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FAR EAST CAPITAL
The Mining Investment Experts

OZEQUITIES COMMENTARY
On Discovery Announcement

28 April, 2005 *Analyst: Warwick Grigor*

Avoca Resources Ltd ("AVO")

"Exciting Gold Drill Results Could Prompt Decline Development"

New High Grade Discovery Announced

Yesterday AVO announced the discovery of a new, high grade zone at its Trident gold project at Higginsville, WA. The headline intercept was 7m at 72 gpt from a depth of 383m. In the same release, AVO reported good in-fill drilling results elsewhere on the project that included 60m at 7.6 gpt and 31m at 8.2 gpt, at underground mining depths.

Adding to the Story

AVO's shares went for a steep run back in February when drilling first started to show how promising Higginsville was becoming, peaking at over 45¢. Since then the shares have drifted back to the mid 20s with profit taking and the general weakness in the market. This latest announcement adds substance to the Trident and is likely to lead to further significant developments in the near term.

How Big is Trident?

It is still too early to say, and the Company has not released any JORC compliant resources yet. Nevertheless, we are confident that there is plenty of gold there. So far, the system has a footprint of 200m x 200m, and a vertical extent of 200m. Within this is a series of structures varying in widths and grades, with better gold accumulation in positions where the structures are either steeply dipping or flat lying.

The Eastern Zone has been the most extensively drilled, and this might have up to 70,000 oz to date. The Western Zone looks like it could have up to 250,000 oz, and the new discovery area could easily have multiples of 50,000 oz at the very attractive grade of, say 15 gpt (similar to the nearby Two Boys Mine 2km to the south).

The intercept of 7m at 72 gpt is notable as it is in a different style, being a 3.5-7m thick quartz vein with most of the gold being on the contacts of the hanging or footwall.

Where to Now?

Drilling to depths of 200-300m starts to get expensive, especially when there is an acute shortage of drilling rigs. There is no substitute for actually getting down to the orebody to take bulk samples, assess ground conditions and drill from underground stations.

AVO is in a fortunate position that it could continue from a previously developed decline for only 200m, and it would be at the doorstep of the Eastern Zone. From the same position it also access the Western Zone.

It could cost $1-2m to dewater the pit and drive the decline (at a cost of $3,000/m), and this would facilitate the mining of 50-70,000 oz from the Eastern Zone. The maximum negative cash position before gold production might be in the order of $6-7m, but this is only an educated guess at this point. The ore would probably be toll treated at a nearby mill.

Some Faith Required by Shareholders

Assessment of an underground mine is always more complicated than a large disseminated open pit orebody, largely because of geometry and the difficulty of deeper drilling. They always seem to be a little more elusive at first, but that is no excuse to avoid them. It just takes time to unlock the secret to the riches.

The Bottom Line

This looks like a very promising opportunity for AVO shareholders. At a market capitalisation of $33m, there is still plenty of upside and the Company should not have any difficulty in raising more funds when the cash balance of $3.7m starts to dwindle.

The share price is likely to rise with additional information and confidence, as the year progresses.

