation to employees will be recognised as an expense in respect of the services received.

   This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

   The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the options, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, 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.

   No adjustment will be made for options granted before 7 November 2002 which have vested before 1 January 2005. Options granted after 7 November 2002 remaining unvested at 1 January 2005 will be recognised in the opening balance sheet through retained earnings resulting in a nil impact on transition.

   For the financial year 30 June 2005, employee benefits expense and retained earnings are expected to be increased by $114,952 representing the options expense for the period.

Directors' Declaration

In the opinion of the Directors of Avoca Resources Limited ("the Company")

(a) the financial statements and notes as set out on pages 33 to 49 are in accordance with the Corporations Act 2001, including:

   (i) complying with Accounting Standards in Australia and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

(b) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2005.

This declaration is made in accordance with a resolution of the Directors.

Signed at Perth this 28th day of September 2005.

SJ Unwin
Director

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF AVOCA RESOURCES LIMITED

Scope

We have audited the financial report of Avoca Resources Limited ("the Company") for the financial year ended 30 June 2005 as set out in pages 33 to 50. The Directors are responsible for the financial report which includes the financial statements of the Company and the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of, or during, the financial year. We have conducted an independent audit of the financial report in order to express an opinion on it to members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of accounting policies and significant account estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Act 2001 in Australia so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and the performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of the Company is in accordance with:

a) the Corporations Act 2001, including
   i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
   ii) complying with Accounting Standards and the Corporations Regulations 2001; and
b) other mandatory professional reporting requirements.

Butler Settineri

BUTLER SETTINERI
Chartered Accountants

COLIN P BUTLER
Partner

Perth
Date: 28 September, 2005

"Partners in Business"

Chartered Accountants

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ASX Additional Information

Pursuant to the Listing Requirements of the Australian Stock Exchange Limited, the shareholder information set out below was applicable as at 3 October 2005.

A. Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of Shareholders
1 – 1,000	89
1,001 – 5,000	469
5,001 – 10,000	452
10,001 – 100,000	977
More than 100,000	124
Totals	2,111

There were 89 shareholders holding less than a marketable parcel of ordinary shares.

B. Substantial Shareholders

An extract of the Company's Register of Substantial Shareholders (who hold 5% or more of the issued capital) is set out below:

	ISSUED ORDINARY SHARES	
Shareholder Name	Number	Percentage of Shares
Gold Fields Limited and controlled entities	19,049,861	14.18%

C. Restricted Securities

There are 9,849,861 restricted ordinary share issued to St Ives Gold Mining Company Pty Ltd that are held in escrow until 2 December 2005

D. Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are listed below:

	LISTED ORDINARY SHARES	
Shareholder Name	Number	Percentage Quoted
Gold Fields Australasia Pty Ltd	9,200,000	7.39%
Westpac Custodian Nominees Limited	8,776,666	6.92%
HSBC Custody Nominees (Australia) Limited	5,810,000	7.05%
Nefco Nominees Pty Ltd	5,105,000	4.10%
Citicorp Nominees Pty Ltd	4,973,766	3.99%
Ariki Investments Pty Ltd	4,010,000	3.22%
AMP Life Limited	3,114,700	2.50%
Cogent Nominees Pty Ltd	2,903,300	2.33%
J P Morgan Nominees Australia Limited	2,250,000	1.80%
Rogo Investments Pty Ltd	1,905,000	1.53%
RBC Global Services Australia Limited	1,450,000	1.16%
Leon Pretorius	1,300,000	1.04%
National Nominees Limited	1,193,250	0.96%
ANZ Nominees Limited	1,083,106	0.87%
Muffet Pty Ltd	1,027,115	0.82%
Dean Hosking	1,025,000	0.82%
John Hopkins	1,000,000	0.80%
Equity Trustees Limited	985,000	0.79%
Teck Cominco Australia Pty Ltd	967,742	0.78%
Ian Hodgson	850,000	0.68%
TOTAL	**58,929,645**	**47.35%**

E. Voting Rights

In accordance with the Company's Constitution, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

AVOCA

RESOURCES LIMITED