Avoca Resources Limited

Quarterly Report for the three months ending 31 December 2006

December Quarter Highlights

- Trident Underground Feasibility Study completed with key outcomes including:
  - Initial Probable Reserve of **3.4Mt @ 5.3 g/t gold for 581Koz**.
  - Initial Indicated Resource of 3.5Mt @ 5.8 g/t gold for 655Koz. Total resource at Trident stands at **4.4Mt @ 5.7 g/t gold for 797Koz**.
  - **High conversion of Indicated Resource to Reserve at 89%**.
  - Initial reserve mine life of 4 years to 2011.
  - Nominal annual production rate (post mine establishment) of **1Mt of ore for 160 - 190Koz per annum**.
  - Life of Mine cash operating costs of **AUD$369/oz**.
  - **142Koz of Inferred Resources and numerous "unclassified" ore grade intersections at Trident will extend mine life well beyond initial reserve**.
  - Life of Mine capital costs of **AUD$91M** (including $53M for 2007)
  - Metallurgical testwork confirms the deposit has excellent recoveries to 97% using conventional CIP/CIL.
- Pre-development activities continued at Trident during the quarter:
  - An 80m section of the old Poseidon South Decline was stripped out to a 5.2m x 5.5m to provide a "take-off" point for the Trident Decline. An underground diamond drill cuddy was cut and a 14 hole program commenced to test for extensions of high grade mineralisation previously intersected in Avoca surface drilling.
  - Rehabilitation continued on the East Level 1 and the West Level 1 drives with a view to identifying possible remnant mining positions.
  - The exploration / construction camp upgrade is nearing completion following delivery of 20 new rooms.
- Diamond drilling continued at Higginsville during the quarter testing down plunge Western Zone North at Trident, Fairplay, Erin, Jupiter, Mars and Mercury. **HIGD112 targeted the northern continuation of the Western Zone North mineralisation intersecting 11m @ 2.1 g/t gold from 598m (visible gold present), 200m north of the nearest intersection (14m @ 4.7 g/t gold)**. In addition, seven intersections were recorded in HIGD112 confirming **the highly prospective nature immediately north of Trident**.
- A first pass reconnaissance RAB program at North André within the Higginsville Project defined **a 1km zone of strongly anomalous** (0.2 – 0.7 g/t gold) intersections at depths to 36m.
- High grade mineralisation was intersected from an RC program testing bedrock mineralisation associated with the Silver Spear regolith anomaly at Zuleika South, located 45km south-east of Higginsville. Better results include **10m @ 3.34 g/t gold** from 67m, **16m @ 2.08 g/t gold** from 73m and 10m @ 1.82 g/t gold from 118m.
- Two senior Higginsville site appointments were made during the quarter: Mr Sam Roesler as General Manager – Higginsville; and Mr Scott Franklin as Manager – Occupational Health and Safety; Environment and Security.

1. WA Projects (100% AVO)

1.1 Higginsville Gold Project

The 178km^2 Higginsville Gold Project is located mid-way between the regional mining centres of Kambalda and Norseman in Western Australia's Eastern Goldfields. In late 2004, the Company made a significant gold discovery at Trident, located 180m north of underground workings associated with the previously mined out 300,000 ounce Poseidon South open pit. A pre-feasibility study completed on an initial resource of 485,000 ounces in late 2005 was followed by the commencement of a detailed feasibility study for the Trident underground gold mine. During the course of the detailed feasibility study, the high grade Athena Lodes were discovered resulting in the Higginsville resource base increasing to 1.1 million ounces of gold. It is the first time in the history of Higginsville that a current resource base has exceeded the one million ounce figure. The detailed feasibility study for the Trident underground mine was concluded during the December quarter and the decision to proceed with development was made by the Board of Directors.

The Trident underground gold deposit is well located in relation to existing regional infrastructure, being only 2km to the east of the Coolgardie - Norseman Highway, Telstra optic fibre cables, Goldfields - Norseman water pipeline and the Kambalda - Esperance gas pipeline which lies parallel to the highway. The nearby residential centres of Kambalda and Norseman offer a number of mining services as well as a regional airport.

1.1.1 Trident Underground Feasibility Study

Updated Trident Resource

Results of infill diamond drilling programs aimed at converting Athena Inferred Resource to Indicated Resource reported last quarter were used to re-run the geological resource model for Trident during the December quarter, with the results incorporated into the initial Trident Reserve. The Trident resource base totals 797,000 ounces, of which 655,000 ounces is now classified as belonging to the Indicated Resource category. The Indicated Resource was used in the mine design studies leading to the Trident JORC Probable Reserve. Table 1 below shows the resource classification for Trident and each of the Eastern and Western Zones; and the Athena Lodes.

		Resource above cutoff			
ZONE	Class	Cutoff	T ('000)	Au (g/t)	Oz ('000)
West	Indicated	2.0	2,298	5.0	370
East		3.0	751	4.9	118
Athena		3.0	472	11	167
Sub-Total			3,521	5.8	655
ZONE	Class	Cutoff	T ('000)	Au (g/t)	Oz ('000)
West	Inferred	2.0	273	2.8	25
East		3.0	0	0	0
Athena		3.0	565	6.4	117
Sub-Total			838	5.3	142
TOTAL			**4,359**	**5.7**	**797**

Table 1: *Updated Resource for Trident used in the JORC Probable Reserve*

Trident Mining Reserve

The Trident underground gold mine will be accessed and serviced by a 5.2m x 5.5m decline. The mining methods will be a combination of 30 conventional large volume sub-level open stopes (on the Western Zone) and a series of narrow (<10m wide) sub-level open stopes (also referred to as bench stoping; and occurring predominantly on the Eastern Zones and the Athena Lodes). Total development over the period 2007 to 2010 amounts to 26.7km and includes 11.3km of decline development, 1.9km of vertical raises and 13.5km of ore development. Figure 1 below shows a long section of the development layout for Trident.

Located beneath Figure 1 is Table 2 which provides an annualised breakdown of stoping operations and development. Total production for Trident over the initial four year reserve life is planned to be 3.4 million tonnes at a grade of 5.3 g/t gold for production of 581,284 ounces.

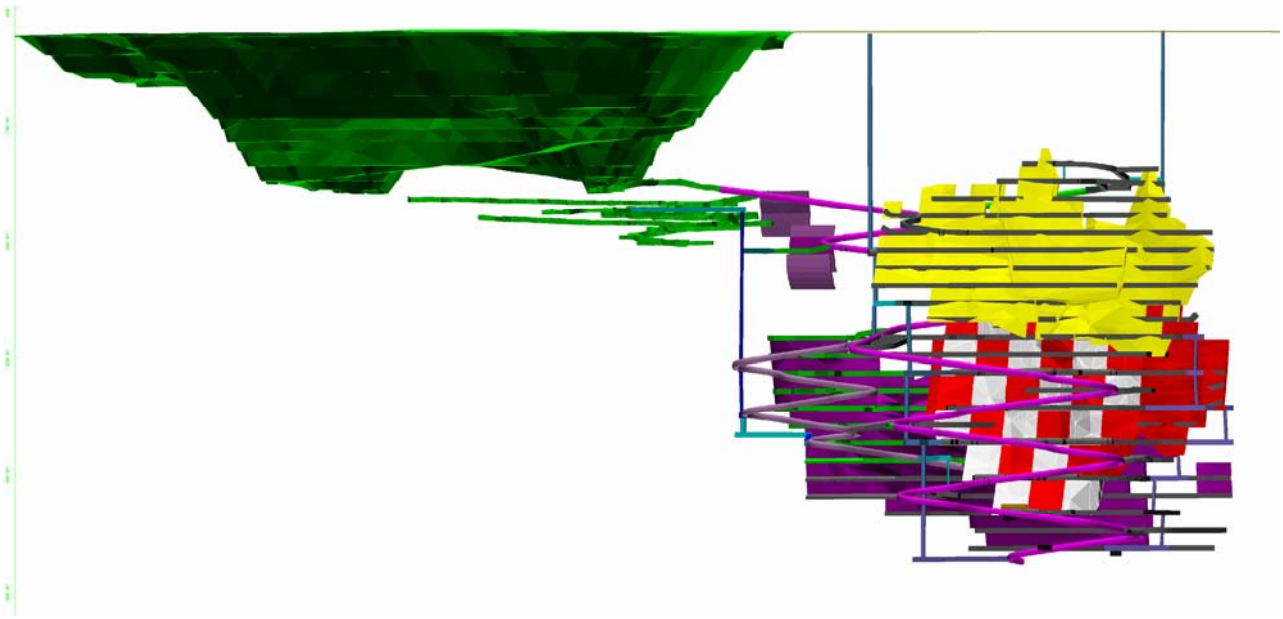


Figure 1: *Development layout for Trident (yellow = Eastern Zone; red and white = Western Zone; and purple = Athena) in relation to the existing underground workings of the Poseidon South pit (green).*

STOPING OPERATIONS		LOM Total	2007	2008	2009	2010
Western Zone (Bench)	t	362,032	8,205	120,817	20,215	212,795
	g/t	4.70	3.51	4.22	4.33	5.05
Western Zone (Open)	t	1,682,424	-	286,550	661,837	734,037
	g/t	4.92	-	6.48	5.00	4.25
Eastern Zone (Bench)	t	649,811	147,160	357,884	11,859	132,909
	g/t	4.50	4.40	4.8	4.04	3.85
Athena Lodes (Bench)	t	384,740		67,569	188,322	128,850
	g/t	8.94		7.9	9.17	9.16
Total Stoping	**t**	**3,079,006**	**155,364**	**832,820**	**882,232**	**1,208,590**
	g/t	**5.31**	**4.35**	**5.54**	**5.87**	**4.87**
Development Ore	t	**314,958**	**30,198**	**112,076**	**149,393**	**23,291**
	g/t	**5.47**	**3.79**	**5.69**	**5.52**	**6.25**
TOTAL Production	t	**3,393,964**	**185,563**	**944,895**	**1,031,626**	**1,231,881**
	g/t	**5.33**	**4.26**	**5.56**	**5.82**	**4.90**
	ounces	**581,284**	**25,431**	**168,920**	**192,892**	**194,041**

Table 2: *Summary of stoping and development production for the Trident Mining Reserve*

The Trident Reserve represents a very high 89% conversion of Indicated Resources. Production levels will be in the range of 160,000 to 190,000 ounces per annum providing an initial mine life of 4 years. Cash operating costs for the mine are AUD$369/oz.

Metallurgy

Detailed metallurgical studies were carried out to establish gold recovery characteristics and to enable flowsheet design and estimation of capital and operating costs.

The results of the metallurgical testwork indicate the Trident ore contains simple free milling gold amenable to processing through a standard CIP/CIL gold processing plant with an installed gravity circuit. The testwork confirmed there are no elements present that are considered deleterious to gold recovery.

Gravity concentration determinations from the testwork produced variable results due to the heterogeneous nature of the nuggety gold, with recoveries averaging 40% and increasing to 84%. Cyanidation testwork determined excellent leach recovery with optimum leach

residence time of around 36 hours. Total recoveries for the Eastern Zone were calculated at 95.9%, the Western Zone at 95.8%, and the Athena Lodes at 97.7%.

Comminution testwork showed the Trident ore has a medium to high Abrasion Index, the rod and ball mill indices are calculated at 18 – 20 kWh/t and the compressive strengths indicate the ore is medium to hard. No excessive consumption of consumables was evident in the testwork.

Capital Cost Estimate

The Life of Mine (LOM) capital cost estimate for the Higginsville Gold Project is estimated at AUD$91M and is based on a 10+ year mine life for Higginsville. The Company is confident the Trident Reserve will significantly exceed its initial four year mine life with discovery of additional resources / reserves, together with discovery of new ore positions within the greater Higginsville field. The broad split of the $91M capital cost is as follows:

- $39M for Trident capital works / development and equipment, and
- $52M for Higginsville regional capital development including 1Mtpa plant, services, buildings and infrastructure; and civil works.

Growth Opportunities at Trident

The Company believes significant growth opportunities exists at Trident, based on:

- The likely conversion of the 142,000 ounces of Inferred Resource (Table 1) to reserve from areas that are adjacent to planned capital development at Trident.
- Numerous high grade "ore" intersections that are presently unclassified due to an insufficient drilling density (see Table 3). It is expected that once underground drill positions are established at Trident, many of the unclassified intersections will become part of future resources and subsequent reserve conversions.
- The coarse visible gold evident in many drill holes for each of the Eastern and Western Zones, and the Athena Lodes will likely result in an "overcall" in produced gold, as evidenced in many gold mines where coarse gold is present. It should be noted that the Poseidon South pit located 180m south of Trident produced a 35% overcall of ounces compared to the corresponding planned gold production.

Hole ID	Interval (m)	Grade (g/t gold)
PSD121	**0.3**	**582.0**
HIGD026	**1.0**	**161.6**
HIGD041	**1.1**	**137.0**
PSD122	**0.4**	**80.0**
HIGD023	**1.0**	**51.7**
HIGD088	**3.7**	**36.7**
HIGD088	**5.0**	**31.0**
PSD18	**1.1**	**30.7**
HIGD020	**2.0**	**26.1**
RED577	**4.0**	**15.2**
RED582	**2.0**	**15.2**
RED579	**4.0**	**13.9**
HIGD038	**3.0**	**12.4**
RED549	**3.1**	**10.4**
HIGD013	**9.0**	**9.5**
HIGD040	**3.0**	**9.5**
HIGD040	**7.0**	**8.8**
RED579	**10.0**	**5.3**
HIGD028	**9.0**	**4.7**
HIGD090	**14.0**	**4.7**
HIGD081	**24.9**	**4.0**
HIGD047	**25.0**	**3.4**
HIGD029	**9.0**	**3.3**

Table 3: *Unclassified Trident Intersections that the Company believe will contribute to additional resources / reserves at Trident.*

- Resource estimates and mine designs have been conservatively assessed, and respectively provide opportunity for increased production grade and lower mining costs.

1.1.2 Higginsville Update

Pre-Development Activities at Trident

The Company has maintained an active work schedule on site at Trident throughout the quarter. Stripping of the old 4m x 4.5m underground decline at the base of the Poseidon South pit to 5.2m x 5.5m in order to establish a Trident Decline "take-off" point continued. Rehabilitation of the old workings and dewatering down to the old Level 2 was also undertaken.

Following stripping of the first 80m of the old Poseidon South Decline, an underground diamond drill cuddy was cut adjacent to the Trident Decline "take-off" point. Fourteen drill holes will be completed to test for near-development mineralisation intersected by broad spaced Avoca surface drilling.

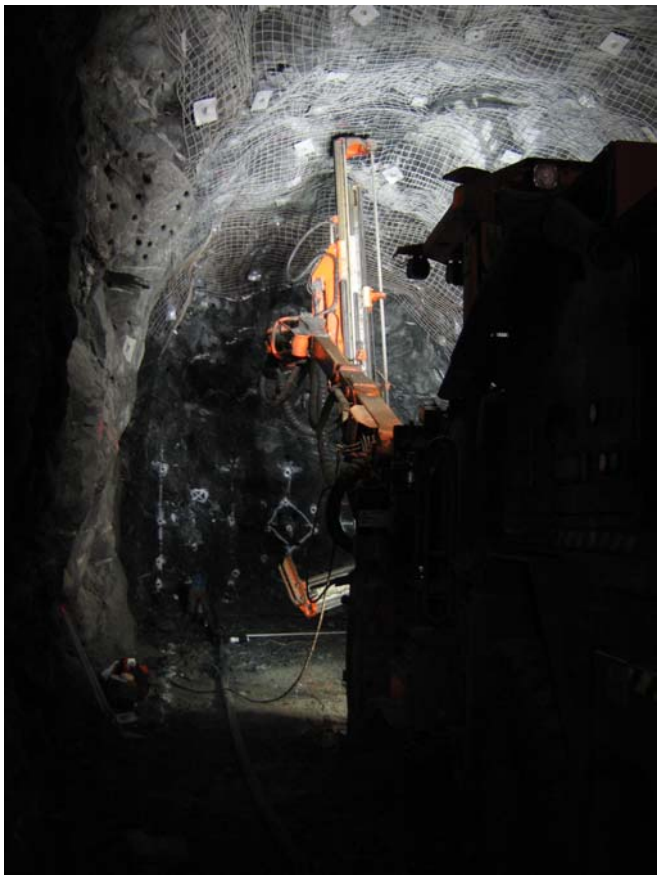


Figure 2: *Ongoing rehabilitation work of the Poseidon South Decline*

In parallel with the underground diamond drilling, rehabilitation continued on the East Level 1 drive (60m) and the West Level 1 drive (60m). The East and West drive rehabilitation is designed to access previous stoping areas to identify possible remnant mining opportunities and set up drill cuddies to test for extensions to the previously mined ore beneath the pit.

Following the completion of the feasibility study and the Company approval to proceed with development, the statutory Project Management Plan was submitted to the Department of Consumer and Employee Protection in late December. The Mining Proposal required to be submitted to the Department of Industry and Resources Environmental Division was nearing completion and will be submitted early in 2007.

The exploration / construction camp upgrade was nearing completion following the delivery during the quarter of 20 new rooms together with a 6 unit ablution block and a fridge – freezer unit for the kitchen.

Appointment of Senior Site Personnel

Mr Sam Roesler has been appointed to the position of General Manager – Higginsville. Mr Roesler is an experienced mining engineer having held senior operational and management roles at the Lake Johnston Nickel Operations, Black Swan Nickel Mine, Kanowna Belle Gold Mine and the Olympic Dam Copper-Gold Mine. Mr Roesler will be Kalgoorlie based and will commence in January 2007.

Mr Scott Franklin has been appointed to the role of Manager Occupational Health and Safety; Environment and Security. Mr Franklin has held numerous senior safety and environmental site based roles in Western Australia and Victoria. Mr Franklin will also be based in Kalgoorlie and will commence in February 2007.

Exploration Drilling Update

Drilling continued during the quarter on both Trident and also on regional exploration projects with RC and diamond drilling completed at Fairplay, Erin, Mars, Jupiter and Mercury. Total drilling at Higginsville for the

quarter amounted to 4,368m of diamond core, 746m of RC and 4,661m of RAB / aircore.

Drilling at Trident focussed on:

- Testing the northern continuity of mineralisation of Western Zone North.
- Extension drilling of the Athena Lodes.

Drill hole HIGD112 tested 200m north of the 14m @ 4.7 g/t gold intersection reported in the September quarter. Significantly HIGD112 intersected 11m @ 2.1 g/t gold from 598m from a zone of quartz veined (with visible gold) and altered gabbro. An additional seven mineralised one to 2.5 metre wide intersections ranging in grade from 2.1 to 4 g/t gold were recorded in a broad zone of variably altered gabbro from 300m to 590m down hole.

Confirming the presence of Western Zone North mineralisation 200m north of the previous intersection, together with additional mineralisation developed over vast thicknesses of the Trident Gabbro evident in HIGD112, provides confidence to the Company that an excellent opportunity exists for the discovery of additional resources immediately north of Trident.

HIGD101 was drilled to test the southern extension of the Athena 10 Lode resource. Unfortunately the hole did not deviate as planned and accordingly the hole failed to intersect the target area. Instead the hole intersected the 10 Lode close to the resource boundary. Visible gold was evident in the intersection.

A single 300m deep diamond drill hole was drilled to test the Fairplay mineralisation located 2km south of Trident. Fairplay was previously mined to a depth of 40m in the early 1990s before a drop in the gold price (AUD$450/oz) suspended open pit operations. The Fairplay mineralisation is of a similar style, and hosted by a similar gabbro, to that seen associated with the Western Zone at Trident. The diamond drilling confirmed the similar broad appearance to the Western Zone mineralisation, albeit at a lower grade. Results from HIFD002 returned 21.5m @ 1.7 g/t gold from 101m. Further work including detailed geological assessment and targeting for high grade zones at Fairplay will continue. Preliminary open pit optimisations will be conducted during the March quarter to assess the viability of deepening the Fairplay pit.

During the December quarter an additional five wide spaced diamond drill holes were drilled at Erin to test the geology and possible vein development beneath the 800m expression of the near surface Erin mineralisation. Each of the drill holes ERID003 to ERID007 intersected narrow Athena vein style mineralisation with better results including 1m @ 4.7 g/t gold from 210m in ERID003. Detailed logging of the oriented core has identified a poorly tested area beneath the Sons of Erin mine where a marked change in strike of the geology is considered prospective for mineralisation, and will be tested in the March quarter.

RC and diamond drilling of the Mars, Jupiter and Mercury deposits associated with the 300,000 ounce (palaeochannel hosted) Challenger pit were completed during the quarter. The holes were designed to test for bedrock mineralisation associated with each of the deposits as well as providing some information on the bedrock geology. Minor quartz veining was intersected in the Mars hole; and weak structure and alteration in the Jupiter holes. A large amount of work is required to assess the bedrock potential of the 5km long Challenger pit. Further drilling is planned during 2007.

Hole	From	To	Intersection
HIGA639	20	36	16m @ 0.39 g/t gold
HIGA626	20	28	8m @ 0.61 g/t gold
HIGA628	16	20	4m @ 0.70 g/t gold
HIGA632	20	24	4m @ 0.46 g/t gold
HIGA640	24	32	8m @ 0.24 g/t gold
HIGA649	24	28	4m @ 0.25 g/t gold
HIGB619	16	34	8m @ 0.19 g/t gold
HIGA629	20	24	4m @ 0.17 g/t gold
HIGA627	24	28	4m @ 0.16 g/t gold

Table 4: *Shallow anomalous results from first RAB drill program at North André.*

A first pass reconnaissance 400m x 50m RAB program over the North André target returned several anomalous intersections from shallow depths. The results define a clear north-north-west (NNW) trend over a distance of in

excess of 1km and are associated with a silicified and sulfidised mafic-sediment contact. Better results from the 101 hole program are listed above in Table 4. Infill drilling at North André will continue during the March quarter to identify bedrock drill targets.

1.2. Zuleika South Project

1.2.1 Silver Spear

The Silver Spear prospect is located 45km south-east of Higginsville where 1990s drilling has defined a 3km long gold anomalous NNW corridor hosted by felsic volcaniclastic rocks. A total of 153 RAB hammer holes were completed during the September 2006 quarter and defined three higher grade west-north-west trends within the broader NNW corridor. Six RC holes were recently completed to test the central WNW trend for higher grade bedrock mineralisation. Significantly, moderate to high grade mineralisation was intersected in all holes confirming the WNW orientation. Table 5 below lists the results of the bedrock mineralisation.

Hole	From	To	Intersection
SISC001	67	77	10m @ 3.34 g/t gold
SISC003	73	89	16m @ 2.08 g/t gold
SISC006	118	129	10m @ 1.82 g/t gold
SISC002	69	79	10m @ 1.17 g/t gold
SISC004	139	141	2m @ 5.34 g/t gold
SISC005	131	136	5m @ 1.38 g/t gold

Table 5: *High grade results from drill testing potential bedrock mineralisation at the Silver Spear Prospect.*

Ethnographic surveys have been completed and no sites have been identified allowing RC and diamond drill testing for continuity of the newly identified mineralisation to proceed during the March quarter.

1.3. Mt Fisher Project

During the quarter, the Company exercised its option to acquire M53/009, being the lease that contains the Moray Reef, located 2km south of the historic Mt Fisher open pit gold mine. The exercise price for the option is to be paid in two tranches, with the first tranche of 64,500 Avoca shares and $60,000 cash paid to the vendors. A second tranche equal to $150,000 is to be paid within 12 months.

Significant intersections previously reported by Avoca from drilling the Moray Reef are listed below:

- 5m at 35.4 g/t Au from 44m
- 3m at 27.5 g/t Au from 45m
- 1m at 187.0 g/t Au from 71m
- 1m at 63.9 g/t Au from 45m
- 1m at 54.4 g/t Au from 46m
- 1m at 49.8 g/t Au from 61m

2. SA Projects (100% Avoca)

No field based exploration was completed during the quarter. The Company is awaiting the availability of a diamond drill rig to complete drilling at the Hillside mine prospect on the Yorke Peninsula. Current drilling at the Olympic Dam expansion project and other advanced projects in South Australia has severely affected the industry's ability to undertake exploration drilling in SA.

3. Joint Venture Projects

The Company has an extensive joint venture portfolio comprising 10 separate joint ventures throughout Western Australia and South Australia. The Joint Venture portfolio is designed to provide the Company with a highly leveraged position to additional exploration success by typically requiring the incoming joint venture partner to free-carry Avoca's equity position in a project to a Decision to Mine.

JV Partner	Project	Earn-in
Barrick Gold	Zuleika South	earning 51%
Teck Cominco	Kalgoorlie East	earning 70%
La Mancha	Mungari	earning 51%
Integra Mining	Cowarna	earning 80%
Metex / Placer Dome	Laverton	earned 70%
Great Gold Mines	South Laverton	earned 80%
Regal Resources	Mt Goose	earning 80%
Encounter Resources	Lake Way Uranium	earned 60%
Encounter Resources	WA-based uranium portfolio	earning 80%
Stellar Resources	Cowell, SA	earning 75%

Table 6: Avoca's extensive joint venture portfolio.

Avoca's key joint ventures include the Zuleika South JV project with Barrick Gold; the Kalgoorlie East JV with Teck Cominco and the WA-based uranium JV with Encounter Resources.

3.1 Barrick Gold Zuleika South JV

Barrick Gold earning 51% after spending $3.0M

The Barrick Gold Zuleika South joint venture covers a 40km strike extent of the under-explored, yet highly endowed Zuleika and Boulder Lefroy Shear Zones situated between the Higginsville and St Ives Gold camps. Much of the prospective stratigraphy lies beneath Lake Cowan, a salt lake developed over approximately 1200km^2.

During the quarter, seven diamond drill holes were drilled to test beneath four individual aircore regolith anomalies reported in the September quarter. Several 1-2m weakly mineralised intervals to 2 g/t gold were identified in four of the seven holes with the best result being 1m @ 6.05 g/t from 92m in BZMRD0003. Further petrographic work and interpretation work will be ongoing during the March quarter.

3.2 Encounter Resources Limited Western Australian Uranium JV

Encounter Resources 60%, Avoca 40% of the Lake Way Uranium Project. Avoca retains a 20% interest in all of Encounter's other uranium projects.

Encounter Resources Limited is planning on testing extensions to Nova Energy's Centipede uranium resource contiguous with the Lake Way western tenement boundary in the March quarter. Specialised lake based drilling equipment has been booked for early February.

Encounter has defined continuous near surface uranium mineralisation at Bellah Bore East within the Yeelirrie Channel Project. Mineralisation has been defined over a 500 x 150m area and is between 2 and 10m thick. Assays peak at 2111ppm U_3O_8.

4. Corporate

4.1 Shareholders

The Company's top 5 shareholders as at 31 December 2006 are shown below in Table 7.

Shareholder	% of Issued Capital
ST IVES GOLD MINING CO PTY LTD AND GOLD FIELDS AUSTRALASIA PTY LTD	13.33%
HSBC CUSTODY NOMINEES	4.43%
JP MORGAN NOM AUST LTD	4.02%
NATIONAL NOMINEES	3.93%
CITICORP NOMINEES PTY LIMITED	3.62%

Table 7: Avoca's top 5 shareholders as at 31 December 2006.

**Note St Ives Gold Mining Co Pty Ltd and Gold Fields Australasia Pty Ltd are both wholly owned subsidiaries of Gold Fields Limited.*

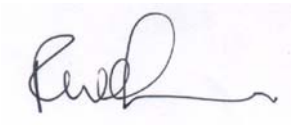
The total number of ordinary fully paid shares quoted on the ASX as at 31 December is 148,839,348.

5. Finance

At 31 December 2006, the Company had cash reserves of $5.5 million.

During the quarter, the Company has drawn down $8 million of the one year A$15M unsecured cash advance facility provided by Société Générale CIB Australia Branch.

For and on behalf of the Board,



Rohan Williams
Managing Director

The Information in this report that relates to Exploration Results is based on information compiled by Mr Rohan Williams, Mr Geoff Collis and Mr Chris Newman who are Members of the Australasian Institute of Mining and Metallurgy. Messrs Williams, Collis and Newman are full time employees of Avoca Resources Limited, and have sufficient experience which is relevant to the style of mineralisation under consideration to qualify as Competent Persons as defined in the 2004 edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Messrs Williams, Collis and Newman consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.