

Quarterly Report for the three months ending 31 March 2007

March Quarter Highlights

- **Commencement of underground development at Trident** and the completion of dewatering and rehabilitation of Poseidon South decline. Development advance was 480m for the quarter.
- **New, previously unreleased high grade drill results recently returned include:**
 - **3.4m @ 25.2 g/t gold** from 569m at the new Apollo discovery at Trident;
 - **3m @ 10.9 g/t gold** from 122m in follow up RC drilling at Silver Spear prospect, 45 km south-east of Higginsville;
 - **3m @ 9.9 g/t gold** from 13m in follow up RC drilling at Silver Spear prospect;
 - **8m @ 6.0 g/t gold** from 390m in a new mineralised zone 200m north of Western Zone reserve boundary at Trident;
 - **0.6m @ 65.5 g/t gold** from underground drilling adjacent to Trident Decline;
 - **0.9m @ 49.2 g/t gold** from underground drilling adjacent to Trident Decline.
- Additional high grade intersections (reported during the quarter) lying adjacent to the Trident decline outside existing reserves provide an opportunity for **near term cash flow** include:
 - 3.9m @ 18.4 g/t gold
 - 4.0m @ 7.2 g/t gold
- **Apollo is a major new discovery at Trident.** It has been intersected in 6 diamond drill holes over a distance of 350m and remains open to the north. The discovery further underwrites the Directors' confidence that Higginsville will be a +10 year gold mining operation. Apollo lies only 20m north of the planned Trident decline and includes the following intersections:
 - 24.9m @ 4 g/t gold including 9.4m at 8.5 g/t gold
 - 14m @ 4.7 g/t gold
 - 10m @ 4.2 g/t gold
 - 12.6m @ 3.1 g/t gold
- High grade intersections from Erin JV (Avoca earned 90%) reported during the quarter include:
 - 0.7m @ 159 g/t gold
 - 0.4m @ 24.6 g/t gold
 - 1.0m @ 10.0 g/t gold
- Avoca commenced A\$125 million Capital Raising for the development of the Higginsville Gold Project and to fund on-going exploration. The Capital Raising comprises an underwritten share placement of A\$70 million, issue of 5-year convertible bonds to raise A\$40 million, project debt of A\$10 million and a Share Purchase Plan to raise A\$5 million. The equity issue is underwritten by global investment bank UBS AG.
- Pala Investment Holdings becomes Avoca's new strategic investor following the purchase of Gold Fields' 13.3% stake in the Company.
- Mr Jan Castro was appointed as a Non-Executive Director of Avoca.

1. WA Projects (100% AVO)

1.1 Higginsville Gold Project

The 178km² Higginsville Gold Project is located mid-way between the regional mining centres of Kambalda and Norsemen in Western Australia's Eastern Goldfields. In late 2004, the Company made the Trident discovery, located 180m north of underground workings associated with the previously mined out 300,000 ounce Poseidon South open pit. A pre-feasibility study on an initial resource of 485,000 ounces was followed by a detailed feasibility study completed in December 2006. The detailed feasibility study was completed on the increased resource base of 797,000 ounces following the discovery of the high grade Athena veins. Avoca's Board of Directors subsequently resolved to proceed with the development of the Trident Underground Gold Mine.

1.1.1 Trident Underground Gold Mine

Commencement of Underground Development

Underground development at Trident commenced during the quarter following:

- (i) receipt of relevant statutory approvals from the Department of Industry and Resources and the Department of Consumer and Employment Protection, and
- (ii) completion of dewatering and rehabilitation of the old Poseidon South decline.

Rehabilitation of the underground workings remains ongoing.

By the end of the quarter 480m of development associated with the Trident Decline had been completed.



Figure 1: Commencement of underground development at Trident.

Several previously mined stoping areas were investigated following the completion of the dewatering of the lower levels of the Poseidon South underground workings. The stoping areas showed the excellent ground conditions of the previously mined areas, together with high grade veins remaining in pillars (see Figure 2). Potential remnant mining of previously stoped areas will be assessed during the coming months.



Figure 2: High grade quartz vein present within pillar seen in previously mined airleg stope from Poseidon underground.

Several areas of low grade material have been encountered in the development completed during the quarter and stockpiled for processing at a later date. The low grade material is from the mining of narrow (less than one metre thick) gold-bearing quartz veins, illustrating that **there are areas of unrecognised mineralisation outside the reserve that may provide early cash flow opportunities.**

Underground Mining Contract

Mining contract tender documents for the underground development and haulage contract were issued and received during the quarter. Eight mining contractors visited the site for requisite briefings and inspections.

Avoca anticipates that the successful bidder will be announced in May.

Commencement of Site Works and Infrastructure

Surface infrastructure and site works commenced during the quarter include:

- (i) Completion of the concrete formwork for the 4m diameter southern raise bore vent rise and the 3m diameter northern raise bore vent rise (Figure 3).



Figure 3: Completing form work of the 4m diameter vent shaft to be raise bored.

- (ii) The Higginsville camp increased in size from 32 to 62 rooms with requisite increases to messing facilities, power upgrades, sewerage and water facilities (Figure 4).



Figure 4: Construction of new rooms for camp expansion.

Potential for Near Term Cash Flow

A combination of dominantly underground drilling with minor surface drilling targeting new ore positions and extensions of known ore positions has located potential high grade stoping opportunities close to existing underground development between the Poseidon South pit and the Trident deposit. All intersections **lie outside the existing Trident reserve** and include:

- 3.9m @ 18.4 g/t gold in TUG003
- 4.0m @ 7.2 g/t gold in HIGD111
- 1.0m @ 30.6 g/t gold in TUG011
- **0.6m @ 65.5g/t gold in TUG014***
- **0.9m @ 49.2g/t gold in TUG014***
- **0.5m @ 23.9g/t gold in TUG025***

[The drill results reported above in holes TUG014 and TUG025 are new intersections that have previously not been announced]*

The new drill results, shown below in Figure 5, lie between the Poseidon South workings and Trident suggesting minimal development will be required to access the new positions. Further drilling is required to assess the economic potential of this new mineralisation.

Apollo – Major New Discovery at Trident

Avoca announced the discovery of a **major new ore zone during the quarter that further underwrites its confidence that Higginsville will grow into a 10 year plus gold mine** with average life of mine cash costs approaching or bettering the global sector average.

The new ore zone, named Apollo, will add to the existing 800,000 ounce high grade Trident gold deposit and expand the existing overall 1.1 million ounce resource at Higginsville. Apollo has been intersected in six oriented diamond drill holes over a strike length of 350m. Importantly it remains open to the north (Figure 5).

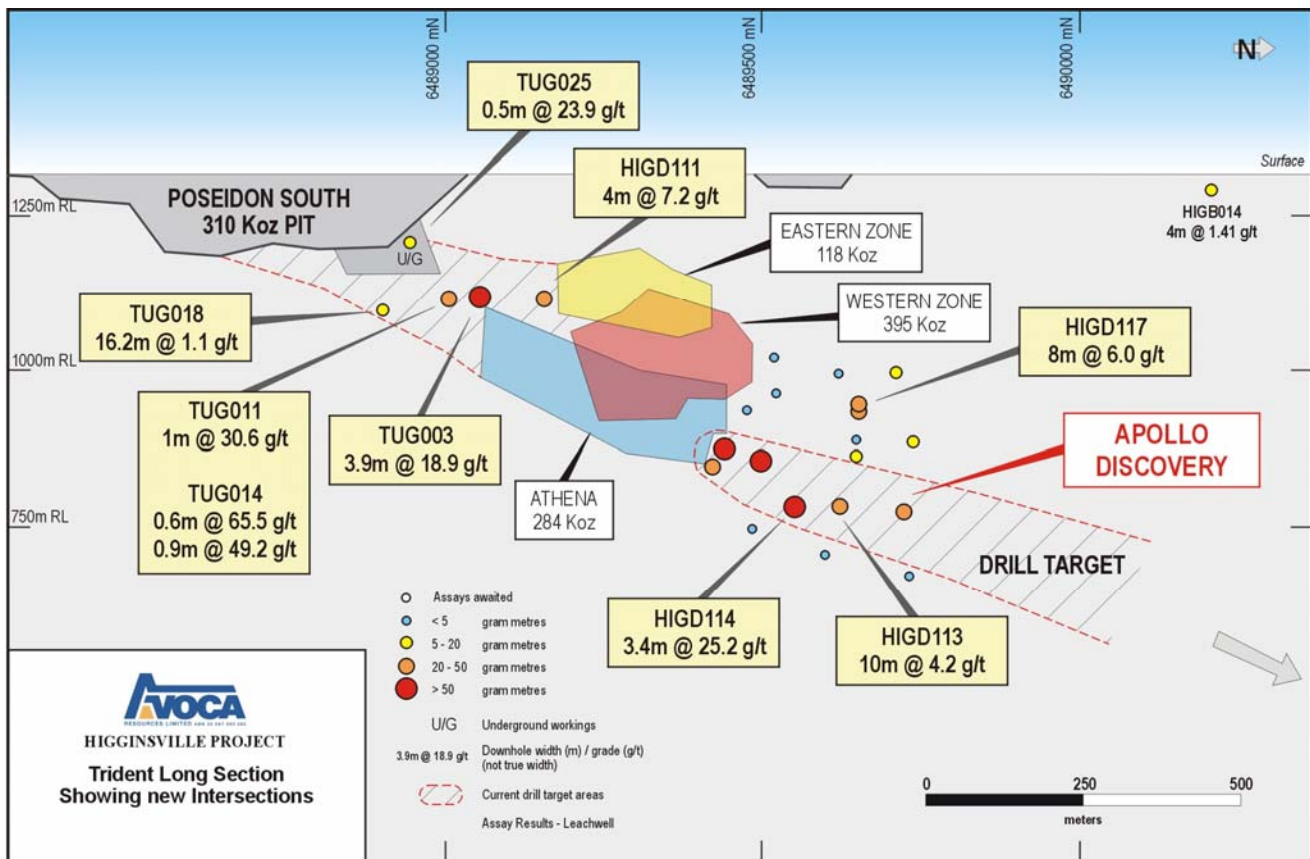


Figure 5: Long section showing location of the new Apollo discovery and high grade intersections between the Poseidon South pit and Trident.

A key attraction to the Apollo Zone is that **it lies only 20m north of the planned Trident Decline** at a vertical depth of 430m, which will likely provide an excellent platform for future underground infill drilling and development of Apollo.

The six drill intersections that define Apollo, **including the previously unreleased high grade result of 3.4m @ 25.2g/t gold** from 569m in HIGD114 are:

- **3.4m @ 25.2 g/t gold** in HIGD114
- 24.9m @ 4.0 g/t gold in HIGD081 including 9.4m @ 8.5 g/t gold
- 14m @ 4.7 g/t gold in HIGD090
- 10m @ 4.2 g/t gold in HIGD113
- 12.6m @ 3.1 g/t gold in HIGD087
- 11m @ 2.1 g/t gold in HIGD112

The new discovery is interpreted to lie on the northern extension of the Western Zone structure. In drill core, its appearance is very similar to the Western Zone style of mineralisation.

Avoca believes the 100% hit rate of the drill intersections over the current 350m strike of Apollo confirm it to be another well mineralised surface of Trident. Like the existing ore surfaces at Trident, Apollo appears to have a relatively flat plunge which typically provides higher ounces and tonnes per vertical metre leading to favourable development and stoping economics.

In addition to Apollo, a high grade result has been returned on the Western Zone, **200m north of the current Western Zone resource boundary**. Figure 5 shows HIGD117 intersected **8m @ 6.0g/t gold** from 380m depth. The intersection highlights the potential for additional ore shoots on the Western Zone structure north of the current resource boundary.

1.1.2 Erin JV Project

Diamond drill holes ERID008 and ERID010 have successfully intersected high grade reefs at the Erin JV Prospect, located 3km south of Trident Gold Mine. The drilling was designed to test for depth continuity of the historically mined shoots within the 800m long Erin Line. Results include:

- **0.7m @ 159 g/t gold** in ERID008
- **0.4m @ 24.6 g/t gold** in ERID010
- **1.0m @ 10.0 g/t gold** in ERID008
- **0.9m @ 9.7 g/t gold** in ERID007

Further drilling is required to extend the strike continuity and depth potential of the high grade intersections. The target deposit at Erin is an underground Athena style high grade reef (+100,000 ounces) amenable to conventional mechanised mining methods.

During the quarter Avoca completed the earn-in of the joint venture following the expenditure of \$250,000. Avoca now has a 90% interest in the Erin project.

1.2 Zuleika South Project

1.2.1 Silver Spear

The Silver Spear prospect is located 45km south-east of Higginsville. During the 1990s drilling defined a 3km long gold anomalous NNW corridor hosted by felsic volcaniclastic rocks. Avoca completed an initial 153 RAB hammer hole program in 2006 that was followed up with a six RC hole program reported in the December 2006 quarterly. Each of the six RC holes intersected moderate to high grade mineralisation.

During the March quarter, a further 18 RC holes were completed (1653m) to extend the previously defined bedrock gold mineralisation. The majority of holes intersected a strongly silicified sequence of felsic rocks containing 2 to 5% disseminated pyrite. Significant intercepts are quoted in the table below:

Hole	From	To	Intersection
SISC024	122	125	3m at 10.9 g/t gold
SISC013	13	16	3m at 9.9 g/t gold
	38	46	8m at 1.3 g/t gold
SISC012	87	88	1m at 5.5 g/t gold
SISC019	35	37	2m at 3.5 g/t gold
SISC017	40	41	1m at 3.9 g/t gold
SISC010	30	31	1m at 3.7 g/t gold
SISC009	82	87	5m at 1.5 g/t gold
SISC020	92	97	5m at 1.5 g/t gold
SISC021	106	124	18m at 0.8 g/t gold
SISC023	92	106	14m at 0.9 g/t gold

Table 1: Drill results at Silver Spear

The mineralised structure is interpreted to display **good continuity over a strike length of 300m** and to a depth of 120m and **remains open to the west and at depth**. Further RC and diamond drilling is planned for the next quarter to extend the zone of known mineralisation and to test for shoot orientation.

2. SA Projects (100% Avoca)

No field based exploration was completed during the quarter. The Company is awaiting the grant of Exploration License Applications designed to replace existing tenure that is due to expire shortly. This process should be completed by mid year after which a combination of shallow bedrock geochemical testing and electrical geophysical techniques will be applied to the Hillside Mine area to better define targets for diamond drill testing. An encouraging 3km long gravity anomaly has been defined at this prospect but has yet to be drill tested due to the poor availability of drilling equipment in South Australia.

3. Joint Venture Projects

The Company has an extensive joint venture portfolio comprising nine separate joint ventures throughout WA and SA.

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

Table 2: Avoca's joint venture portfolio.

3.1 Stellar Resources Limited Cowell JV South Australia. (Stellar earning 75%)

During the quarter, Stellar drilled 5 diamond drill holes into the "Glensea" project area testing additional gravity and magnetic targets. Three of the five holes intersected a number of narrow (1-5cm) quartz-pyrite-chalcopyrite veins. Assays are awaited.

More detailed gravity coverage of the entire Cowell Basin area is planned to test for high density hematite mineralised zones.

3.2 Encounter Resources Limited Western Australian Uranium JV

During the quarter Encounter Resources completed drill testing at the Lake Way Uranium JV Project (Avoca 40%) and confirmed the Centipede Uranium mineralisation (Nova Energy Ltd) extends into the Encounter/Avoca tenure.

The two year period in which Avoca's free carried interest in Encounter's project portfolio expired during the quarter. Subsequently Avoca has elected to contribute 20% toward Encounter's exploration projects for the next six months to maintain its 20% interest.

3.3 Barrick Gold Zuleika South JV

Barrick Gold advised Avoca during the quarter that it would withdraw from the Zuleika South JV. Barrick spent \$1.9M on the project over a 2 year period, providing Avoca with an excellent geoscientific dataset in which to continue exploration in the highly prospective area that is defined by the intersection of the Boulder – Lefroy Fault and the Zuleika Shear.

4. Corporate

4.1 Capital Raising for Higginsville Gold Project

Avoca announced during the quarter an A\$125 million Capital Raising for the development of the Higginsville Gold Project, and to fund ongoing exploration. The Capital Raising will be by way of:

- An underwritten Unconditional Placement and Conditional Placement of ordinary shares at \$1.32 per share raising A\$70 million. Global investment bank UBS AG agreed to underwrite the equity issue.
- An unlisted five-year Convertible Bonds issue raising A\$40 million. The conversion price of the bonds is set at \$1.75 per share and is subject to an issuer call after 3 years and where the share price is 30% above the conversion price.
- Project debt of A\$10 million.
- A Share Purchase Plan (SPP), capped at A\$5 million.

The Unconditional Placement was made in accordance with the Company's 15% placement capacity pursuant to ASX Listing Rule 7.1.

The Conditional Placement and the issue of convertible bonds is subject to Avoca Shareholder approval to be sought at a General Meeting scheduled for 11 May, 2007.

4.2 Top Five Shareholders

Shareholder	% of Issued Capital
CITICORP NOMINEES PTY LTD	16.25
HSBC CUSTODY NOMINEES	8.63
JP MORGAN NOMINEES AUST LTD	4.33
NATIONAL NOMINEES LTD	2.86
ARIKI INVESTMENTS PTY LTD	2.44

Table 2: Avoca's top five Shareholders as at 31 March 2007.

During the quarter, Pala Investment Holdings ("Pala") acquired the 13.3% shareholding (19,849,861 shares) from St Ives Gold Mining Company Pty Ltd and Gold Fields Australasia Pty Ltd, in an off-market purchase equivalent to \$1.32 per share.

The total number of ordinary fully paid shares quoted on the ASX as at 31 March is 150,703,848.

4.2 Appointment of Non-Executive Director

The Company announced on 8 February 2007 the appointment of Mr Jan Castro as a Non-Executive Director of the Company. Mr Castro is the Managing Director of Pala Investments AG which is the exclusive investment advisor to Pala Investments Holdings. Prior to joining Pala Investments AG, Mr Castro was Senior Vice President - Investments and Corporate Affairs for Mechel OAO, a major Russian mining and metals company listed on the New York Stock Exchange.

5. Finance

As at 31 March 2007, Avoca had cash reserves of \$4.5 million.

During the quarter, the Company has drawn down \$13 million of the one year A\$15 million 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.