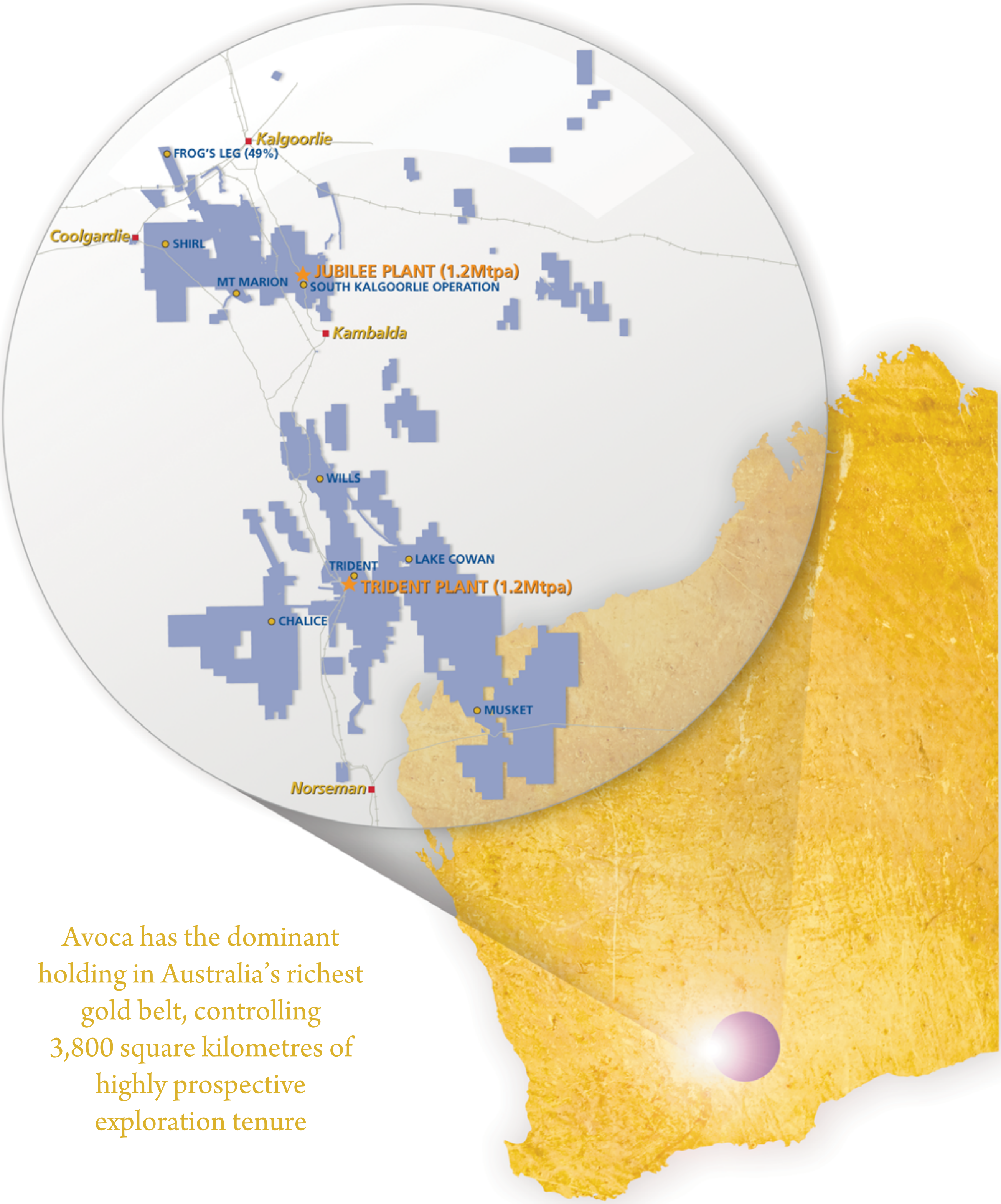
AVOCA RESOURCES LIMITED



Avoca has the dominant holding in Australia's richest gold belt, controlling 3,800 square kilometres of highly prospective exploration tenure

Annual Report 2010

Avoca Resources Limited

ABN 30 097 083 282

Contents

Avoca's Mineral Resources comprises 1.3 Million ounces of Reserves and a 6.7 Million ounces of Resource base. The Company is targeting 280,000 ounces of gold production in the 2011 financial year.

Front Cover Map Legend
★ Avoca owned gold production plants
● Avoca production and exploration assets
■ Major Eastern Goldfields towns

2009/2010 HIGHLIGHTS

Overview of Results

- **Gold production up +75% to 229,451 ounces of gold at a cash cost of A$526 an ounce**
- **Revenue from continuing operations up +95% to $286 million from $146 million**
- **Profit before tax up +386% to $66.4 million from a loss of $23.2 million**
- **Net profit after tax up +455% $57.8 million from a loss of $16.3 million**
- **Earnings per share is up to 20.82 cents from a loss of 6.97 cents**
- **Completed acquisition of 100% of the issued share capital of Dioro Resources NL**
- **Mineral Resource base up to 6.7 million ounces**
- **Ore Reserve increase up to 1.3 million ounces**
- **Available funding (cash and bullion on hand) of $53.4 million**
- **Drawn senior debt $44.3 million (debt and performance guarantees)**

		12 months to June 30, 2009	12 months to June 30, 2010	Change %
Gold Produced*	(ounces)	131,227	**229,451**	75
Gold Price Realised	($ per ounce)	1,164	**1,241**	6.6
Ore mined	(tonnes)	950,373	**1,340,014**	41
Mined grade	(grams/tonne)	4.2	**5.1**	21
Sales Revenue from continuing Operations	($ million)	146.4	**285.7**	95
Net profit/(loss)	($ million)	(16.3)	**57.8**	455
Cash flow from Operations	($ million)	51.9	**124.8**	140
Gearing (Net debt/Net debt and Equity)	(percent)	33	**22**	(33)
Basic Earnings per Share	(cents)	(6.9)	**20.8**	540

* Gold produced is gold poured and includes gold-in-circuit stocks at year-end.
\# Cash costs do not include royalties of A$122.53 per ounce.

All monetary numbers in this report are stated in Australian dollars unless otherwise specified.

Corporate Directory

Directors

Robert G Reynolds CA, MAICD, MAIMM
Non-Executive Chairman
Rohan I Williams B.Sc (Hons), MAIMM
Managing Director
Stephanie J Unwin LLB, B.Econ
Non-Executive Director
David F Quinlivan BSc (Mining) (AWASM), FAIMM, CP Min, ASIA, SIA
Non-Executive Director
Jan A Castro JD, BA, MAICD
Non-Executive Director

Company Secretary
Kevin R Hart

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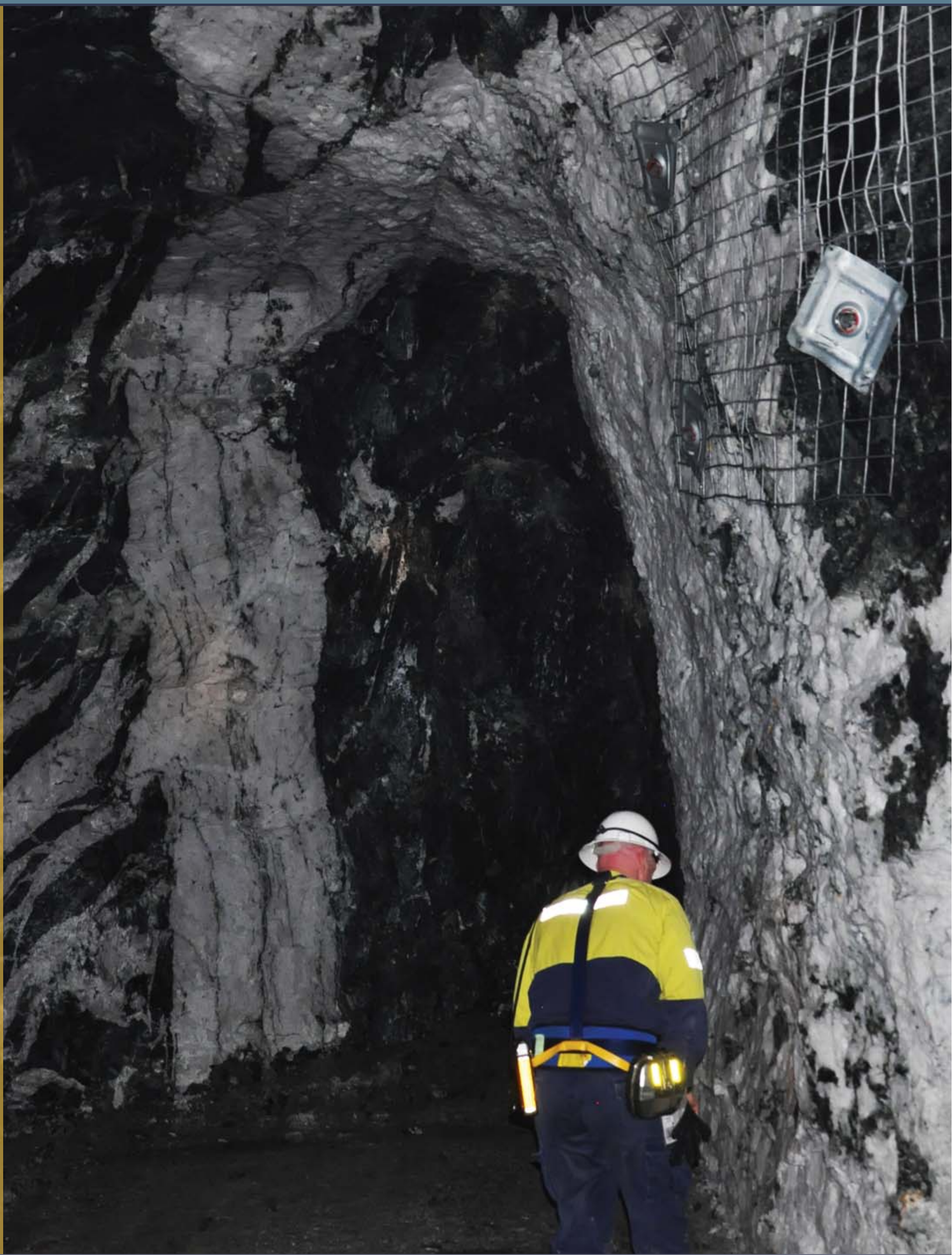
Stock Exchange Listing
The Company's shares are quoted on the Australian Securities Exchange. The Home Exchange is Perth, Western Australia.

ASX Code
AVO – ordinary shares



CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the 2010 Annual Report and Financial Statements of Avoca Resources Limited ("Avoca").

The 2010 financial year was an exceptional year for Avoca. It was the year in which we continued to build the Company, increased our resource and reserve ounces of gold, expanded operations, acquired excellent mining assets that will continue to deliver value for the next decade and we created shareholder value. Avoca is now one of Australia's leading mid-tier gold mining companies and is in an excellent position for continued growth, organically and through corporate acquisition opportunities.

We completed the acquisition of Dioro Resources NL 15 April 2010 and our main priority has since been to integrate the acquired assets under the Avoca umbrella in an orderly and timely fashion and to fast-track the expansion of exploration and mining activities. At the time of writing this report, I can confirm that the integration of the newly acquired assets into Avoca is proceeding extremely well and that significant value both in terms of production and the future extraction of shareholder value is tracking above our original expectation. One of our priorities is to continue to grow the Company's mineral resources and reserves which will extend mine life and continue to build shareholder value. This will also position Avoca for future growth, organically and through potential mergers and or acquisitions.

A good benchmark to determine the success of a resource company is the ability the company has to replenish ounces depleted by mining. The Board is proud to mention that the Avoca Group mineral resource base now stands at 6.7 million ounces with a reserve base at 1.3 million ounces which represents an overall increase in resources of 363 percent since 2009. This outstanding result has been achieved through the combined efforts of our strong management and technically proficient team members who are cohesive as a group and are determined through their efforts and expertise to continue to create value for the Company and its shareholders.

One of Avoca's highlights this year was a recently completed pre-feasibility into the development of the HBJ Superpit, which is expected to deliver 750,000 ounces of gold over nine years. At the time Avoca took control of South Kalgoorlie Operations in February 2010, the published mineral resource at HBJ was 15.7 million tonnes at 1.4g/t for approximately 696,000 ounces of gold. Following a remodelling exercise of all mineralisation at HBJ, the new HBJ mineral resource estimate is 51 million tonnes at 1.8g/t for 3 million ounces, an impressive achievement in such a short time. With the price of gold currently in the high A$1,300oz, there are significant opportunities for the Company going forward.

The Company announced on 8 September 2010 that it had entered into a Merger Implementation Deed with Anatolia Minerals Development Limited ("Anatolia") to combine the two companies to create a new leading intermediate global gold producer. The combined company will be called Alacer Gold Corporation Limited ("Alacer Gold"), bringing together two of the leading junior gold companies in the world.

The Avoca board of directors unanimously supports the Merger and will, in the absence of a superior proposal and subject to an Independent Expert's Report concluding that the Scheme is in the best interests of Avoca shareholders, unanimously recommend that all Avoca shareholders vote in favour of the Scheme at a meeting of shareholders to be scheduled for later this year. On the same basis, each member of the Avoca board of directors intends to vote in favour of the Scheme at the Scheme Meeting in relation to all Avoca shares held or controlled by them. The Avoca Board believes there are compelling reasons to support the merger. The Scheme booklet is expected to be dispatched to shareholders mid-December 2010.

As mentioned previously the Board is intent on building the Company to become a mid-tier gold mining company on the World stage and the opportunity to merge our assets with those of Anatolia and become a global producer at a time when the gold mining industry indicates continued growth looking forward, is an opportunity we believe should not be missed.

In closing, on behalf of the Board, I express our appreciation and extend congratulations to the Avoca team and contractors for their achievements and continued support and commitment and thank our shareholders for their continued support.

Robert Reynolds Chairman

MANAGING DIRECTOR'S REPORT 2010

Dear Fellow Avoca Shareholder,

Welcome to the 2010 Annual Report. It seems that each year when I start out my annual review, I write that the company has had another big year, achieving more than it did in the previous year. The 2010 report is no different, and in fact, in my view, Avoca's 2010 will become known as its watershed year.

Before I outline the Company's achievements in 2010, and the value-accretive opportunities now available to Avoca and its shareholders, it is worth describing just how significant the Company's growth has been since its ASX listing in 2002. This growth is a direct consequence of the work performed by the very talented men and women managing your Company 's assets. Avoca listed on the ASX as a $7 million $0.20 IPO in April 2002, and at the time of writing this review, is a $1 billion ASX200 company with a share price of $3.30.

The 2010 year saw the successful completion of Dioro Exploration NL (**Dioro**) takeover, a process that commenced in April 2009. The Dioro acquisition was a very key part of Avoca's strategy to gain a dominant position on the world famous Kalgoorlie to Norseman gold belt. This belt is only 150km long, hosts over 100 million ounces of gold and has produced continually for over 100 years. It is the richest gold belt in Australia and your Company owns over 6.7 million ounces of gold in mineral resources including 1.3 million ounces of gold in mining reserves, 3,800km^2 of very highly prospective exploration tenure and two processing plants located at Higginsville and at Jubilee. The location of the processing plants is also strategic as they are in such a position as to provide Avoca with an ability to process any gold ores that Avoca does, or may come to own, anywhere along this world class gold belt. The front cover of this year's Annual Report shows the location of the treatment plants and tenement holding between Kalgoorlie and Norseman.

Avoca was able to equity-account for the Dioro production as its own production from February 2010, the month it obtained a 90% interest in Dioro. The full year gold production for the 2010 year therefore increased by the 46,712 ounces produced by the Dioro mines between February and the end of June, to a total of 229,451 ounces on a company-consolidated basis. The full year 2010 production represents a 75% increase on the 2009 production of 131,712 ounces.

The 2010 production performance led to Avoca delivering its inaugural profit of A$57.8 million after tax. It is very pleasing that Avoca has been able to produce its first ever profit in only its second full year of gold production.

At the end of the 2010 financial year, Avoca was the third largest gold producer in Australia, and was forecasting it would become the second largest gold producer in Australia for the 2011 year with an estimated 280,000 ounces of production. This production growth from zero ounces in 2008, to 131,227 ounces in 2009, to 229,451 ounces in 2010 and a forecast 280,000 ounces in 2011 is understood to be one of the industry's best ever known gold production growth rates.

The flagship of the Avoca asset base is the Trident gold mine, located approximately 130km south of Kalgoorlie within the 100% owned Higginsville project. Higginsville poured its first ounce of gold in early July 2008, and by March 2010 had produced its 250,000th ounce of gold.

Trident produced a total of 182,739 ounces in 2010 and will continue as the dominant Avoca producing mine for years to come. The Trident gold mine has developed into a showcase Western Australian underground gold mine and is managed by Avoca's first class team of dedicated professionals. The mine remains one of the largest single source gold producers in Australia and the quality of work that goes into resource definition, mine planning and production execution we believe to be equal to the best in the industry.

Whilst the delivery of gold ore to treatment plant is the "engine room" of the Higginsville operation, there needs to be an equally efficient group of associated functions at site to optimise the physical and financial performance of the operation. These group functions include the Metallurgy, Geology, Maintenance, Administration, Exploration, Safety and Environmental departments. The total Avoca workforce at Higginsville is approximately 120 people, and additionally there are approximately 200 contractors.

During the course of the year at Higginsville, several "firsts" were recorded, including:

- Avoca mined its first open pit at Fairplay Stage 1, producing in excess of the planned mining ounces.
- Avoca constructed and commissioned a crusher upgrade at the Higginsville plant installing a fourth-stage, or quaternary crusher, designed to increase throughput to 1.3 Mtpa.
- The first ore from the Apollo Lodes was mined at Trident during the year.
- The first underground mining reserve at Chalice, located 30km west of Trident, was completed, along with the commencement of dewatering the Chalice open pit.
- Commencement of Lake Cowan open pit optimisations, in an area located 15km north-east of Trident.

The safety performance at Higginsville in 2010 improved on the 2009 year with all major incident frequency rates (lost time, medically treated and minor injury) showing reductions throughout the year, finishing the year at incident-rate lows for each category. This commendable performance has been obtained through specific safety initiatives targeting higher risk periods, such as over the Christmas and New Year periods.

Exploration expenditure at Higginsville was A$14 million for the 2010 year. Significant mineralisation including intersections of 29 metres @ 5.1g/t and 49.5 metres @ 3.5g/t was discovered 500 metres below the current production levels at Trident and 200 metres north of existing mining reserves. As the Trident production advance is in the order of 80 vertical metres per year, the new intersections suggest Trident production continuing for at least another 7 years.

Greenfields exploration at Higginsville focused primarily in the Musket and Musket north areas located 30km south-east of Trident. New shallow mineralisation was discovered at Musket North (eg 3 metres @ 10g/t) and highly encouraging results from very broad spaced drilling in an area never previously explored on Lake Cowan (eg 10 metres @ 1.9g/t from 960 metres x 160 metres grid aircore drilling).

Turning now to the South Kalgoorlie assets acquired from Dioro during the year, being the 49% interest in the high grade Frog's Leg underground gold mine located 20km west of Kalgoorlie, and

MANAGING DIRECTOR'S REPORT 2010

the HBJ open pit gold mine located 30km south of Kalgoorlie, it is here where we believe there is an excellent opportunity to realise a dramatic increase in Avoca's asset-value base.

The HBJ gold deposit has produced 1.6 million ounces of gold over a 24 year mining period. When Avoca acquired HBJ, the remaining mineral resource was 0.7 million ounces. Avoca completed a re-estimation of the existing drill-defined mineralisation of HBJ and concluded that the remaining mineral resource is estimated at 3 million ounces of gold. A subsequent scoping study of a large open pit cut-back demonstrated there is the potential for a 9 year, 15 million tonne for 745,000 ounce open pit. Avoca immediately commenced a detailed feasibility study at delivering a new mining reserve for HBJ. The feasibility study is targeting a 700,000 to 800,000 ounce reserve increase and is scheduled for completion around the end of the 2011 financial year.

The HBJ deposit is one of the better endowed individual gold lodes in the gold fields of Western Australia. The new mineral resource estimate showed that the endowment of HBJ approaches 10,000 ounces per vertical metre in the better drilled areas. There are very few gold deposits in Australia with a better than 10,000 ounce per vertical metre endowment. Avoca believes that in addition to the potential large open pit, there is a strong possibility of a large underground gold mine below the open pit. A key part of the open pit feasibility study is to assess the opportunity for contemporaneous open pit and large volume underground gold mining.

The exploration tenure that was acquired with the Dioro acquisition comprises 1,100km^2 of highly prospective ground located between Kalgoorlie, Coolgardie and Kambalda. There are excellent opportunities for new gold discoveries and the area east of Coolgardie in the Barbara-Surprise-Shirl region will be an exploration focus in the 2011 year.

Total exploration spend for the coming year will be A$27 million with $17 million being spent at Higginsville and $10 million at South Kalgoorlie.

Combining the production centres of South Kalgoorlie and Higginsville is expected to produce an estimated 280,000 ounces of gold in 2011 at a cash operating cost of A$540 per ounce (not including royalties). Avoca believes that with a successful feasibility study of the large HBJ open pit, which may include the construction of a larger +2.4 Mtpa treatment plant, a consolidated production profile of 400,000 ounces of gold by 2013 is possible. Exploration success within the 3,800km^2 project holding could further increase the production profile above 400,000 ounces per annum.

Avoca's Merger of Equals announcement on 8 September 2010 with TSX-listed emerging gold producer Anatolia Minerals Limited ("**Anatolia**") is designed to form a new intermediate global gold producer called Alacer Gold Corporation ("**Alacer**"). I believe the merger presents an excellent and exciting new growth phase available to Avoca and its shareholders.

Anatolia is developing the world-class +6 million ounce Çöpler gold deposit in central-east Turkey. The Çöpler deposit will mine an initial oxide section of the deposit over an 8 year period utilising a standard heap-leach processing technology targeting an average 175,000 ounces of gold per year at a cash operating cost of US$300 per ounce. A large sulphide body of gold mineralisation lies beneath the oxide gold and is currently the

subject of preliminary feasibility studies assessing the potential for an additional 200,000 ounces per annum gold production.

Combining the potential 400,000 ounce annual production profiles from both Avoca's and Anatolia's production centres in Australia and Turkey provides Alacer with a potential 800,000 ounces per annum production profile by 2015.

In addition to the potential 800,000 ounce per annum production profile, Alacer could have an initial mining reserve base of 3.5 million ounces of gold, an additional 12.5 million ounces of resources and an excellent pipeline of high quality exploration projects that each show the potential for stand-alone operations. Alacer will be dual listed on the TSX and ASX, have a greater access to capital markets to pursue growth ambitions, and benefit from the complementary management teams that I am confident will drive a superior growth profile in value creation.

I would like to acknowledge the hard-working efforts of the 20 Avoca employees in the corporate office who comprise the finance, project development, commercial, HR, regional exploration, investor relations, legal counsel, IT and the executive support functions. These employees continue to be a key ingredient to the success of Avoca.

And finally I would extend a thank you to the Avoca shareholders for their continued loyalty and support. Avoca is about to embark on a company-transforming transaction in its merger with Anatolia, and I am confident that the success in the new company will realise Alacer's core goal, which is to grow shareholder value.

I wish you all the best in your respective endeavours over the coming year.

Rohan Williams
Chief Executive Officer and Managing Director

GROUP MINERAL RESOURCES AND RESERVES REVIEW

Total Mineral Resources for the Group, after mining depletion, increased by 363 percent to 6.7 million ounces of gold. Total Ore Reserves after mining depletion increased to 1.3 million ounces.

Mineral Resource and Reserve Classification by Operation

	Higginsville[1]			South Kalgoorlie[2]			Frog's Leg[2]			TOTAL		
	Tonnes (Kt)	**Grade (g/t)**	**Ounces (Koz)**	**Tonnes (Kt)**	**Grade (g/t)**	**Ounces (Koz)**	**Tonnes (Kt)**	**Grade (g/t)**	**Ounces (Koz)**	**Tonnes (Kt)**	**Grade (g/t)**	**Ounces (Koz)**
Proved Reserves	1,669	4.0	216	0	0	0	300	5.5	53	1,969	4.3	269
Probable Reserves	4,342	4.2	587	2,020	1.6	106	2,150	5.0	346	8,512	3.8	1,039
TOTAL RESERVES	6,011	4.2	803	2,020	1.6	106	2,450	5.0	399	10,481	3.9	1,308
Measured Resources	1,998	4.4	283	1,703	2.2	119	490	7.1	111	4,191	3.8	513
Indicated Resources	7,574	3.8	918	35,901	2.1	2,474	1,764	6.7	372	45,239	2.6	3,764
Inferred Resources	4,720	2.4	371	31,118	1.9	1,923	441	5.9	86	36,279	2.0	2,380
TOTAL RESOURCES	14,292	3.4	1,572	68,723	2.0	4,515	2,695	6.6	569	85,710	2.4	6,656

Note:

1). Resources are inclusive of reserves.

2). Information relating to Higginsville Mineral Resources and Ore Reserves are reported from January 2010 (see ASX release 9 June 2010).

3). Information relating to South Kalgoorlie and Frog's Leg (49%) obtained from Dioro Exploration NL Target's Statement dated 2 February 2010 and ASX release dated 15 July 2010.

Note: Some errors may result due to rounding.

Higginsville

Introduction

The Higginsville Operation ("Higginsville") is wholly owned by Avoca and is located between the regional mining centres of Norseman and St Ives in the Eastern Goldfields of Western Australia. Higginsville comprises both open pits and underground mining operations, with the dominant production source being the underground Trident gold mine ("Trident"). (N.B.Avoca acquired the Higginsville project in June 2004 followed by the acquisition of Chalice in 2007 and Two Boys in 2008).

Prior to the acquisition in 2004, the Higginsville goldfield had produced approximately 1.2 million ounces of gold between 1989 and 1999, of which only 50,000 ounces was mined from underground operations. What made the Higginsville Project a compelling acquisition was Avoca's belief that Higginsville had a highly prospective undiscovered endowment of underground gold which at the time of acquisition comprised a mere 5 percent of the total endowment. Avoca's rationale was based on Higginsville sharing the same geology as that seen at the St Ives goldfield, located immediately north of Higginsville, and the Norseman goldfield situated immediately to the south where about 75 percent of all gold produced at St Ives and Norseman is from underground mining.

Avoca's expectation was validated following the Trident underground mine discovery by Avoca in 2004.

For the 2011 financial year, production forecast for the Higginsville operation is 180,000 ounces at a cash cost estimate of $500 per ounce (not including royalties). Avoca's directors remain confident of a ten year mine life for Higginsville.

The Higginsville ore reserve as at January 2010 increased to 803,000 ounces of gold after mining production of 254,000 ounces equating to 1.1 million ounces pre-mined. The Higginsville mineral resource increased to 1.57 million ounces, an increase of 8.6 percent or 124,000 ounces, year-on-year.

Additional reserve increases are anticipated from the existing resource inventories at Trident, Chalice and Lake Cowan with ongoing reserve definition work and exploration at these deposits. Avoca will commence reserve definition studies on newly discovered deposits in the Musket and Two Boys regions during the 2011 financial year.

GROUP MINERAL RESOURCES AND RESERVES REVIEW

Trident

The Trident underground mine was the dominant ore source for production during the year. Trident's year-on-year reserve increased from 581,000 ounces to 602,000 ounces despite 254,000 ounces of production to January 2010.

Trident Reserve Estimates

Trident	Location	Tonnes (Kt)	Grade (g/t)	Ounces (Koz)
Proved	Trident Underground	1,209	5.1	200
Proved	Surface Stockpiles	460	1.1	16
Probable	Trident Underground	2,258	5.3	385
TOTAL RESERVES		**3,927**	**4.8**	**602**

Trident remains the largest contributor to reserves, followed by Chalice, then Fairplay and Lake Cowan. Trident's mineral resource estimate comprises 5.7 million tonnes at 5.1g/t for 939,000 ounces.

South Kalgoorlie Operations

Introduction

On the 12 February 2010, Avoca gained control (85.7%) of Dioro Exploration NL ("Dioro") by way of its second off market offer, Avoca obtained its 90 percent interest in the share capital of Dioro later in February and as provided in the International Financial Reporting Standards ("IFRS") commenced equity accounting of Dioro in that month. On 15 April 2010, the parent entity acquired 100 percent of the issued share capital of Dioro.

The acquisition of Dioro, provides the group with a second 1.2 million tonnes per annum ("mtpa") treatment plant, the Jubilee Treatment Facility together with exposure to open pit operations at South Kalgoorlie Operations ("South Kalgoorlie"), and a 49 percent interest (joint venture) in the Frog's Leg underground gold mine. The combined holding of Avoca and Dioro has resulted in Avoca becoming the largest single company owned tenement package in Australia's richest gold belt, the Kalgoorlie to Norseman belt.

South Kalgoorlie comprises open pit mining operations, the main being the HBJ pit. South Kalgoorlie Operations mineral resource (excluding the 49 percent interest in Frog's Leg) increased 174 percent from 1.6 million ounces to 4.5 million ounces following substantial mineral resource upgrades at HBJ and Mt Marion deposits. The HBJ mineral resource increased from 0.7 million ounces to 3 million ounces, an increase of 335 percent and the Mt Marion mineral resource increased from 25 thousand ounces to 608 thousand ounces, a gain of 2,332 percent.

Frog's Leg (Avoca 49%)

Introduction

Avoca owns a 49 percent interest in the Mungari East Joint Venture (MEJV) which owns the Frog's Leg underground gold mine. The mine is located 20km west of Kalgoorlie and is operated by Avoca's joint venture partner at Frog's Leg, La Mancha Resources Inc. ("La Mancha").

Mining is conducted via an owner-operator arrangement and ore is delivered to the surface ROM pad and released for treatment every two weeks. Avoca trucks its share of the Frog's Leg ore to the Jubilee treatment plant for processing. Mineral resources and reserves information relating to Avoca's interest in the Frog's Leg have been obtained from Dioro Exploration NL Target's Statement dated 2 February 2010. The Frog's Leg mineral resource at February was 560,000 ounces at 6.6g/t which includes 399,000 ounces of ore reserve at 5g/t.

GROUP GOLD PRODUCTION REVIEW

GROUP GOLD PRODUCTION REVIEW

Full year production totalled 229,451 ounces of which Higginsville Operations produced 182,739 ounces and South Kalgoorlie Operations produced 46,712 ounces (after equity accounting production from February 2010 to the period in which Avoca reached percent of the issued capital of Dioro Exploration. The 2009/2010 production represents a 75 percent increase on the 131,227 ounces produced in the 2008/2009 year.

Group Gold Production

Gold Production Performance

		Sept-09	Dec-09	Mar-10	June-10	Total
Ore mined	(tonnes)	281,801	235,438	351,930	470,845	**1,340,014**
Mined grade	(grams/tonne)	5.7	6.2	4.9	4.6	**5.1**
Ore Treated	(tonnes)	314,463	300,030	469,940	607,554	**1,691,987**
Head Grade	(grams/tonne)	5.2	5.3	4.0	3.6	**4.1**
Recovery Rate	(percent)	97	97	95	94	**96**
Gold Produced*	(ounces)	50,584	50,952	60,868	67,047	**229,451**
Gold Sold	($ per ounce)	49,517	52,615	62,422	64,270	**228,824**
Cash Cost	($ per ounce)	428	458	540	641	**526**

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

Higginsville Gold Project

Gold Production Summary

Gold mined and production performance at Higginsville (included Trident) for the twelve months to 30 June 2010 and the four quarters are shown below:

		Sept-09	Dec-09	Mar-10	June-10	Total
Ore mined	(tonnes)	281,801	235,438	287,816	298,513	**1,103,568**
Mined grade	(grams/tonne)	5.7	6.2	4.9	4.2	**5.2**
Ore Treated^	(tonnes)	314,463	300,030	294,698	316,259	**1,225,450**
Head Grade	(grams/tonne)	5.3	5.3	4.7	4.0	**4.8**
Recovery Rate	(percent)	97	97	97	97	**97**
Gold Produced*	(ounces)	50,584	50,952	42,428	38,281	**182,739**
Gold Sold	($ per ounce)	49,517	52,615	45,724	36,694	**184,550**
Cash Cost	($ per ounce)	428	458	492	671	**503**

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

^ Includes ore feed from scats.

GROUP GOLD PRODUCTION REVIEW

GROUP GOLD PRODUCTION REVIEW

During the year total gold sales revenue of $227 million (2009: $146 million) was generated from the sale of 184,550 ounces (2009: 120,861 ounces) recovered from the Higginsville Operations at an average gold price of A$1,230 (2009: A$1,206) per ounce. Gold on hand but not sold at 30 June 2010 was 5,569 ounces (2009: 5,785 ounces). The average cash operating cost for the operation was $503 per ounce (excluding royalty costs of A$142.24 per ounce). The cash cost is inclusive of the costs to treat low grade ore, which made up 11 percent of the processed tones treated during the year.

Total gold production for the year was 182,739 ounces (2009: 131,227 ounces) which comprised 184,329 ounces of recovered bullion, offset by a 1,590 ounce reduction reflecting the change in gold in circuit stocks since 30 June 2009. During the year the Higginsville treatment plant performed better than design on both throughput and recovery measures. Throughput totalled 1,225,450 tonnes of ore and gold recovery achieved was a 97 percent average for the year.

Trident Underground Gold Mine

The Trident gold mine formed the dominant ore source for ore treated during the financial year accounting for in excess of 95 percent of gold ounces produced. Total mine production for the last twelve months was 983,524 tonnes of ore at a grade of 5.5g/t for 174,284 ounces of gold, of which 809,069 tonnes at 5.8g/t for 150,073 ounces of gold was from stoping and 165,666 tonnes at 4.6g/t for 24,211 ounces of gold, was from development. The Western Zone was the dominant source of stoping production with 70 percent, with Athena contributing 24 percent and lesser contributions from the Eastern Zone and the Poseidon lodes.

Breakdown of Trident Production Resources

Financial Year 2010	Tonnes (Kt)	Grade (g/t)	Ounces (Koz)
Stoping			
Western Zone	577,070	5.4	100,050
Athena	199,519	7.0	45,098
Eastern Zone	32,480	4.3	3,654
Poseidon Lodes	8,879	4.5	1,271
Development			
Ore Drives	165,576	4.6	24, 211
Total	**983,524**	**5.5**	**174,284**

Fairplay Open Pit

Additional ore was provided following the commencement at Fairplay which is located 1.3km south of the Higginsville treatment plant in late February. Fairplay is Avoca's first open pit and Stage-1 mining of the pit comprises 115,347 tonnes at 2.2g/t for 8,159 contained ounces of gold. By the end of the 2010 financial year, a total of 120,059 tonnes at 2.3g/t for 8,748 ounces of gold had been mined. By the end of the financial year Avoca had treated 73,267 tonnes at 2.2g/t for 5,244 ounces of gold. The remaining ore will be treated in the 2010/2011 financial year.

South Kalgoorlie Operations

Since the acquisition of Dioro in February 2010 and for the period to 30 June 2010 the South Kalgoorlie Operation continued to receive and treat high grade ore from the Frog's Leg joint venture totalling 144,148 tonnes at 5.3g/t. Mining activities at the Mt Marion open pit were substantially completed having mined high grade ore totalling 77,258 tonnes at 5.5g/t while continuing to process ore from low grade stockpiles. In June 2010, initial waste stripping commenced in the HBJ open pit and 15,034 tonnes at 1.9g/t of high grade ore was mined during this period. The Jubilee Treatment Plant processed 496,408 tonnes at 2.5g/t at a recovery of 90 percent for 44,466 ounces of gold. Gold production including movement in gold in circuit stocks totalled 46,712 ounces. Total gold sales revenue of $57 million was generated from the sale of 44,274 ounces recovered from the South Kalgoorlie Operation at an average gold price of $1,288 per ounce. Gold on hand not sold at 30 June 2010 was 1,909 ounces. The average cash operating cost for the operation since acquisition was $626 per ounce (excluding royalty costs of A$40.34 per ounce).

GROUP PROJECT DEVELOPMENT

The construction and installation of a quaternary crusher at Higginsville Operations was completed at a capital cost of $2.8 million. The upgrade enables the crushing circuit to increase throughput to 1.3 million tonnes per annum.

Lake Cowan Pit Optimisations

Avoca completed open pit optimisation studies, covering the Lake Cowan group of deposits that lie 15km to the north-east of the Higginsville treatment plant. Resources of Lake Cowan deposits total 0.57 million tonnes at 2g/t for 37,000 ounces of contained gold. Optimisation studies will assess whether the resources can be economically mined and treated at the nearby Higginsville treatment plant. There is no Morgan Stanley royalty on the Lake Cowan deposits. The Lake Cowan deposits are situated immediately south of, and along strike to, the St Ives group of deposits being mined by Gold Fields. Given that the Lake Cowan deposits are likely to be part of the St Ives mineralised district, Avoca believes significant exploration opportunities are present within the Lake Cowan tenements. Project work will continue with a view to providing mill feed by June 2011.

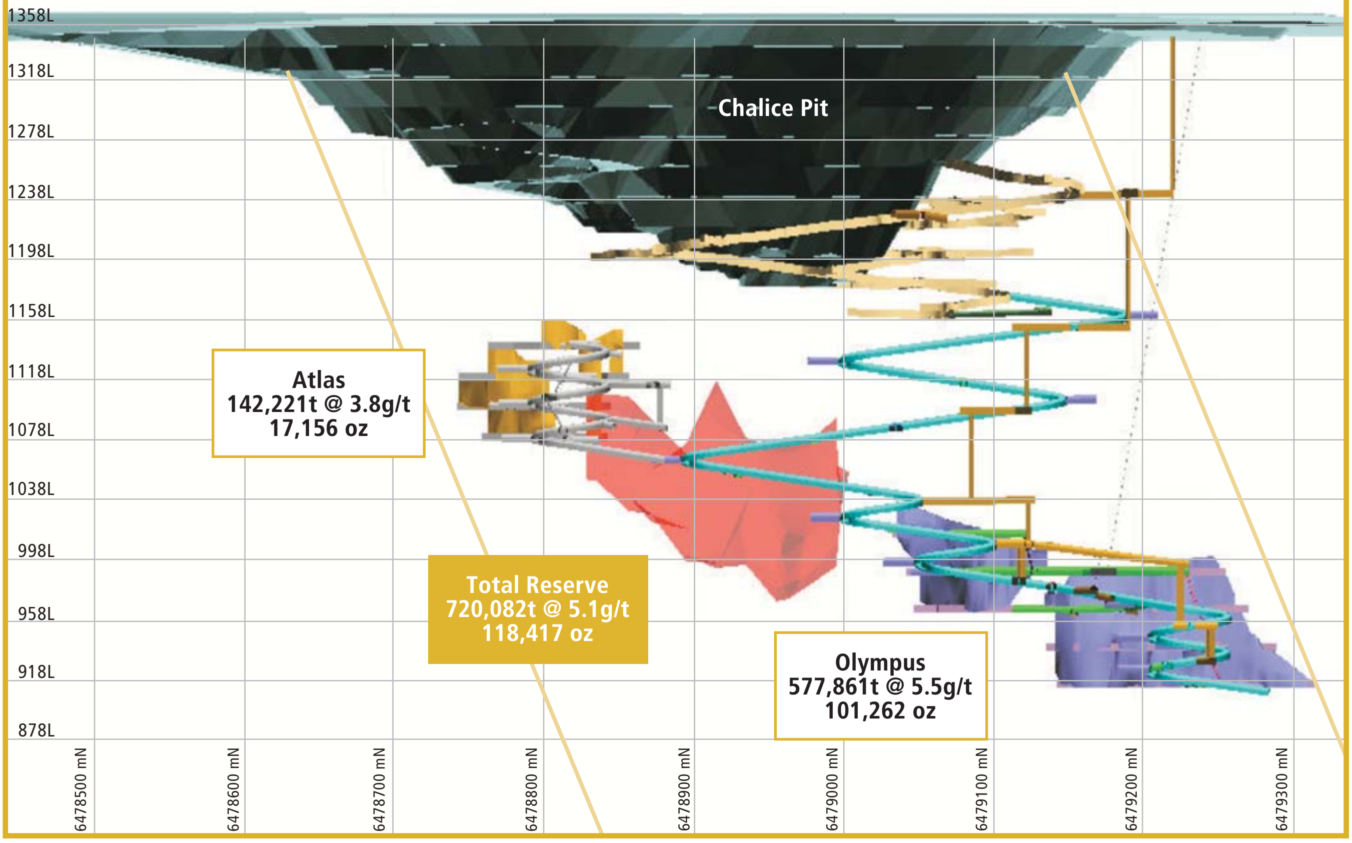
Chalice Underground Gold Project

In the financial year 2009, Avoca completed an in-house pre-feasibility study on Chalice which forms part of the Higginsville project. During the year, Avoca announced that Chalice's initial reserve is estimated to contain 720,000 tonnes of ore at a grade of 5.1g/t for a total of 118,000 ounces of gold, a conversion of indicated resource to reserve of 84 percent.

The mine will be operated as a satellite operation with ore trucked to the Higginsville plant and all personnel housed at the Higginsville camp, located 30km away. Site based operating cash costs are estimated to be A$518 per ounce. There is no Morgan Stanley royalty on the Chalice mine. Life of Mine capital costs are estimated at A$40.0 million. Figure 1 below is a long section showing the underground design layout for the mining reserve. Ongoing hydrological studies to accelerate the dewatering of the Chalice open pit continued during the year.

Figure 1: Long Section of Chalice Underground Mine Design

The Mineral Resource increased to 192Koz, and 84% conversion of Indicated to reserve.



GROUP PROJECT DEVELOPMENT

South Kalgoorlie Project Development

Avoca completed a Mining Scoping Study on a large open pit expansion at HBJ, referred to now as the HBJ Superpit. Whilst not a mining reserve, the results of the Scoping Study show approximately 750,000 ounces of gold from the conceptual open pit.

The HBJ Super pit (potential)

The HBJ deposit and adjacent pits has been mined for over 20 years and has produced approximately 1.6 million ounces of gold. Prior to Avoca acquiring HBJ several companies mined the deposit across the Location 48 and Location 50 tenement (see Figure 2) boundary which bisects the open pit into two halves. Avoca now owns 100 percent of the HBJ deposit.

The deposit lies within the Boulder-Lefroy Fault which is the control for several of Australia's largest gold deposits including the Golden Mile and the St Ives goldfield. The current HBJ open pit (including the northern extension of Muturoo) is developed over 2.6km and has been mined to a maximum depth of 225 metres at its deepest point. The pit lies within a 6.5km zone of mineralisation called the HBJ Line of Lode as shown below. The HBJ Line of Lode extends from Golden Hope in the south to Celebration in the north.

At the time Avoca took control of the South Kalgoorlie Operations in February 2010, the published mineral resource at HBJ was 15.7 million tonnes at 1.4g/t for approximately 696,000 ounces of gold. A compelling reason for Avoca's interest in the proposed development of the HBJ pit was that very few holes had previously been drilled below 400 metres yet, where intersections below 400 metres did occur, the grades and thickness are indicative of underground mining possibilities.

Following a remodelling exercise of all mineralisation at HBJ, the new HBJ mineral resource estimate is 51 million tonnes at 1.8g/t for 3.0 million ounces. Figure 2, below shows the breakdown of the HBJ mineral resource into potential open pit material (above a 0.5g/t cut off) and potential underground material (reported above a 1g/t cut off).

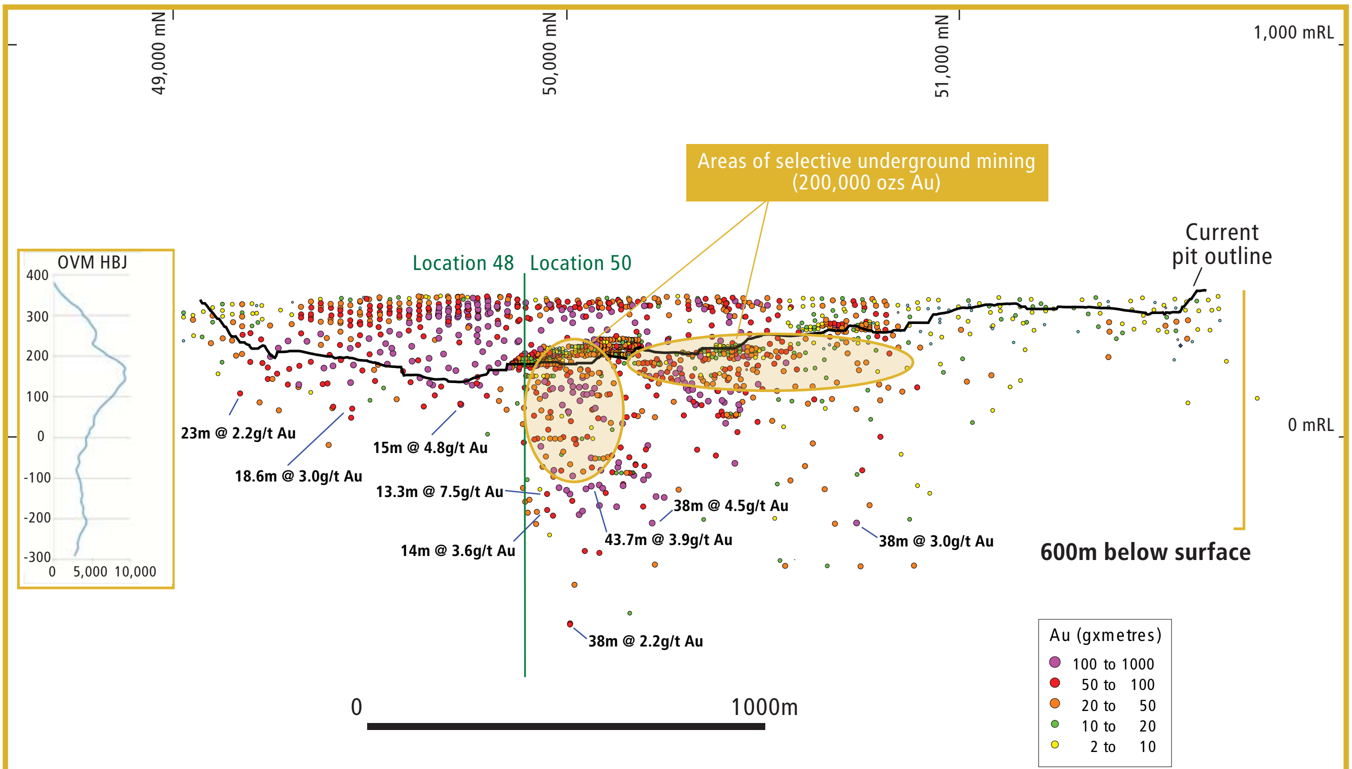


Figure 2: HBJ Long Section: Resource Increase to 3 Million Ounces

-1,000 mRL

This is a long section of the HBJ deposit showing all drill hole intersections that have been colour coded based on the down-hole gram x metres product (eg 38 metres at 4.5g/t is equivalent to 171 gram x metres). Several thick and high grade intersections are also shown along the length of the deposit and it is clear that it remains open at depth along its entire 2.6km length. The diagram also shows the ounces per vertical metre ("OVM") endowment of the HBJ deposit as a histogram on the left hand axis of the figure. The better drilled sections of the deposit show significant vertical extents of up to 10,000 ounces per vertical metre which, in Avoca's view, confirms HBJ as one of the highest individually endowed OVM gold deposits in the Western Australian goldfields.

GROUP PROJECT DEVELOPMENT

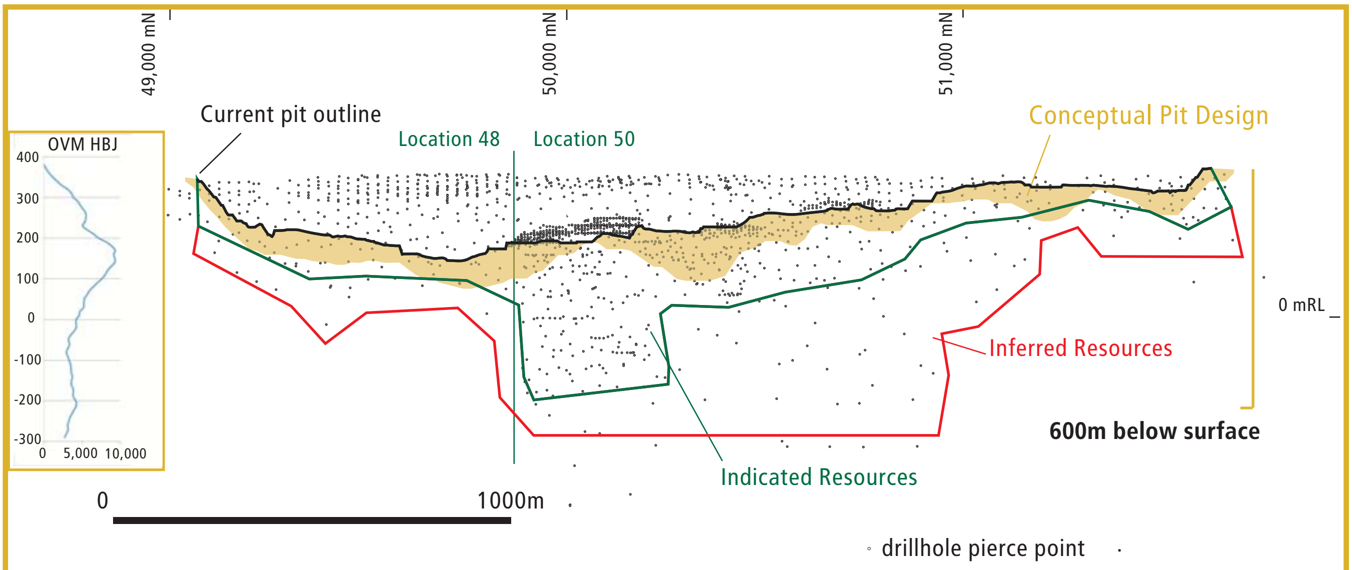
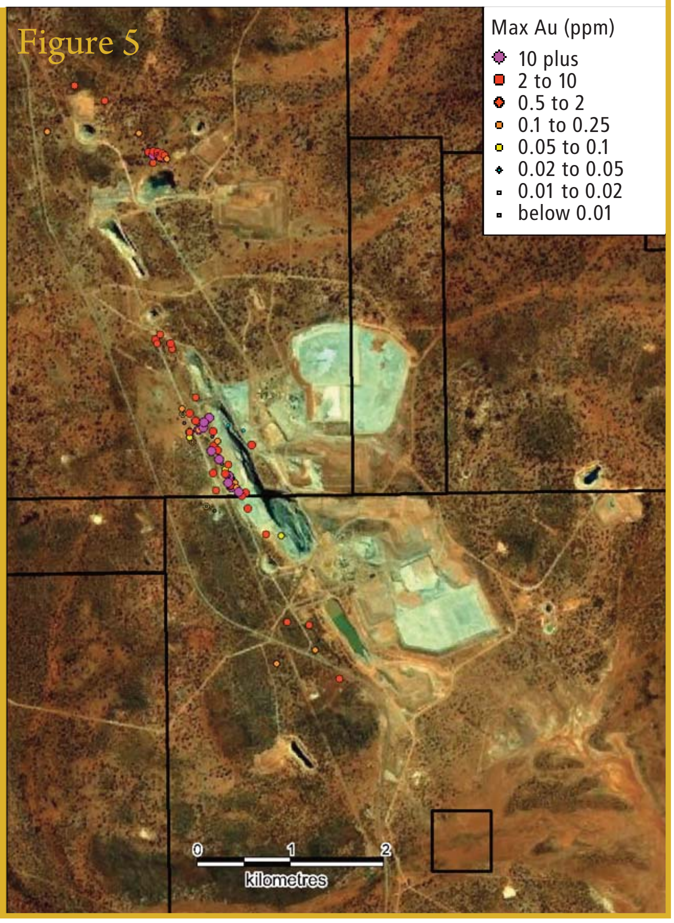


Figure 3: Long section of the HBJ deposit showing the current pit outline (bold black line), the 2.4Mtpa pit shell (gold highlight) – the HBJ Superpit following the Scoping Study; Note almost all the new conceptual pit design lies within the the Indicated Mineral Resource boundary (green line) and the Inferred Mineral Resource boundary (red). Also shown is the location of all HBJ drill hole pierce points (black dots) and therefore the density of drilling that define the Indicated and Inferred Resources.

Comparative satellite images of HBJ showing all drill holes (Figure 4) and only those holes drilled below 400 metres (Figure 5)



GROUP PROJECT DEVELOPMENT

HBJ Scoping Study

Results from the HBJ Scoping Study have demonstrated the potential of 15 million tons of material at 1.5g/t for 750,000 ounces of gold. Currently, 98 percent of mineral resources within the Scoping Study Super pit shell are currently classified as Indicated Mineral Resources (Figure 3 on page 14). The conceptual strip ration is 5:1and the combined operating and capital cost of production is estimated at A$790 per ounce. The project assumes that the Jubilee treatment plant which currently processes 1.2 million tonnes per annum will be increased to 2.4 million tonnes per annum or replaced by a larger plant to achieve revised mill throughput. The mining scope was completed using a $1,200 per ounce gold price. Drilling below the HBJ Superpit shell also demonstrates the potential for an underground mine as exhibited by intersections such as 38 metres at 4.5g/t, 43.7 metres at 3.9g/t 13.3 metres at 7.5g/t and 15 metres at 4.8g/t.

The Mt Marion Deposit

The Mt Marion deposit is located 18km west of HBJ and the Jubilee treatment plant. It mined approximately 650,000 ounces of gold in a 10 year period between 1997 and 2007. The majority of mining focused on the Mt Marion Main Lode (Figure 6: shown as brown in long section), however the Mt Marion West Lode (Figure 6: green) was discovered and mined at a depth of approximately 650 metres below surface. At the time Avoca took control of the South Kalgoorlie Operations in February 2010, the published mineral resource at Mt Marion was 245,000 tonnes at 3.2g/t for 25,000 ounces representing only the crown pillar that was subsequently mined by Avoca in May 2010.

Following a remodelling exercise of remaining mineralisation at Mt Marion, Avoca has re-estimated the remaining mineral resources at Mt Marion to be 5.4 million tonnes at 3.5g/t for 608,000 ounces. The diagram below is a long section view of the Mt Marion deposit showing the extents of underground mining of the Main Lode and West Lode. Further drilling is required to confirm additional resource ounces both up-plunge and down-plunge from known resources.

Frog's Leg Joint Venture

During the year, La Mancha Inc., operator of the Frog's Leg JV commenced a 38,500 metre underground diamond drilling program at Frog's Leg aimed at increasing the Indicated and Inferred resource envelope below current levels. Drilling to date has completed the Rocket South program from drill station one and is over 50 percent complete on drilling the Deep Exploration hole program from drill station 2, both at a 40 by 40 metre drill pattern.

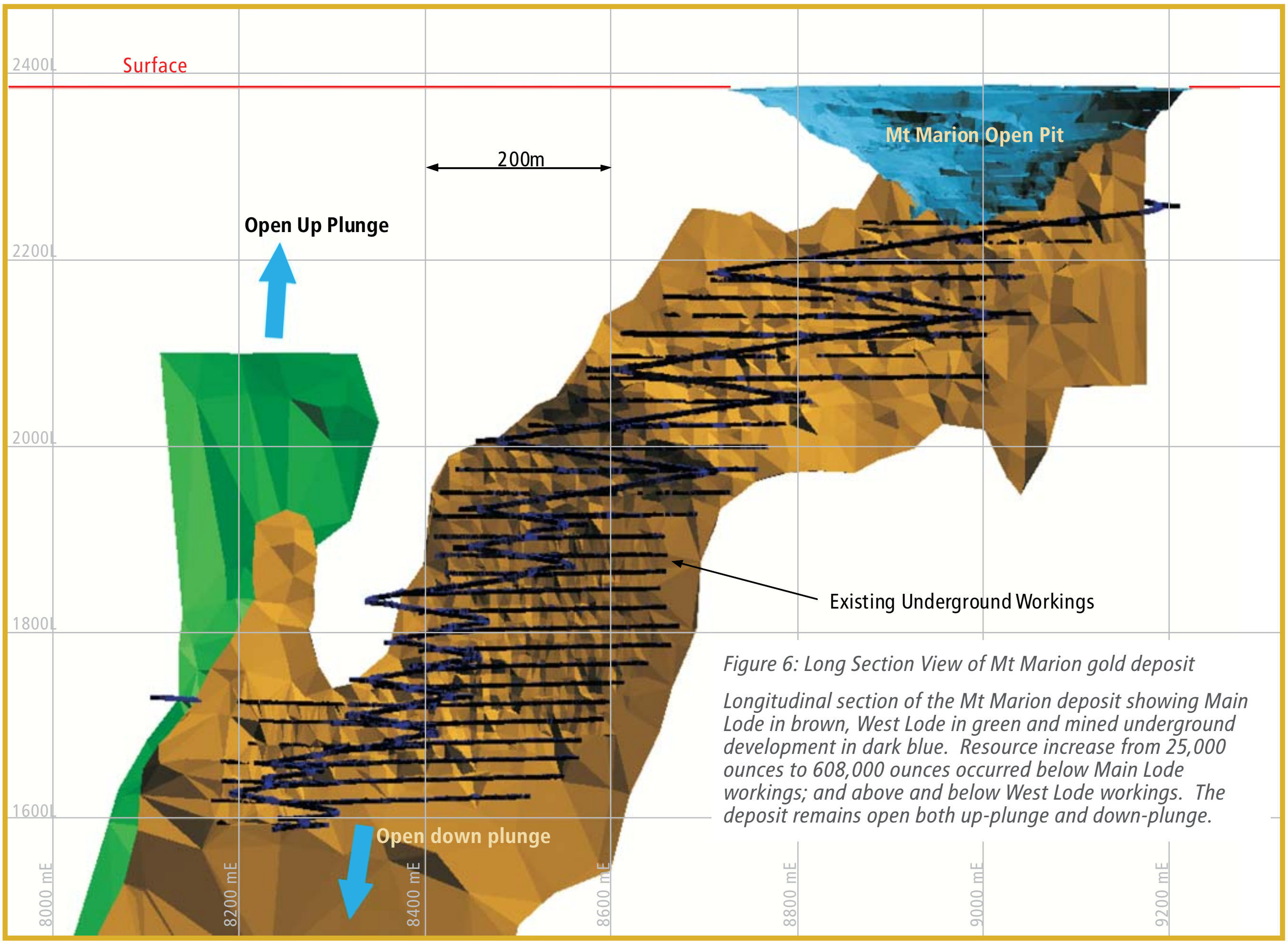


Figure 6: Long Section View of Mt Marion gold deposit

Longitudinal section of the Mt Marion deposit showing Main Lode in brown, West Lode in green and mined underground development in dark blue. Resource increase from 25,000 ounces to 608,000 ounces occurred below Main Lode workings; and above and below West Lode workings. The deposit remains open both up-plunge and down-plunge.

GROUP EXPLORATION REVIEW

Avoca continued its aggressive exploration campaign during 2010. In total 115,193 metres of exploration drilling was carried out. Drilling comprised 32,208 metres of diamond drilling, 49,211 of reverse circulation drilling ("RC") and 33,774 of Aircore and Rotary Air Blast ("RAB") drilling (2009 – 43,828 metres). Expenditure for the year to 30 June 2010, was A$14.1 million.

Higginsville

During the year, diamond drilling focussed at Trident, Chalice and Vine. RC drilling focussed at Vine and Two Boys and commenced at Challenge. Aircore and RAB drilling focussed on the Musket area.

Highlights include;

- Diamond drilling identified a new Western Zone style of mineralisation 200 metres north of the current mineral reserve boundary at Trident. Intersections of 29.1 metres at 5g/t and 49.5 metres at 3.5g/t were returned.
- Shallow drilling at the Vine joint venture (earning 92%) situated 3km south of Trident has confirmed near surface shallow high grade mineralisation. Results include 8 metres at 9.6g/t from 35 metres, 8 metres at 5.9g/t from 14 metres, 3 metres at 12.5g/t from 37 metres and 3 metres at 7.8g/t from 7 metres.

As part of ongoing testing for depth-extensions of the Trident deposit, a parent diamond drillhole (HIGD161) and four daughter diamond drillhole wedges were completed on section 6490130N (see Figure 7 and 8), 200 metres north of the current Trident reserve boundary and 100 metres north of the current Trident Inferred Resource boundary. Significant thick Western Zone style mineralisation was identified in the lowest two holes and included: 62.7 metres at 3.6g/t from 941 metres (HIGD161W2) including 29.1 metres at 5.0g/t, 49.5 metres at 3.5g/t from 990 metres (HIGD161W2D1) including 7.5 metres at 7.1g/t and 11.9 metres at 5.5g/t.

RC drilling discovered a new, shallow high grade ore position near the Two Boys mine. Results include 4 metres at 38.1g/t from 31 metres and 10 metres at 11.3g/t from 24 metres.

Deeper drilling at Chalice and the Vine JV confirmed additions to known mineralisation outside resource with good results including 10 metres at 4.1g/t from 417 metres (Chalice) and 8 metres at 12.2g/t (Vine Joint venture).

Drilling at Musket North identified shallow and continuous mineralisation over 120 metres. Results include 3 metres at 10.6g/t from 115 metres and 3 metres at 5.5g/t from 12 metres.

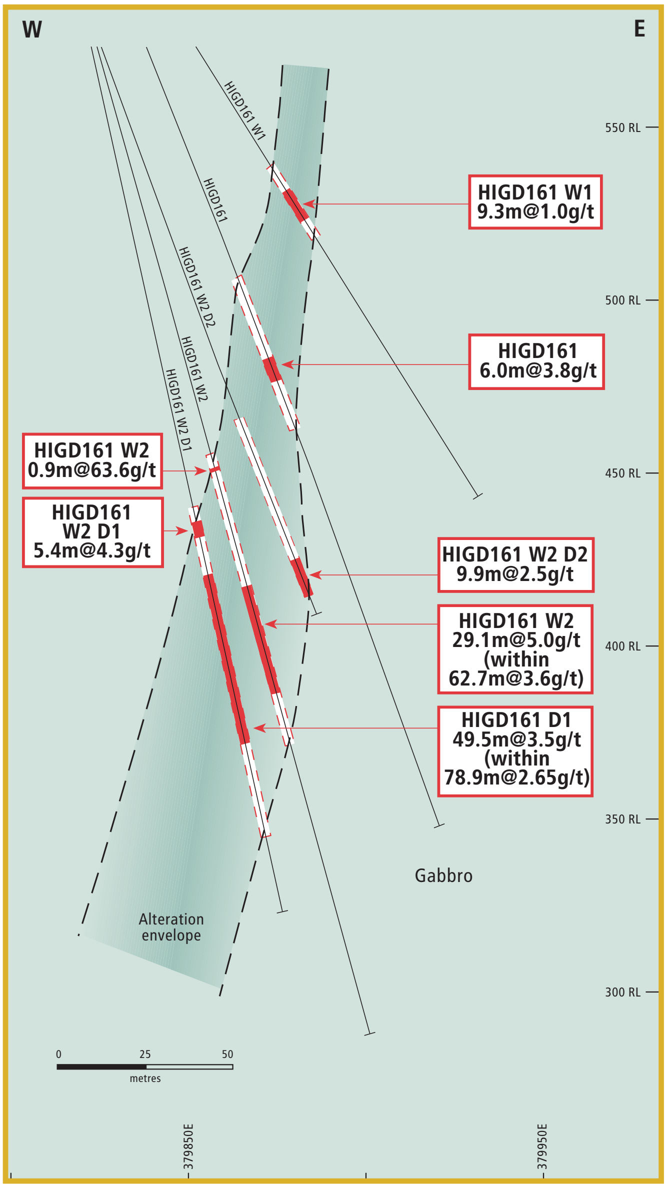


Figure 7: Cross section of Trident at 490130N showing new thick intersections developed along strike of Artemis (see also Figure 8)

GROUP EXPLORATION REVIEW

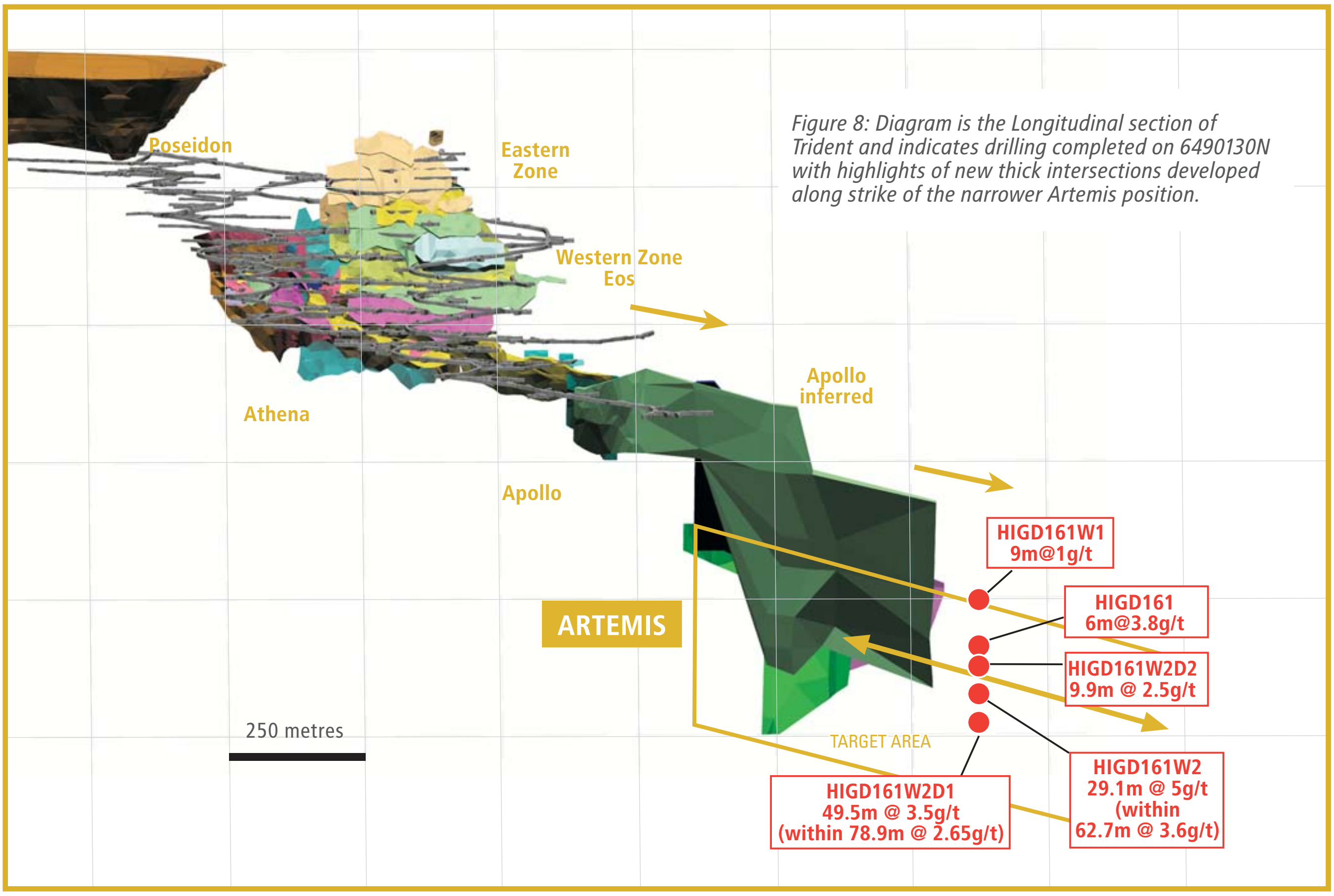


Figure 8: Diagram is the Longitudinal section of Trident and indicates drilling completed on 6490130N with highlights of new thick intersections developed along strike of the narrower Artemis position.

South Kalgoorlie Operations

Exploration Drilling at South Kalgoorlie comprised surface drilling within the reserve pit shell of the planned HBJ North cutback and initially tested extensions at Pit 28 and Barbara.

Eleven holes for 1,225 metres were completed at Pit 28 to increase confidence in the existing block model and to test for possible extensions to the known resource. Results proved highly encouraging, confirming the existing model and identifying the potential for significant westerly extensions. Better results include 14 metres at 3.9g/t from 111 metres, 15 metres at 3.6g/t from 98 metres, 20 metres at 2.7g/t from 107 metres and 2 metres at 7.6g/t from 82 metres.

An initial six hole RC program was designed to further understand the geology and structure of the Barbara mineralisation setting prior to a more aggressive exploration targeting campaign. Drilling confirmed the location of underground workings (voids) while highlighting significant additional ore potential on the margins of the old stopes not mined historically as the cut off grade used in the 1940s and 1950s underground mining was 15g/t gold. Assay results received from near or adjacent to underground mining voids yielded results of 4 metres at 3.4g/t gold from 51 metres in BARBRC003 and 15 metres at 2.0g/t gold from 70 metres and 2 metres at 5.9g/t from 121 metres in BARBRC005.

SUMMARY OF TENEMENTS

SUMMARY OF TENEMENTS

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
Higginsville Project							
E15/740	Avoca Mining	G	100% [1]	M15/620	Avoca Mining	G	100% [1]
E15/786	Avoca	G	100%	M15/629	Avoca Mining	G	100% [1]
E15/787	Avoca	G	100%	M15/639	Avoca Mining	G	100% [1]
E15/793	Avoca	G	100%	M15/640	Avoca Mining	G	100% [1]
E15/808	Avoca	G	100%	M15/642	Avoca Mining	G	100% [1]
E15/810	Avoca	G	100%	M15/665	Avoca Mining	G	100%
E15/821	Avoca Mining	G	100% [1]	M15/680	Avoca Mining	G	100% [1]
E15/822	Avoca Mining	G	100% [1]	M15/681	Avoca Mining	G	100% [1]
E15/828	Avoca Mining	G	100% [1]	M15/682	Avoca Mining	G	100% [1]
E15/829	Avoca Mining	G	100% [1]	M15/683	Avoca Mining	G	100% [1]
E15/838	Avoca Mining	G	100% [1]	M15/684	Avoca Mining	G	100% [1]
E15/846	Avoca	G	100%	M15/685	Avoca Mining	G	100% [1]
E15/860	Avoca Mining	G	100% [1]	M15/748	Resolute/Swagman	G	100%
E15/866	Avoca	G	100%	M15/757	Avoca Mining	G	100%
E15/922	Plasia	G	100%	M15/758	Avoca Mining	G	100%
E15/932	Avoca Mining	G	100% [1]	M15/786	Avoca Mining	G	100% [1]
E15/935	Avoca	G	100%	M15/815	Avoca Mining	G	100% [1]
E15/949	Avoca	G	100%	M15/817	Avoca Mining	G	100% [1]
E15/951	Avoca	G	100%	M15/820	Avoca Mining	G	100% [1]
E15/956	Avoca	G	100%	M15/1790	Chalice Gold	A	100% [1]
E15/1003	Avoca	G	100%	M15/1792	Avoca	A	100%
E15/1037	Avoca	G	100%	M63/647	Avoca	A	100%
E15/1038	Avoca	G	100%	P15/4751	Avoca	G	100%
E15/1081	Avoca	G	100%	P15/4761	Avoca	G	100%
E15/1092	Avoca	A	100%	P15/4786	Avoca Mining	G	100%
E15/1093	Avoca	G	100%	P15/4787	Avoca Mining	G	100%
E15/1094	Avoca	G	100% [1]	P15/4788	Avoca Mining	G	100%
E15/1100	Avoca	G	100%	P15/4808	Avoca Mining	G	100% [1]
E15/1101	Avoca	G	100%	P15/4809	Avoca Mining	G	100% [1]
E15/1115	Avoca	G	100%	P15/4844	Avoca Mining	G	100% [1]
E15/1117	Avoca	G	100%	P15/5375	Avoca	G	100%
E15/1126	Avoca	G	100%	P15/5376	Avoca	G	100%
E15/1132	Avoca	G	100%	P15/5414	Avoca Mining	G	100% [1]
E15/1138	Avoca	A	100%	P15/5415	Avoca Mining	G	100%
E15/1160	Avoca	A	100%	P15/5416	Avoca Mining	G	100% [1]
E15/1168	Avoca	G	100%	P15/5417	Avoca Mining	G	100% [1]
E15/1169	Avoca	G	100%	P15/5418	Avoca Mining	G	100% [1]
E15/1170	Avoca	G	100%	P15/5419	Avoca Mining	G	100% [1]
E15/1180	Avoca	G	100%	P15/5420	Avoca Mining	G	100%
E15/1183	Avoca	G	100%	P15/5421	Avoca Mining	G	100%
E15/1184	Avoca	A	100%	P15/5422	Avoca Mining	G	100%
E15/1197	Avoca	A	100%	P15/5423	Avoca Mining	G	100%
E15/1199	Avoca	A	100%	P15/5424	Avoca Mining	G	100%
E15/1200	Avoca	A	100%	P15/5425	Avoca Mining	G	100% [1]
E15/1203	Avoca	A	100%	P15/5426	Avoca Mining	G	100% [1]
E15/1223	Avoca	A	100%	P15/5427	Avoca Mining	G	100% [1]
E63/856	Avoca	G	100%	P15/5428	Avoca Mining	G	100% [1]
E63/873	Avoca Mining	G	100% [1]	P15/5429	Avoca Mining	G	100% [1]
E63/929	Avoca	G	100%	P15/5430	Avoca Mining	G	100%
E63/937	Avoca	G	100%	P15/5431	Avoca Mining	G	100% [1]
E63/967	Avoca	G	100%	P15/5432	Avoca Mining	G	100% [1]
E63/1051	Avoca	G	100%	P15/5433	Avoca Mining	G	100% [1]
E63/1052	Avoca	G	100%	P15/5434	Avoca Mining	G	100% [1]

SUMMARY OF TENEMENTS

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
Higginsville Project continued							
E63/1053	Avoca	G	100%	P15/5435	Avoca Mining	G	100%
E63/1054	Avoca	G	100%	P15/5436	Avoca Mining	G	100%
E63/1060	Avoca	G	100%	P15/5437	Avoca Mining	G	100%
E63/1064	Avoca	G	100% [1]	P15/5438	Avoca Mining	G	100%
E63/1071	Avoca Mining	G	100% [1]	P15/5439	Avoca Mining	G	100%
E63/1090	Avoca	G	100%	P15/5440	Avoca Mining	G	100%
E63/1112	Avoca	G	100%	P15/5441	Avoca Mining	G	100%
E63/1165	Avoca	G	100%	P15/5444	Avoca Mining	G	100% [1]
E63/1223	Avoca	G	100%	P15/5445	Avoca Mining	G	100% [1]
E63/1335	Avoca	G	100%	P15/5446	Avoca Mining	G	100% [1]
E63/1384	Avoca	G	100%	P15/5492	Avoca Mining	A	100% [1]
G15/19	Chalice Gold	G	100%	P15/5534	Avoca Mining	A	100%
M15/225	Avoca Mining	G	100%	P15/5551	Avoca	A	100% [1]
M15/231	FMR	G	100%	P63/1373	Avoca	G	100%
M15/289	Avoca Mining	G	100%	P63/1732	Avoca	G	100% [1]
M15/31	Avoca Mining	G	100%	P63/1733	Avoca	G	100% [1]
M15/325	Avoca Mining	G	100%	P63/1785	Avoca Mining	G	100% [1]
M15/338	Avoca Mining	G	100% [1]	P15/1786	Avoca Mining	G	100%
M15/348	Avoca Mining	G	100%	P15/1787	Avoca Mining	G	100% [1]
M15/351	Avoca Mining	G	100%	P15/1788	Avoca Mining	G	100% [1]
M15/352	Avoca Mining	G	100% [1]	L15/259	Avoca Mining	G	100%
M15/375	Avoca Mining	G	100% [1]	L15/261	Avoca Mining	G	100%
M15/506	Avoca Mining	G	100%	L15/272	Avoca Mining	G	100%
M15/507	Avoca Mining	G	100% [1]	L15/282	Avoca Mining	G	100%
M15/512	Avoca Mining	G	90%	L15/288	Avoca Mining	G	100%
M15/528	Avoca Mining	G	100%	L15/298	Avoca Mining	G	100%
M15/580	Avoca Mining	G	100% [1]	L15/301	Avoca Mining	A	100%
M15/581	Avoca Mining	G	100% [1]	L15/302	Avoca Mining	A	100%
M15/597	Avoca Mining	G	100%	L15/307	Avoca Mining	A	100%
M15/610	Avoca Mining	G	100%	L15/308	Avoca Mining	A	100%
M15/616	Avoca Mining	G	100%				

1. Panoramic Resources Ltd retains all Nickel rights.
2. Avoca Mining Pty Limited has earned 90% interest in Farm-in Joint Venture Agreement.

Cowarna JV

E25/248	Avoca/Integra	G	10% [3]	E25/297	Avoca/Integra	G	10% [3]
E25/278	Avoca/Integra	G	10% [3]	E28/1559	Avoca/Integra	G	10% [3]

3. Integra Mining Ltd has earned 90% by spending $0.5m. Avoca free carried

Feysville

P26/3464	New Hampton	G	100%	P26/3468	New Hampton	G	100%
P26/3465	New Hampton	G	100%	P26/3469	New Hampton	G	100%
P26/3466	New Hampton	G	100%	P26/3470	New Hampton	G	100%
P26/3467	New Hampton	G	100%	P26/3471	New Hampton	G	100%

Glandore South JV

P25/1925	Solomon/Integra	G	80% [4]	P25/1929	Solomon/Integra	G	80% [4]
P25/1926	Solomon/Integra	G	80% [4]	P25/1930	Solomon/Integra	G	80% [4]
P25/1927	Solomon/Integra	G	80% [4]	P25/1931	Solomon/Integra	G	80% [4]
P25/1928	Solomon/Integra	G	80% [4]				

4. South Kal Mines has earned 80% by spending $0.2m. Integra contributing

SUMMARY OF TENEMENTS

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
Golden Ridge - Boorara							
M26/41	New Hampton	G	100%	M26/534	Haoma	G	100%
M26/433	New Hampton	G	100%	L26/233	New Hampton	G	100%
M26/494	New Hampton	G	100%				
Jimberlana Nickel-PGM Project							
P63/1341	Avoca	G	100%	P63/1451	Avoca	G	100%
P63/1342	Avoca	G	100%	P63/1452	Avoca	G	100%
P63/1343	Avoca	G	100%	P63/1750	Avoca	G	100%
P63/1346	Avoca	G	100%				
Kalbara JV							
M27/181	Dioro/Cove	G	10% [5]				

5. Dioro diluting to 4%

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
Kunderong JV							
E52/1997	Dioro	G	100% [6]	E52/1898	Dioro	G	100% [6]
E52/1896	Dioro	G	100% [6]	E52/1899	Dioro	G	100% [6]
E52/1897	Dioro	G	100% [6]				

6. Vale Exploration earning in on 60% of uranium rights

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
Lake Cowan							
M15/1132	South Kal	G	100%	P15/5163	South Kal	G	100%
M15/1133	South Kal	G	100%	P15/5164	South Kal	G	100%
M15/1134	South Kal	G	100%	L15/233	South Kal	G	100%
M15/1135	South Kal	G	100%				
Lake Greta JV							
E15/634	Gilt Edged	G	24.5% [7]	M15/1741	Gilt Edged	A	24.5% [7]
M15/1408	La Mancha	G	24.5% [7]				

7. Dioro contributing

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
Mt Fisher Gold-Nickel Project							
E53/1061	Avoca	G	100%	E53/1250	Avoca	G	100%
E53/1106	Avoca	G	100%	E53/1386	Avoca	G	100%
E53/1218	Avoca	G	100%	M53/09	Leece	G	100%
E53/1219	Avoca	G	100%				
Mungari							
M15/533	Dioro	G	100%				
Mungari East JV (Frogs Leg)							
E15/863	La Mancha/Dioro	A	49% [7]	M15/1287	La Mancha/Dioro	G	49% [7]
M15/688	La Mancha/Dioro	G	49% [7]	L15/246	Dioro	G	100%
M15/689	La Mancha/Dioro	G	49% [7]	L15/300	Dioro	A	100%
M15/836	La Mancha/Dioro	G	49% [7]	L26/249	Dioro	A	100%
M15/837	La Mancha/Dioro	G	49% [7]	L26/250	Dioro	A	100%
M15/1188	La Mancha/Dioro	G	49% [7]	L26/251	Dioro	A	100%

7. Dioro contributing

SUMMARY OF TENEMENTS

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
Mungari Gold JV							
E15/738	Avoca/La Mancha	G	49% [8]	P15/4825	Avoca/La Mancha	G	49% [8]
E15/934	Avoca/La Mancha	G	49% [8]	P15/4826	Avoca/La Mancha	G	49% [8]
P15/4540	Avoca/La Mancha	G	49% [8]	P15/4827	Avoca/La Mancha	G	49% [8]
P15/4821	Avoca/La Mancha	G	49% [8]	P15/4828	Avoca/La Mancha	G	49% [8]
P15/4822	Avoca/La Mancha	G	49% [8]	P15/5173	La Mancha	G	49% [8]
P15/4823	Avoca/La Mancha	G	49% [8]	P15/5174	La Mancha	G	49% [8]
P15/4824	Avoca/La Mancha	G	49% [8]	P15/5175	La Mancha	G	49% [8]

8. La Mancha Resources Australia Pty Ltd has earned 51% by spending $1.0 million. Avoca diluting from 49%.

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
New Celebration							
E26/122	South Kal	G	100%	P26/3677	South Kal	G	100%
M15/717	South Kal	G	100%	P26/3678	South Kal	G	100%
M26/118	South Kal	G	100%	P26/3525	South Kal	G	100%
M26/143	HBJ Minerals	G	100%	P26/3526	South Kal	G	100%
M26/224	South Kal	G	100%	P26/3527	South Kal	G	100%
M26/493	South Kal	G	100%	P26/3528	South Kal	G	100%
P26/3472	South Kal	G	100%	L15/220	South Kal	G	100%
P26/3473	South Kal	G	100%	L15/221	South Kal	G	100%
P26/3474	South Kal	G	100%	L26/122	South Kal	G	100%
P26/3475	South Kal	G	100%	L26/123	South Kal	G	100%
P26/3676	South Kal	G	100%	L26/214	New Hampton	A	100%
Penfolds							
E15/985	South Kal	G	100% [9]	M26/452	Dioro	G	100% [9]
E15/1211	Dioro	A	100%	M26/482	Dioro	G	100% [9]
M15/456	New Hampton	G	100% [9]	M26/567	Dioro	G	100% [9]
M15/469	Dioro	G	100% [9]	P15/4971	Dioro	G	100%
M15/663	Dioro	G	100%	P15/5049	Dioro	G	100%
M15/721	Dioro	G	100%	P15/5050	Dioro	G	100%
M15/722	Dioro	G	100%	P15/5051	South Kal	G	100% [9]
M15/723	Dioro	G	100%	P15/5130	South Kal	G	100% [9]
M15/724	Dioro	G	100% [9]	P15/5131	South Kal	G	100% [9]
M15/726	Dioro	G	100% [9]	P15/5132	South Kal	G	100%
M15/740	Dioro	G	100%	P26/3499	South Kal	G	100% [9]
M15/747	Dioro	G	100%	P26/3500	South Kal	G	100% [9]
M15/753	South Kal	G	100% [9]	P26/3529	South Kal	G	100% [9]
M15/937	Dioro	G	100% [9]	P26/3530	South Kal	G	100% [9]
M15/938	Dioro	G	100% [9]	P26/3531	South Kal	G	100% [9]
M26/204	Dioro	G	100% [9]	P26/3532	South Kal	G	100% [9]
M26/245	Dioro	G	100% [9]	P26/3533	South Kal	G	100% [9]
M26/328	Dioro	G	100%	L26/248	Dioro	G	100% [9]
M26/441	Dioro	G	100% [9]				

9. Lodestar Minerals Ltd retains all nickel rights.

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
Pokai							
M15/1306	Dioro	A	100%				
Queensland							
P15/4978	Dioro	G	100%				
Rose Hill							
M15/652	Dioro	G	100%	P15/4981	Dioro	G	100%
M15/1204	Dioro	G	100%	P15/4982	Dioro	G	100%
P15/4979	Dioro	G	100%	P15/4983	Dioro	G	100%
P15/4980	Dioro	G	100%	P15/4984	New Hampton	G	100%

SUMMARY OF TENEMENTS

South Laverton Tectonic Zone JV

Tenement Identifier	Registered Holder	Status	Interest Held	Tenement Identifier	Registered Holder	Status	Interest Held
E31/762	Avoca	G	20% [10]	P31/1871	Avoca	G	20% [10]
E31/764	Avoca	G	20% [10]	P31/1872	Avoca	G	20% [10]
E31/765	Avoca	G	20% [10]	P31/1873	Avoca	G	20% [10]
E31/766	Avoca	G	20% [10]	P31/1874	Avoca	G	20% [10]
E31/787	Avoca	G	20% [10]	P31/1875	Avoca	G	20% [10]
E31/788	Avoca	G	20% [10]	P31/1876	Avoca	G	20% [10]
E31/789	Heron	G	20% [10]	P31/1881	Heron	G	20% [10]
E39/1294	Avoca	G	20% [10]	P31/1882	Heron	G	20% [10]
E39/1295	Avoca	G	20% [10]	P31/1887	Avoca	G	20% [10]
E39/1298	Avoca	G	20% 10	P31/1889	Avoca	G	20% [10]
E39/1299	Hawthorn	G	20% [10]	P31/1890	Avoca	G	20% [10]
E39/1300	Hawthorn	G	20% [10]	P31/1891	Avoca	G	20% [10]
E39/1301	Hawthorn	G	20% [10]	P31/1892	Avoca	G	20% [10]
P31/1569	Avoca	G	20% [10]	P31/1894	Avoca	G	20% [10]
P31/1574	Avoca	G	20% [10]	P31/1895	Avoca	G	20% [10]
P31/1575	Avoca	G	20% [10]	P31/1896	Avoca	G	20% [10]
P31/1760	Avoca	G	20% [10]	P39/4596	Avoca	G	20% [10]
P31/1761	Avoca	G	20% [10]	P39/4695	Avoca	G	20% [10]
P31/1762	Avoca	G	20% [10]	P39/4696	Avoca	G	20% [10]
P31/1763	Avoca	G	20% [10]	P39/4698	Avoca	G	20% [10]
P31/1814	Avoca	G	20% [10]	P39/4699	Avoca	G	20% [10]
P31/1865	Avoca	G	20% [10]	P39/4703	Avoca	G	20% [10]
P31/1866	Avoca	G	20% [10]	P39/4704	Hawthorn	G	20% [10]
P31/1867	Avoca	G	20% [10]	P39/4705	Hawthorn	G	20% [10]
P31/1868	Avoca	G	20% [10]	P39/4706	Hawthorn	G	20% [10]
P31/1869	Avoca	G	20% [10]	P39/4707	Hawthorn	G	20% [10]
P31/1870	Avoca	G	20% [10]				

10. Hawthorn Resources Ltd has earned 80% by spending $1.2m. Avoca free carried

Trojan

M25/104	New Hampton	G	100%

Wiluna South Gold-Uranium Project

E53/1232	Avoca	G	100% [11]

11. Encounter Resources Ltd has earned a 60% interest in the uranium rights.

Western Australian Uranium JV

E08/1779	Encounter	G	20% [12]	E38/1784	Encounter	G	20% [12]
E09/1297	Encounter	G	20% [12]	E51/1127	Encounter	G	20% [12]
E29/577	Encounter	G	20% [12]	E53/1158	Encounter	G	20% [12]

12. Avoca diluting from 20%.

A – Applications
G – Granted
Avoca – Avoca Resources Limited
Avoca Mining – Avoca Mining Pty Limited
Chalice – Chalice Gold Mines Ltd {Avoca holds registrable transfer documents}
Cove – Cove Mining Pty Ltd
Dioro – Dioro Exploration NL
Encounter – Encounter Resources Ltd
FMR – FMR Investments Pty Ltd {Avoca holds registrable transfer documents}
Gilt Edge – Gilt-Edged Mining NL
Haoma – Haoma Mining NL
Hawthorn – Hawthorn Resources Limited
Heron – Heron Resources Limited {Avoca holds registrable transfer documents}
HBJ – HBJ Minerals Pty Ltd
La Mancha – La Mancha Resources Australia Pty
New Hampton – New Hampton Goldfields Ltd
Paynter – Mr Noel Arthur Paynter Ltd
Plasia – Plasia Pty Ltd {Avoca holds registrable transfer documents}
Resolute – Resolute Pty Ltd {Avoca holds registrable transfer documents}
Solomon – Solomon (Australia) Pty Ltd
South Kal – South Kal Mines Pty Ltd
Swagman Holdings Pty Ltd

HEALTH, SAFETY AND ENVIRONMENT

HEALTH, SAFETY AND ENVIRONMENT

Health and Safety

Avoca has aa Occupational Health Safety and Environment Committee ("HS&E"). We believe that sound safety and occupational health management practices are in the best interests of our employees, our business, our shareholders and the communities in which we operate.

For us, the only acceptable health and safety goal is to eliminate injury and job-related illness. We believe that this goal is achievable, and progress towards it, enhances both the wellbeing of employees and the success of our operations.

We are committed to performing every job in a safe and healthy manner. Work related injury or illness is unacceptable and we are committed to the identification, elimination or control of workplace hazards for the protection of ourselves and others. Accordingly, we:

- Provide the expertise and resources needed to maintain safe and healthy working environments;
- Establish clearly defined safety and occupational health programs and measure safety and health performance, making improvements as warranted;
- Operate in accordance with recognized industry standards, while complying with all applicable regulations;
- Investigate the causes of accidents and incidents and develop effective and immediate preventative and remedial action;
- Train our employees to carry out their jobs safely and productively;
- Maintain a high degree of emergency preparedness;
- Require that vendors and contractors comply with all applicable safety and health standards.

The HS&E Committee is supported by full-time Occupational, Health and Safety Managers at each of our operations. Independent safety audits are also carried out, focusing on risk assessment and the safety commitment at the operational level.

At the operational level whole of operation risk assessment meetings are held with contributions from management, contractors and operators to systematically identify hazards and methods for improvement.

Environment

We are committed to protecting the environment wherever we are exploring for new resources or developing and operating mines.

This involves integrating environmental priorities into decision-making throughout development and operation. Throughout a mine's life, we aim to meet or surpass its regulatory requirements, and measure its performance with regular site audits. Other priorities include conserving resources, such as water and energy, recycling materials and training employees and contractors. Through comprehensive environmental management, we are committed to ensuring that:

- Environmental effects are being adequately addressed;
- Controls are in place to ensure compliance with environmental policies and obligations;
- Environmental management activities are supported by adequate resources;
- Plans are in place to ensure that the environment is protected for future generations and that the sustainability of nearby communities is safeguarded.

Social Responsibility

Avoca is committed to working closely with the communities we operate in and to comply with all laws and governmental regulations applicable to our activities including maintaining a safe and healthy work environment and conducting our activities in full compliance with all applicable environmental laws.

The information in this report which relates to the Mineral Resources is based on information compiled by Rohan Williams, Dan Baldwin, Louw Smith and Chris Newman, all full time employees of Avoca Resources Limited and who are Members of the Australasian Institute of Mining and Metallurgy. Messrs Williams, Baldwin, Smith and Newman have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Messrs Williams, Baldwin, Smith and Newman consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information in this report which relates to the Mining Reserves is based on information compiled by Tony James, a full time employee of Avoca Resources Limited and who is a Member of the Australasian Institute of Mining and Metallurgy. Mr James has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr James consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

CORPORATE GOVERNANCE STATEMENT 2010

Avoca Resources Limited and its Controlled Entity ABN 30 097 083 282

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 mining, 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 the performance of management against approved strategies;
- Reviewing 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;
- Reviewing and ratifying 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 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.

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 implementing 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.

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 its 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 Reynolds), Mr Quinlivan, Mr Castro and Ms Unwin are Non-Executive Directors. The Board has assessed the independence of the Non-Executive Directors according to the definition contained within the ASX Corporate Governance Guidelines. The Non-Executive Directors other than Mr Castro are considered to be independent at the date of this report.

The Board considers that the current structure complies with the ASX Corporate Governance Council Recommendation 2.1.

As 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.

1. Board of Directors (continued)

1.2 Composition of the Board (continued)

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 their 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 themself 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. Directors are encouraged to attend professional education courses relevant to their roles.

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 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.

This prohibition applies regardless of how the employee or Director learns the information.

1. Board of Directors (continued)

1.4 Board Policies (continued)

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 Assurances by Managing Director and Chief Financial Officer ("CFO")

In accordance with recommendation 7.3 of the Corporate Governance Guidelines, the Board has received assurances from the Managing Director and CFO that the Section 295A declaration is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material aspects in relation to financial risks.

2. Board Committees

The Board has formally established the following committees:

- Occupational Health Safety and Environment
- Audit
- Remuneration
- Risk and Governance

In conjunction with the above committees, the Board 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 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.

In addition to the activities of the committees, the full Board currently holds meetings at such times as necessary to address any general or specific matters as required.

As the Company's activities increase in size, scope and nature, the adequacy of separate or special committees will be reviewed by the Board and changes implemented if appropriate.

2.1 Occupational Health Safety and Environment Committee

The Company recognised the need for a separate committee reflecting the transition from explorer to gold producer which involved the development and management of an operational mine site. The committee's charter is available on the Company's website.

2.2 Audit Committee

The Board has established an audit committee which operates under a charter approved by the Board. The Board delegates to the audit committee to deal with the issues and responsibilities so as to ensure the integrity of the financial statements of the Company and the independence of the external auditor. The audit committee reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements, and in accordance, reports to the Board in its entirety.

The audit committee 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.

2.3 Remuneration Committee

The Board has established a remuneration committee, which operates under a charter approved by the Board. The committee's charter is available on the Company's website.

The responsibilities of the remuneration committee 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 the Managing Director's 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 comprise the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- incentive pay linked to performance;
- statutory superannuation; and
- participation in relevant Avoca employee equity plans.

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 improve Company performance.

The objective of this remuneration structure is therefore 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 14 November 2007 and is currently an amount not exceeding $500,000 per annum. Remuneration received by all of the Company's Directors is disclosed in the Directors' Report.

2.4 Risk and Governance Committee

The Board, whilst remaining responsible for establishing policies on risk oversight and management, has delegated the function to this sub-committee.

2.5 Nomination Committee

The Company does not have a nomination committee because the Board considers that such a committee would not be a more efficient mechanism than the full Board for focusing the Company on such 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 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.

2. Board Committees (continued)

2.5 Nomination Committee (continued)

Although there is no specific process of Director selection detailed in a policy on deciding to appoint a Director to the Board, the Board evaluates its skill needs and assesses nominees against a range of specific criteria including their experience, professional skills, potential conflicts of interest, the requirement for independence and the existing collective experience of the Board.

2.6 Committee Membership and Attendance

Details on the membership, director qualifications, number of meetings of the respective committees and each director's attendance at those meetings are set out in the Director's Report.

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;
- 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; **
- will not take advantage of Company property or use such property for personal gain or to compete with the Company; **
- will protect and ensure the efficient use of the Company's assets for legitimate business purposes; **
- 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; **
- will encourage the reporting of unlawful/unethical behaviour and actively promote ethical behaviour and protection for those who report violations in good faith; **
- 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*) (** 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 have regard to the environment and workplace safety;
- exercise fairness, courtesy and respect 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:

3. Ethical Standards (continued)

3.2 Code of Ethics and Conduct (continued)

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 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 employees to have regard for the environment when carrying out their jobs;
- encourages 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 which has been provided by employees and investors confidential, 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 their 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 his 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, the 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 to be 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 Chief Financial Officer 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 Budget Plan presented to the Board by the Managing Director each year, and are monitored on an ongoing basis by management.

Arrangements put in place by the Board to monitor risk management include monthly reporting to the Board in respect to all aspects of the Company's operations and the financial position of the Company. The Company also has policies in place to deal with risks in the areas of health and safety, environment and employee relations.

In conjunction with the development of the Company's risk management system, the Company has adopted a formal risk policy.

5. Risk Management (continued)

5.2 Integrity of Financial Reporting

The Company's Managing Director and Chief Financial Officer 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. Further, the Audit Committee meets with the external auditor at least twice a year.

5.4 Risk Management System

The Company with the assistance of independent professional advisors has established processes and structures and promotes a culture that together focus on the effective management of risk. A Risk Management Framework has been developed that defines how the organisation manages risk. This framework is based on concepts and principles identified in the Australian/New Zealand Standard on Risk Management (4360:2004).

A risk profile has been developed that considers risks from all areas of the business, and that also incorporates the following:

- The cause(s) and consequence(s) of specific material risks.
- Key controls that are in place to mitigate and manage each risk.
- An assessment of the effectiveness of each control.
- Identification of additional action that will be taken to further mitigate the risk.
- Identification of who is responsible for managing each risk, its controls and any further actions.

In addition, the Group has established a formal risk management system under which reports will be provided to the Risk and Governance Committee.

6. Performance Review

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

During the year ended 30 June 2010 this process included the completion of individual questionnaires focused on Board process, effectiveness and structure including the effectiveness and contribution made by each Director. The responses are collated and discussed with a view to considering recommendations for improvement.

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. During the financial year the Company reviewed the performance of the Managing Director and senior executives based on the process disclosed above.

ASX Corporate Governance Principles and Recommendations

The Company is committed to implementing high standards of corporate governance. In determining what those high standards should involve, the Company has turned to the ASX Corporate Governance Principles and Recommendations.

On 8 September 2010 the Company announced a proposed merger of equals with Anatolia Minerals Development Company Limited a TSX listed company. In the event the merger of the two entities proceeds the merged entity's board will undertake a review of corporate governance policies, procedures and board committee composition.

The Company is pleased to advise that its practices are largely consistent with those of the ASX guidelines. 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;
- Audit Committee Charter;
- Remuneration Committee Charter;
- Occupational Health Safety and Environment Committee 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;
- Summary of Company Code of Ethics and Conduct; and
- Summary of Risk Management Policy.

CORPORATE GOVERNANCE STATEMENT 2010

Explanations for Departures from Best Practice Recommendations
During the financial year the Company has complied with the majority of the Eight 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 below:

1. Role of the Board and Management

Council Principle 1:

Lay solid foundations for management and oversight

Council Recommendation 1.1:
Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.
The Company complies with this recommendation. Refer Section 1.1 and 1.3 of the Corporate Governance Statement.

Council Recommendation 1.2:
Companies should disclose the process for evaluating the performance of senior executives.
The Company complies with this recommendation. Refer Section 6 of the Corporate Governance Statement and the Remuneration Report contained within the Director's Report.

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 complies 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, Ms Unwin and Mr Quinlivan.

At present the Company believes that the individuals on the Board can make, and do make, quality and independent judgements 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 to justify appointing additional independent Non-Executive Directors. However as the Company moves forward this consideration will be reviewed.

Council Recommendation 2.2:
The chair 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 chair 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. As 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.

Council Recommendation 2.5:
Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.
During the financial year, the Company did undertake a formal evaluation process of the Board, its committees and individual directors. As such the Company does comply with this recommendation. Refer Section 6 of the Corporate Governance Statement.

3. Ethical and Responsible Decision-making

Council Principle 3:

Promote ethical and responsible decision-making

Council Recommendation 3.1:
Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- *the practices necessary to maintain confidence in the Company's integrity;*
- *the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and*
- *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:
Companies should establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.
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:
The Board should establish an audit committee.
The Company complies with this recommendation. Refer Section 2.2 of the Corporate Governance Statement.

Council Recommendation 4.2:
The audit committee should be structured so that it:
- consists of only non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent chair, who is not chair of the Board;
- has at least three members.

4. Integrity of Financial Reporting (continued)

Council Principle 4:

Safeguard integrity in financial reporting (continued)

Given the size and composition of the Board the audit committee comprises of two independent nonexecutive directors (Mr R Reynolds and Mr D Quinlivan) and one non independent non-executive director (Mr J Castro). The audit committee chairperson (Mr D Quinlivan) is an independent nonexecutive director.

Council Recommendation 4.3:

The audit committee should have a formal charter.

The Company has adopted a formal charter, which is available on the Company's website.

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:

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements, and to ensure accountability at a senior management level for that compliance and disclose those policies or a summary of those policies.

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:

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Company complies with this recommendation. Refer Section 4.2 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:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Board delegates day-to-day management of risks to the managing director, chief financial officer and senior executives who are responsible for implementing and maintaining a framework of control and accountability systems to enable risk to be assessed and managed.,In conjunction with the development of the Company's risk management system, the Company has adopted a formal risk policy. Refer Section 5 of the Corporate Governance Statement. A copy of this policy is available on the Company's website.

Council Recommendation 7.2:

The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The Board has responsibility for the monitoring of risk management. During the course of the financial year with the assistance of professional advisors a formal risk management and internal control system to manage the Company's material business risks has been established As at the end of the 2010 financial year management had not formally reported to the Board against the risk management system and thereby does not comply with Recommendation 7.2 of the Corporate Governance Council The company expects to be able to comply with this requirement for the 2011 financial year. Refer Section 5.4 of the Corporate Governance Statement.

Council Recommendation 7.3:

The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Company complies with this requirement. Refer to Section 1.4.7 of the Corporate Governance Statement. During the financial year, the Board has received such a statement.

8. Remunerate Fairly and Responsibly

Council Principle 8:

Remunerate Fairly and Responsibly

Council Recommendation 8.1:

The Board should establish a remuneration committee.

The Company complies with this recommendation. Refer Section 2.3 of the Corporate Governance Statement. The Company has adopted a formal charter, a copy of which is available on the Company's website.

Council Recommendation 8.2:

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The Company complies with this recommendation. Refer Sections 2.3 of the Corporate Governance Statement and Remuneration Report contained in the Director's Report included in the Company's Annual Financial Statements.

DIRECTORS' REPORT

The Directors present their report on the Consolidated Entity consisting of Avoca Resources Limited and the entities it controlled at the end of, or during the year ended 30 June 2010.

Directors

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

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

Principal activities

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

a) Mining and treatment of gold bearing ore at the Higginsville Gold Project, and at the South Kalgoorlie Operation.

b) Mineral exploration and development in Western Australia.

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

During the year Avoca Resources Limited acquired a 100% interest in Dioro Exploration NL, a mining company whose operations comprise of an open pit mining operation at South Kalgoorlie, a 1.2mtpa treatment plant (Jubilee Treatment Plant) and a (49% non-operating) joint venture interest in the Frog's Leg underground gold mine.

The Higginsville Gold Project successfully commissioned the Trident paste plant in the period to September 2009 and completed a major crusher upgrade in June 2010.

Dividends

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

Review of operations

Operating result for the period

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

Consolidated	2010 $'000	2009 $'000
Operating Profit/(Loss) from continuing operations before tax	**66,414**	(23,244)
Income tax benefit/(expense)	**(8,625)**	6,974
Net Profit/(Loss) after tax attributable to members of the company	**57,789**	(16,270)

Financial Performance

Higginsville Operation

Mining operations from the Trident underground ore-body continued during the year with an ongoing focus on extending decline and level development as well as optimising stope production areas. Total high grade ore mined from stopes (83% of high grade tonnes mined) and development activities (17% of high grade tonnes mined) for the year was 983,524 tonnes at a grade of 5.5g/t (2009: 950,373 tonnes at a grade of 4.2g/t). Mining activities during the year were undertaken on the following lodes, with the respective contribution to mined high grade ore tonnes being: Western Zone 59%, Athena 20%, development/other 18% and Eastern Zone 3%. Mining commenced and finished during the year at the Fairplay open pit. High grade ore mined from this open pit totalled 120,050 tonnes at a grade of 2.3g/t.

Total gold sales revenue of $227.2 million (2009: $145.8 million) was generated from the sale of 184,550 ounces (2009: 120,861 ounces) recovered from the Higginsville Gold Project at an average gold price of A$1,230 (2009: A$1,206) per ounce. Gold on hand not sold at 30 June 2010 was 5,569 ounces (2009: 5,785 ounces).

The average cash operating cost for the operation was $503 per ounce (excluding royalty costs). This cash cost is inclusive of the costs to treat low grade ore, which made up 11% of the processed tonnes treated during the year.

Total gold production for the year was 182,739 ounces (2009: 131,227 ounces) which comprised 184,329 ounces of recovered bullion, offset by a 1,590 ounce reduction reflecting the change in gold in circuit stocks since 30 June 2009. During the year the Higginsville treatment plant performed better than design on both throughput and recovery measures. Actual throughput totalled 1,195,579 tonnes of ore at a grade of 4.8g/t (2009: 1,106,705 tonnes at a grade of 3.8g/t) and actual gold recovery achieved was a 97% average for the year.

During the year, the Higginsville Gold Project successfully commissioned the Trident Paste Plant in the period to September 2009. Construction was completed on time and approximately $1.5 million under budget. The operational performance of the plant post commissioning has achieved design expectations.

A crusher upgrade commenced during the year and was completed by 30 June 2010. The upgrade increases the crushing circuit design capability allowing mill throughput to be sustained at rates up to 1.3mpta. The upgrade also provides increased availability to perform planned maintenance on the crushing system.

Dioro Exploration NL / South Kalgoorlie Operation

On 12 February 2010, Avoca Resources Limited gained control (85.7%) of Dioro Exploration NL by way of its second off market offer to purchase all the shares from the remaining shareholders of Dioro Exploration NL. On 15 April 2010, the parent entity acquired 100% of the issued share capital of Dioro Exploration NL. The acquisition of Dioro Exploration NL, provides the group with a second 1.2mtpa treatment plant, the Jubilee Treatment Facility together with exposure to open pit operations at South Kalgoorlie and a 49% interest (joint venture) in the Frog's Leg underground gold mine. The group is currently working through an assessment of various mining opportunities at the South Kalgoorlie Operation with a view to finding and developing a long term high grade feed source for the Jubilee Treatment Plant.

Financial Performance (continued)

Dioro Exploration NL / South Kalgoorlie Operation (continued)

Since acquisition and for the period to 30 June 2010 the South Kalgoorlie Operation continued to receive and treat high grade ore from the Frog's Leg joint venture totalling 144,148 tonnes at 5.3g/t. It substantially completed mining activities at the Mt Marion open pit having mined for the period high grade ore totalling 77,258 tonnes at 5.5g/t and continued to process ore from low grade stockpiles. In June 2010, initial waste stripping commenced in the HBJ open pit and 15,034 tonnes at 1.9g/t of high grade ore was mined during this period. The Jubilee Treatment Plant processed 496,408t at 2.5g/t at a recovery rate of 90% to recover 44,466 ounces of gold. Gold production including movement in gold in circuit stocks totalled 46,712 ounces.

Total gold sales revenue of $57.0 million was generated from the sale of 44,274 ounces recovered from the South Kalgoorlie Operation at an average gold price of A$1,288 per ounce. Gold on hand not sold at 30 June 2010 was 1,909 ounces.

The average cash operating cost for the operation since acquisition was $626 per ounce (excluding royalty costs) which reflects the grade of the different ore sources feeding the treatment plant during the period – high grade ore 4.0g/t to +5.0g/t from Frog's Leg and Mt Marion, and low grade stockpiles +0.8g/t which was processed during the period as top up feed.

Consolidated Result

A summary of the group production performance for the year ended 30 June 2010 is provided in the following table.

2010		Qtr Sep-09	Qtr Dec-09	Qtr Mar-10	Qtr Jun-10	FY 2010
Ore mined	(tonnes)	281,801	235,438	351,930	470,845	1,340,014
Mined grade	(g/t)	5.7	6.2	4.9	4.6	5.1
Ore treated	(tonnes)	314,463	300,030	469,940	607,554	1,691,987
Head grade	(g/t)	5.2	5.3	4.0	3.6	4.1
Recovery	(%)	97	97	95	94	96
Ounces produced*	(oz)	50,584	50,952	60,868	67,047	229,451
Ounces sold	(oz)	49,517	52,615	62,422	64,270	228,824
Cash cost#	($/oz)	428	458	540	641	526

2009		Qtr Sep-08	Qtr Dec-08	Qtr Mar-09	Qtr Jun-09	FY 2009
Ore mined	(tonnes)	165,639	242,655	274,630	267,449	950,373
Mined grade	(g/t)	3.8	3.5	3.5	5.8	4.2
Ore treated	(tonnes)	251,635	264,415	289,620	301,035	1,106,705
Head grade	(g/t)	2.9	3.3	3.2	5.5	3.8
Recovery	(%)	97	97	97	98	97
Ounces produced*	(oz)	21,766	27,856	28,802	52,803	131,227
Ounces sold	(oz)	19,786	25,556	29,022	46,497	120,861
Cash cost#	($/oz)	-	-	762	442	-

* Ounces produced is gold poured, and includes gold-in-circuit stocks at year-end.
\# Cash costs do not include royalties.

Financial Performance (continued)

Consolidated Result (continued)

Other income totalled $24.85 million (2009: $0.40 million). The increase from the previous year primarily relates to the equity gain on acquisition totalling $18.50 million which resulted from the stepped acquisition of Dioro Exploration NL. Other income also included the gain on disposal of shares held in Rex Minerals Limited, which totalled $5.95 million.

Mining and employee benefit costs expensed to the income statement totalled $123.35 million (2009: $93.43 million), the increase from the previous year largely reflecting the inclusion of operations acquired during the year for the first time.

Capitalised exploration costs written off to the income statement in the year totalled $4.31 million (2009: $0.51 million). The write-off on account of tenements acquired from Dioro Exploration NL total $3.0 million. The balance of the write-off reflects the suspension of exploration activities on non-core or inactive tenements outside of the Higginsville region.

Corporate administration costs for the year totalled $3.23 million (2009: $2.26 million), which included expenses related to the corporate office, compliance costs, operations support and technical services. The increase in costs from the previous year largely reflects costs associated with the integration and closure of the Dioro Exploration NL corporate office.

Depreciation and amortisation of fixed assets and capitalised mine development totalled $74.40 million (2009: $42.37 million) for the year. The higher depreciation and amortisation charge in the year was attributable to the acquired operations at South Kalgoorlie, including amortisation charges of $10.89 million on account of mining operations at Mt Marion that commenced post acquisition and were substantially completed by 30 June 2010. Amortisation charges are also included for Frog's Leg Joint Venture assets acquired at fair value totalling $10.96 million.

Net finance costs reduced to $7.25 million (2009: $9.32 million) in the year mainly due to the reduced level of drawn senior debt, and the impact from the conversion of convertible bonds. Total scheduled senior debt repayments during the year amounted to $25.0 million, decreasing the senior debt borrowings at 30 June 2010 to $36.0 million (2009: $61.0 million).

Expenses (excluding interest costs) charged to the income statement in the year as a result of the Company's deferred premium gold put option program totalled $2.32 million (2009: $9.48 million). The valuation of this asset was determined using a Black-Scholes valuation model and was impacted during the year by changes in option volatility, forward gold prices and forward interest rates. Cash payments made on account of the deferred premium gold put option program totalled $5.01 million for the year (2009: $4.58 million).

Net profits totalling $6.59 million (2009: Nil) have been recognised by the Company during the period 1 July 2009 to 12 February 2010 as a result of the company holding a minority interest in Dioro Exploration NL. These profits have been accounted for using the equity method of accounting.

Acquisition costs associated with the Dioro Exploration NL off-market takeover offer which were expensed in the year totalled $6.01 million (2009: $0.58 million).

Financial position

As at 30 June 2010 the Consolidated Entity's net asset position increased to $268.86 million (2009: $157.28 million). Net assets acquired at fair value as a result of the acquisition of Dioro Exploration NL totalled $115.62 million at 12 February 2010.

Current assets increased to $69.05 million (2009: $47.85 million) mainly due to a higher inventory balance. Over the year, inventories increased to $19.61 million (2009: $5.67 million) mainly as a result of higher stocks of bullion on hand not sold at balance date, 7,478 ounces (2009: 5,785 ounces) together with the acquisition of ROM stocks and consumable stores at the South Kalgoorlie Operation, at 30 June 2010 the value of acquired inventories totalled $6.88 million. Cash increased as a result of operating cash flow contributions from the Higginsville project and South Kalgoorlie Operation. Cash acquired during the year totalled $9.9 million. The $4.33 million increase in receivables is largely due to GST refunds that were collected after 30 June 2010.

Total non-current assets increased to $345.17 million (2009: $239.56 million). The increase was largely attributable to acquired mine properties, plant and equipment and acquired exploration assets, which collectively totalled $122.46 million, being the assets fair value as at 12 February 2010 (date of acquisition). Exploration expenditure on tenements located within the Higginsville region totalled $12.41 million. Available-for-sale financial assets decreased by $8.17 million as a result of the sale of shares held in Rex Minerals Limited totalling $1.35 million and the inclusion of Dioro Exploration NL and its subsidiaries into the financial results of the Consolidated Entity which was previously held as an investment, totalling $6.82 million.

Current liabilities increased to $98.07 million (2009: $56.46 million). The increase is attributable to the restatement of senior debt borrowings from a non-current liability to current liability totalling $36.00 million (2009: $20.00 million), recognising the current nature of the scheduled senior debt repayments due in the 2011 financial year. Repayment of senior debt borrowings during the year totalled $25.00 million (2009: $5.00 million). Trade creditor and accrued expenses increased by $23.53 million following the consolidation of liabilities acquired from the acquisition of Dioro Exploration NL.

Non-current liabilities decreased to $47.30 million (2009: $73.67 million) due mainly to the recognition of scheduled senior debt repayments in current liabilities totalling $36.00 million. Provisions increased largely as a result of acquired rehabilitation provisions for the South Kalgoorlie Operations and Frog's Leg Joint Venture, this totalled $14.57 million.

The Avoca Group has a working capital deficiency at balance date of $29.01 million (2009: $8.61 million) mainly due to the reclassification of scheduled senior debt repayments from non-current borrowings to current borrowings totalling $36.0 million. The debt repayment schedule comprises a $20.0 million repayment in September 2010 and a $16.0 million repayment in March 2011 being the final scheduled repayment under the senior debt facility. At balance date, there were 5,235 ounces of produced gold in circuit and 7,478 ounces of gold bullion on hand not sold. The sale value (fair value) of this gold using spot gold price at balance date is $18.5 million. Net of recorded inventory costs, the improvement in current assets as a result of the sale of this gold is $8.7 million.

Financial Performance (continued)

Financial position (continued)

The Group is forecasting to generate and have access to sufficient operating cash flows from its three operating projects, the Higginsville Gold Project, South Kalgoorlie Operation and the Frog's Leg Joint Venture, over the 2010/2011 financial year to settle these repayments and maintain appropriate working capital funding capacity. The Directors are confident that the operations will achieve production and output forecasts.

Cash flows

At 30 June 2010 the Consolidated Entity had $42.55 million (2009: $38.95 million) in cash and cash equivalents on hand. Available undrawn senior debt funding was $1.69 million (2009: $1.16 million) at balance date. Bullion on hand not sold at balance date comprised 7,478 ounces which had an estimated sale value of $10.86 million. As a result of the above, available funding lines at balance date totalled $55.1 million.

Cash flow from operating activities for the year was $124.76 million (2009: $51.93 million). The increase reflects higher current year gold sales when compared to the prior year, 228,824 ounces (2009: 120,861 ounces). This is primarily due to the Higginsville Gold Project operating at full operating capacity post commissioning for the entire year together with the sale of gold from the acquired South Kalgoorlie Operation and Frog's Leg Joint Venture, which contributed 44,274 ounces of gold sales post acquisition. Average gold price per ounce sold for the year increased from the prior year, A$1,241 per ounce (2009: A$1,164 per ounce). Payments to suppliers and employees increased to $172.70 million (2009: $97.71 million) which is largely the result of payments for operational expenditure incurred following the acquisition and consolidation of operations acquired through the Dioro Exploration NL takeover. Interest received increased to $1.50 million (2009: $0.66 million) as a result of maintaining higher cash on hand balances during the year, together with receiving increased interest rates on term deposits.

Cash flow used in investing activities amounted to $84.49 million (2009: $63.20 million) and was mainly incurred in the following areas:

- Mine development and infrastructure expenditure at Higginsville - $33.56 million
- Purchase of property, plant and equipment, principally at Higginsville - $24.53 million
- Surface exploration expenditure - $18.60 million
- Cash payments for the acquisition of Dioro Exploration NL net of cash acquired - $14.41 million.

Mine development activities at Higginsville focused on the continuation of decline development, level development, mine infrastructure (including paste fill activities), grade control and extensional drilling within the Trident ore body. Property, plant and equipment expenditures include the construction costs for the Trident Paste Plant, paste reticulation setup and Crusher upgrade costs totalling $12.85 million. Surface exploration expenditure was mainly focused on regional tenements in the Higginsville region, including work undertaken on Chalice, Musket, Fairplay, Two Boys, and Vine JV prospect.

Cash flow from financing activities totalled $36.67 million outflow (2009: $48.66 million inflow) which during the year included net proceeds from capital raisings and issue of shares (net of costs) of $2.06 million, (2009: $29.45 million). There were no senior debt draw downs during the year (2009: $23.0 million) and scheduled senior debt repayments totalled $30.33 million (2009: $5.0 million).

Significant changes in the state of affairs

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

Higginsville Gold Project

During the year the Higginsville Gold Project successfully commissioned the Trident Paste Plant in the period to September 2009. Construction was completed on time and approximately $1.5 million under budget. The operational performance of the plant post commissioning has achieved design expectations.

A crusher upgrade commenced during the year and was completed by 30 June 2010. The upgrade increases the crushing circuit design capability allowing mill throughput to be sustained at rates up to 1.3mtpa. The upgrade also provides increased availability to perform planned maintenance on the crushing system.

Dioro Exploration NL takeover offer

On the 12 February 2010, Avoca Resources Limited gained control (85.7%) of Dioro Exploration NL by way of its second off-market offer to purchase all the shares from the remaining shareholders of Dioro Exploration NL. On 15 April 2010, the parent entity acquired 100% of the issued share capital of Dioro Exploration NL. The acquisition of Dioro Exploration NL, provides the group with a second 1.2mtpa treatment plant, the Jubilee Treatment Facility together with exposure to open pit operations at South Kalgoorlie and a 49% interest (joint venture) in the Frog's Leg underground gold mine. The group is currently working through an assessment of various mining opportunities at the South Kalgoorlie Operation with a view to finding and developing a long term high grade feed source for the Jubilee Treatment Plant.

Operating Result for the year

The Consolidated Entity reported a net profit for the year of $57.79 million, which increased retained earnings to $29.91 million.

Matters subsequent to the end of the financial year

On the 8 September 2010 Avoca Resources Limited ("Avoca") and Anatolia Minerals Development Limited ("Anatolia") a TSX listed company announced that they have entered into a Merger Implementation Deed to combine the two companies to create a new leading intermediate global gold producer. The combined company will be called Alacer Gold Corp.

Under the terms of the merger, which is to be structured as a scheme of arrangement under Australian law between Avoca and its shareholders (the "Scheme"), each Avoca shareholder will receive 0.4453 Anatolia common shares for each Avoca ordinary share they hold in consideration for the transfer of those Avoca shares to Anatolia (the "Merger"). Unless an Avoca shareholder otherwise elects, the Anatolia consideration shares will take the form of CHESS depositary interests which Anatolia will apply to have listed on the ASX. Upon completion of the Merger, existing Avoca and Anatolia shareholders will own approximately 50% and 50% of Alacer Gold, respectively.

Under the Merger Implementation Deed, a transaction break fee of A$10 million can be imposed on Avoca or Anatolia should either party fail to comply with certain conditions under this deed.

On 29 September 2010, Avoca Resources Limited announced the full conversion of all remaining convertible bonds to ordinary shares. The A$20 million in bonds to be converted will result in the issue of 11,487,649 ordinary shares.

Matters subsequent to the end of the financial year (continued)

Other than the above no other matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

a) The Group's operations in future financial years, or

b) The results of those operations in future financial years, or

c) The Groups state of affairs in future financial years.

Likely developments and expected results of operations

Since 30 June 2010, Avoca Mining Pty Ltd has continued to mine and treat ore at its Higginsville Gold Project at the required rates. HBJ Minerals Pty Ltd the operator of the South Kalgoorlie Project continues to assess regional mining opportunities with a view to finding and developing a long term high grade feed source for the Jubilee Treatment Plant. The Group will continue its ongoing focus on exploration and evaluation activities within the Higginsville and South Kalgoorlie regions. Further exploration work will be undertaken on the Trident ore body and HBJ open pit, to increase the reserve and resource inventory and to investigate extensions to those ore bodies.

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

Environmental regulation and performance

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

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

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

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

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

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

Information on Directors

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

Robert G Reynolds – CA, MAICD, MAIMM

Chairman – Non-Executive. Age 62

Experience and expertise

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

Other current directorships in public companies

Mr Reynolds holds directorships in Global GeoScience Limited (director since 2007) an ASX listed company, Exeter Resource Corporation (director since 2007) and Extorre Gold Mines Limited, both listed on the TSX, and Rugby Mining Ltd (director since 2007) listed on the TSX-V.

Former directorships in last 3 years

None.

Special responsibilities

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

Interests in shares and options

2,587,501 ordinary shares in Avoca Resources Limited

Rohan I Williams – B.Sc (Hons), MAIMM

Managing Director – Executive. Age 45

Experience and expertise

Mr Williams is a Geologist with over 20 years experience. Prior to joining Avoca Resources Limited as its founding Managing Director and CEO, Mr Williams was Chief Geologist of WMC Limited's St Ives Gold Operation. Mr Williams' previous exploration successes include the 1 million ounces Belleisle gold deposit at St Ives Gold, the Daisy gold deposit at Central Norseman Gold Corporation and the Coronet Nickel Mine at Kambalda Nickel Operations.

Other current directorships in public companies

Mr Williams holds no other directorships of listed companies.

Former directorships in last 3 years

None.

Interests in Share and Options

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

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

Stephanie J Unwin – LLB, B.Econ

Director - Non-Executive. Age 39

Experience and expertise

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

Information on Directors (continued)

Other current directorships in public companies

Ms Unwin holds no other directorships of listed companies.

Former directorships in last 3 years

None.

Special responsibilities

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

Interests in Share and Options

300,865 ordinary shares in Avoca Resources Limited.

No options over ordinary shares in Avoca Resources Limited.

David F Quinlivan – BSc (Mining) (AWASM), FAIMM, CP Min, ASIA, SIA

Director - Non-Executive. Age 55

Experience and expertise

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

Other current directorships in public companies

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

Former directorships in last 3 years

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

Special responsibilities

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

Interests in Share and Options

No options over ordinary shares in Avoca Resources Limited.

300,000 ordinary shares in Avoca Resources Limited.

Jan A Castro – JD, BA, MAICD

Director - Non-Executive. Age 42

Experience and expertise

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

Other current directorships in public companies

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

Former directorships in last 3 years

CoalCorp Mining Inc - Resigned 27 February, 2010

Crowflight Minerals Inc - Resigned 1 April 2010

Special responsibilities

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

Interests in Share and Options

No ordinary shares in Avoca Resources Limited.

No options over ordinary shares in Avoca Resources Limited.

Company Secretary

The Company Secretary is Mr Kevin Hart CA

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

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

Meetings of directors

The number of meetings of the Company's Board of Directors and each Board committee held during the year ended 30 June 2010 and the number of meetings attended by each Director was:

			Meetings of Committees							
	Full Meetings of Directors		Audit		Occupational Health, Safety & Environment		Remuneration		Risk & Governance	
Director	A	B	A	B	A	B	A	B	A	B
Robert G Reynolds	12	12	2	3	*	*	2	2	*	*
Rohan I Williams *	12	12	*	*	*	*	*	*	*	*
Stephanie J Unwin	12	12	*	*	3	3	2	2	2	2
David F Quinlivan	12	12	2	3	3	3	*	*	*	*
Jan A Castro	12	12	3	3	*	*	*	*	2	2

A Number of meetings attended
B Number of meetings held during the time the Director held office or was a member of the committee during the year.
* Not a member of the relevant committee

Remuneration Report

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

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Share-based compensation

E Additional information

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

A Principles used to determine the nature and amount of remuneration

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

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

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

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

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

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

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

Non-executive Directors

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

Total remuneration for all non-executive directors was last voted upon by shareholders on 14 November 2007, whereby it is not to exceed $500,000 per annum. Non-executive directors do not receive bonuses.

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

Executive Pay

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

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

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

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

Base Pay

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

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

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

Benefits

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

Superannuation

Retirement benefits are paid to complying superannuation funds nominated by the executives. During the period ended 30 June 2010, the Company contribution rate ranged from 9% to 11% of ordinary time earnings.

Remuneration Report (continued)

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

Short-term incentives

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

- At the date of this report the Company has entered into an agreement with the Managing Director which includes a performance based component. Upon meeting certain key performance criteria set by the Chairman and the Board, the Managing Director can earn up to 50% of his base salary as a short-term cash incentive.
- The Board acting in its sole discretion can issue short-term cash incentives to any Avoca employee upon the successful meeting of company performance targets.

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

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

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

Long-term incentives

Long-term incentives are provided to certain employees via the Avoca Resources Limited Directors, Officers, Employees and other permitted persons Option Plan, see page 44 for further information.

B Details of remuneration

Amounts of remuneration

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

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

- A P James - Operations Manager
- G A Dyker - Chief Financial Officer
- L Smith - General Manager Commercial (commenced 14 December 2009)
- J Rezos - Legal Counsel (commenced 31 March 2010)

Year ended 30 June 2010	Short-term employee benefits			Post-employment benefits	Long-term payments	Share-based payments	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Long service leave $	Options $	Total $
Non-executive directors							
RG Reynolds (Chairman)	120,000	-	-	13,200	-	-	133,200
SJ Unwin	55,000	-	-	6,050	-	-	61,050
DF Quinlivan	55,000	-	-	6,050	-	-	61,050
JA Castro	55,000	-	-	-	-	-	55,000
Sub-total non-executive directors	**285,000**	**-**	**-**	**25,300**	**-**	**-**	**310,300**
Managing Director							
R I Williams ^	557,750	262,358	-	25,000	20,257	130,114	995,479
Other senior executives							
AP James^	316,325	50,000	-	25,000	10,166	47,182	448,673
GA Dyker^	306,477	60,000	-	24,996	10,896	86,120	488,489
L Smith^#1	141,689	-	-	12,903	3,545	16,725	174,863
J Rezos^#2	62,500	-	-	6,875	1,563	16,725	87,662
Total key management personnel	**1,669,741**	**372,358**	**-**	**120,074**	**46,427**	**296,865**	**2,505,466**

#1 Mr L Smith commenced employment with Avoca Resources Limited on 14 December 2009
#2 Ms J Rezos commenced employment with Avoca Resources Limited on 31 March 2010
^ Executives of consolidated and Parent company
* Executive of the Company

Remuneration Report (continued)

B Details of remuneration (continued)

Year ended 30 June 2009	Short-term employee benefits			Post-employment benefits	Long-term payments	Share-based payments	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Long service leave $	Options $	Total $
Non-executive directors							
RG Reynolds (Chairman)	120,000	-	-	13,200	-	-	133,200
SJ Unwin	55,000	-	-	6,050	-	-	61,050
DF Quinlivan	55,000	-	-	6,050	-	-	61,050
JA Castro	55,000	-	-	-	-	-	55,000
Sub-total non-executive directors	**285,000**	**-**	**-**	**25,300**	**-**	**-**	**310,300**
Managing Director R I Williams ^	525,001	-	-	68,750	13,944	139,453	747,148
Other senior executives							
AP James ^	300,000	-	-	33,000	7,700	27,921	368,621
GA Dyker ^	280,000	-	-	35,933	7,145	111,609	434,688
M Haugg #4 *	45,833	-	-	5,042	1,064	5,692	57,631
S Roesler #3 *	134,976	-	-	12,925	-	-	147,901
Total key management personnel	**1,570,811**	**-**	**-**	**180,950**	**29,853**	**284,675**	**2,066,289**

#3 Mr S Roesler terminated employment with Avoca Resources Limited on 31 December 2008
#4 Mr M Haugg commenced employment with Avoca Resources Limited on 1 May 2009
^ Executives of consolidated and Parent company
* Executive of the Company

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

	Fixed remuneration		At risk - STI (1)		At risk - LTI (2)	
Name	2010	2009	2010	2009	2010	2009
Executive directors of Avoca Resources Limited RI Williams	61%	81%	26%	-	13%	19%
Other key management personnel of the Group AP James	78%	92%	-	-	11%	8%
GA Dyker	70%	74%	12%	-	18%	26%
L Smith	90%	-	0%	-	10%	-
J Rezos	81%	-	0%	-	19%	-
M Haugg	-	90%	-	-	-	10%
S Roesler	-	100%	-	-	-	-

(1) At risk - Short-term Incentives includes cash bonus paid during financial year
(2) At risk - Long-term Incentives includes share options amortised during financial year

Remuneration Report (continued)

C Service agreements

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

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

R I Williams, Managing Director

- Term of agreement – no fixed term commencing 4 November 2002.
- Base salary, inclusive of superannuation, for the year ended 30 June 2010 of $582,750 to be reviewed annually by the remuneration committee.
- Performance based component – upon meeting certain key performance criteria set by the Chairman and the Board, the Managing Director can earn up to 50% of his base salary as a short-term cash incentive.
- Termination notice – two months notice.
- Payment of a termination benefit by the employer, other than amongst other things for gross misconduct is equal to the payment limit set by Sub-section 200G of the Corporations Act 2001.

A P James, Operations Manager

- Term of agreement – no fixed term commencing 6 March 2006.
- Base salary, inclusive of superannuation, for the year ended 30 June 2010 of $349,650 to be reviewed annually by the remuneration committee.
- Termination notice provided by the Company – two months notice.
- Termination notice provided by the Executive – two months notice.

G A Dyker, Chief Financial Officer

- Term of agreement – no fixed term commencing 1 July 2007.
- Base salary, inclusive of superannuation, for the year ended 30 June 2010 of $341,880 to be reviewed annually by the remuneration committee.
- Termination notice provided by the Company – two months notice.
- Termination notice provided by the Executive – two months notice.

L Smith, General Manager Commercial

- Term of agreement – no fixed term commencing 14 December 2009.
- Base salary, inclusive of superannuation, for the year ended 30 June 2010 of $310,800 to be reviewed annually by the remuneration committee.
- Termination notice provided by the Company – two months notice.
- Termination notice provided by the Executive – two months notice.

J Rezos, Legal Counsel

- Term of agreement – no fixed term commencing 31 March 2010.
- Base salary, inclusive of superannuation, for the year ended 30 June 2010 of $277,500 to be reviewed annually by the remuneration committee.
- Termination notice provided by the Company – two months notice.
- Termination notice provided by the Executive – two months notice.

Remuneration Report (continued)

D Share-based compensation

Options

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

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

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

Grant Date	Date vested & exercisable	Expiry Date	Exercise price	Value per option at date of grant *
09-Jul-07	09-Jul-09	30-Jun-12	$1.64	$0.43
09-Jul-07	09-Jul-10	30-Jun-12	$1.76	$0.40
09-Jul-07	09-Jul-11	30-Jun-12	$1.84	$0.38
21-Nov-08	21-Nov-10	31-Oct-13	$1.41	$0.63
17-Dec-08	17-Dec-10	30-Nov-13	$2.23	$0.76
15-Jun-09	15-Jun-11	30-Jun-14	$2.23	$0.80
15-Jun-09	15-Jun-12	30-Jun-14	$2.42	$0.77
22-Apr-10	30-Jun-12	30-Jun-15	$2.50	$0.91
22-Apr-10	30-Jun-13	30-Jun-15	$2.70	$0.89

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

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

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

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

Details of options over ordinary shares in the company provided as remuneration to each director of Avoca Resources Limited and each of the key management personnel of the parent entity and the Group are set out below. When exercisable, each option is convertible into one ordinary share of Avoca Resources Limited. Further information on the options is set out in Note 26 to the financial statements.

	Number of options granted during the year		Number of options vested during the year	
Name	**2010**	2009	**2010**	2009
Directors of Avoca Resources Limited				
R G Reynolds	-	-	-	-
S J Unwin	-	-	-	-
D F Quinlivan	-	-	-	-
J A Castro	-	-	-	-
R I Williams (2)	-	200,000	300,000	-
Other key management personnel of the Group				
A P James (1)	-	150,000	-	-
G A Dyker (1)	-	150,000	-	-
M Haugg (3-4)	-	400,000	-	-
L Smith (A-B)	250,000	-	-	-
J Rezos (A-B)	250,000	-	-	-

Remuneration Report (continued)

D Share-based compensation (continued)

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

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

2010	A	B
Exercise price	$2.50	$2.70
Grant date	22-Apr-10	22-Apr-10
Expiry date	30-Jun-15	30-Jun-15
Share price at grant date	$2.23	$2.23
Expected price volatility	64.5%	64.5%
Expected dividend yield	0%	0%
Risk-free interest rate	6.3%	6.3%

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

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

Shares provided on exercise of remuneration options

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

2010	Date of grant	Date of exercise	No. of ordinary shares issued	Amount paid per share *
Directors of Avoca Resources Limited				
RG Reynolds	25-Jul-05	18-Jun-10	500,000	$0.45
SJ Unwin	-	-	-	-
DF Quinlivan	-	-	-	-
JA Castro	-	-	-	-
RI Williams	-	-	-	-
Other key management personnel of the Group				
AP James	22-May-06	03-Dec-09	500,000	$0.75
GA Dyker	-	-	-	-

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

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

E Additional information

Company performance

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

Year	30-Jun-10	30-Jun-09	30-Jun-08	30-Jun-07	30-Jun-06
A$ per share	$2.74	$1.75	$2.24	$1.34	$0.70
A$'000 – market capitalisation	795,948	453,271	497,123	281,372	104,188
A$'000 – profit/(loss)	57,789	(16,270)	(1,323)	(4,451)	(1,596)

Remuneration Report (continued)

E Additional information (continued)

Details of remuneration: cash bonuses and options

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

	Cash bonus (1)		Options					
Name	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
Directors of Avoca Resources Limited								
RG Reynolds	-	-	-	-	-	-	-	-
SJ Unwin	-	-	-	-	-	-	-	-
DF Quinlivan	-	-	-	-	-	-	-	-
JA Castro	-	-	-	-	-	-	-	-
RI Williams	-	-	2007	-	-	30/06/2011	-	26,200
	-	-	2008	-	-	30/06/2011	-	35,537
Other key management personnel of the Group								
AP James	-	-	2008	-	-	30/06/2011	-	19,260
GA Dyker	-	-	2007	100%	-	-	-	-
	-	-	2007	-	-	30/06/2011	-	5,472
	-	-	2008	-	-	30/06/2011	-	19,260
L Smith	-	-	2010	-	-	30/06/2013	-	209,060
J Rezos	-	-	2010	-	-	30/06/2013	-	209,060

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

Share-based compensation: Options

Further details relating to options are set out below.

	A	B	C	D
Name	Remuneration consisting of options %	Value at grant date $	Value at exercise date $	Value at lapse date $
Directors of Avoca Resources Limited				
RG Reynolds	-	-	1,055,000	-
SJ Unwin	-	-	-	-
DF Quinlivan	-	-	-	-
JA Castro	-	-	-	-
RI Williams	13.1%	130,114	-	-
Other key management personnel of the Group				
AP James	10.5%	47,182	725,000	-
GA Dyker	17.6%	86,120	-	-
L Smith	9.6%	16,725	-	-
J Rezos	19.1%	16,725	-	-

A The percentage of the value of remuneration consisting of options is based on the value of options expensed during the current year.
B The value at grant date calculated in accordance with *AASB 2 Share based Payment of options* granted during the year as part of remuneration.
C The value of options exercised during the year is calculated at the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the options.
D The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

Remuneration Report (continued)

E Additional information (continued)

Loans to directors and executives

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

Shares under option

Unlisted Options

During the financial year the Company granted 750,000 unlisted options over unissued shares and issued 2,450,000 ordinary fully paid shares on the exercise of options.

As at the date of this report 10,000,000 unissued ordinary shares of the Company are under option as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
Various	31-Jul-10	$0.45	300,000
24-Jul-06	30-Jun-11	$0.90	1,650,000
15-Nov-06	30-Nov-11	$1.60	2,000,000
18-Dec-06	31-Dec-11	$1.65	300,000
09-Jul-07	30-Jun-12	$1.64	300,000
09-Jul-07	30-Jun-12	$1.76	300,000
09-Jul-07	30-Jun-12	$1.84	400,000
09-Jul-07	30-Jun-12	$1.80	100,000
10-Sep-07	30-Jun-12	$1.65	250,000
10-Sep-07	30-Jun-12	$1.79	200,000
21-Dec-07	31-Dec-12	$2.71	150,000
21-Dec-07	31-Dec-12	$2.95	100,000
15-Oct-08	30-Sep-13	$1.96	150,000
15-Oct-08	30-Sep-13	$2.01	150,000
15-Oct-08	30-Sep-13	$2.18	100,000
21-Nov-08	31-Oct-13	$1.41	1,700,000
17-Dec-08	30-Nov-13	$2.23	200,000
21-Nov-08	31-Oct-13	$1.75	250,000
15-Jun-09	30-Jun-14	$2.23	250,000
15-Jun-09	30-Jun-14	$2.42	150,000
15-Jun-09	30-Jun-14	$1.90	150,000
15-Jun-09	30-Jun-14	$2.06	100,000
29-Mar-10	30-Jun-14	$2.10	150,000
29-Mar-10	30-Jun-14	$2.20	100,000
22-Apr-10	30-Jun-15	$2.50	300,000
22-Apr-10	30-Jun-15	$2.70	200,000
			10,000,000

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

Shares issued on the exercise of options

The following ordinary shares of Avoca Resources Limited were issued during the year ended 30 June 2010 on the exercise of options granted. Subsequent to the financial year 750,000 shares were issued on the exercise of options.

Date options granted	Issue price of shares	No of shares issued
25-Jul-05	$0.45	1,500,000
22-May-06	$0.75	500,000
27-Jul-06	$0.90	300,000
09-Jul-07	$1.66	150,000
		2,450,000

DIRECTORS' REPORT

Insurance of officers

During the year the Company paid an insurance premium of $204,660 (2009: $83,390) 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 may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers, the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

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

Proceedings on behalf of the Company

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

Non-audit services

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

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

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

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

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

Consolidated	2010 $	2009 $
PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial statements	272,000	95,000
Other services		
Advisory services	30,000	-
Total remuneration of PricewaterhouseCoopers Australia	**302,000**	**95,000**

DIRECTORS' REPORT

Auditor's Independence Declaration

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

Auditor

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

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

R I Williams
Director

29 September 2010
Perth

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Avoca Resources Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

N Henry.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
29 September 2010

CONTENTS

This financial report covers both the separate financial statements of Avoca Resources Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of Avoca Resources Limited and its subsidiary, Avoca Mining Pty Limited. The financial report is presented in the Australian currency.

Avoca Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Avoca Resources Limited
Level 3, 18 Parliament Place
West Perth, Western Australia 6005

A description of the Consolidated Entity's operations and its principal activities is included in the Directors' Report on pages 34 to 49, of which are not part of this financial report.

The financial report was authorised for issue by the Directors on 29 September 2010. The Directors have the power to amend and reissue the financial report.

INCOME STATEMENT

for the year ended 30 June 2010

	Notes	Consolidated 2010 $'000	2009 $'000
Revenue from continuing operations	5	285,697	146,427
Other income	5	24,851	40
Mining costs		(101,872)	(79,863)
Royalties expense		(28,037)	(11,896)
Fair value loss on derivative instruments - Gold put options	6	(2,324)	(9,474)
Corporate administration expenses		(3,234)	(2,261)
Depreciation and amortisation expense	6	(74,400)	(42,369)
Exploration costs written off	12	(4,313)	(512)
Employee benefits expense		(21,481)	(13,564)
Finance costs	6	(7,247)	(9,321)
Other expenses		(1,810)	(451)
Merger cost associated with acquisition of subsidiaries		(6,010)	-
Share of net profit of associate accounted for using the equity method	15	6,594	-
Profit / (loss) before income tax		**66,414**	**(23,244)**
Income tax benefit / (expense)	7	(8,625)	6,974
Profit / (loss) for the year		**57,789**	**(16,270)**
Net profit / (loss) is attributable to:			
Owners of Avoca Resources Limited		57,789	(16,270)
		Cents	Cents
Basic earnings / (loss) per share	36	**20.82**	(6.97)
Diluted profit / (loss) per share	36	**19.84**	(6.97)

The above income statement should be read in conjunction with the accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2010

	Consolidated	
	2010 $'000	2009 $'000
Profit / (loss) for the year	**57,789**	**(16,270)**
Other comprehensive income		
Available-for-sale financial assets	(751)	3,387
Income tax relating to components of other comprehensive income	226	(1,012)
Exchange differences on translation of foreign operations	(7)	-
Other comprehensive (loss) / income for the year, net of tax	(532)	2,375
Total comprehensive income / (loss) for the year	**57,257**	**(13,895)**
Total comprehensive income / (loss) for the year is attributable to:		
Owners of Avoca Resources Limited	**57,257**	(13,895)
Non-controlling interests	-	-

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

BALANCE SHEET

as at 30 June 2010

		Consolidated	
	Notes	2010 $'000	2009 $'000
CURRENT ASSETS			
Cash and cash equivalents	8	42,546	38,946
Trade and other receivables	9	6,876	2,551
Inventories	11	19,614	5,673
Current income tax		-	152
Derivative financial instruments	14	18	525
TOTAL CURRENT ASSETS		**69,054**	**47,847**
NON-CURRENT ASSETS			
Trade and other receivables	9	9	6
Derivative financial instruments	14	-	1,817
Property, plant and equipment	18	254,161	176,730
Mineral exploration and evaluation	12	84,199	39,857
Deferred tax assets	13	2,774	8,951
Available-for-sale financial assets	10	4,028	12,200
TOTAL NON-CURRENT ASSETS		**345,171**	**239,561**
TOTAL ASSETS		**414,225**	**287,408**
CURRENT LIABILITIES			
Trade and other payables	16	54,176	30,653
Current tax liability		3	-
Borrowings	19	40,255	20,923
Other financial liabilities	14	3,634	4,880
TOTAL CURRENT LIABILITIES		**98,068**	**56,456**
NON-CURRENT LIABILITIES			
Provisions	17	21,707	4,597
Borrowings	19	6,789	47,011
Other financial liabilities	14	-	3,463
Convertible bonds	20	18,801	18,600
TOTAL NON-CURRENT LIABILITIES		**47,297**	**73,671**
TOTAL LIABILITIES		**145,365**	**130,127**
NET ASSETS		**268,860**	**157,281**
EQUITY			
Contributed equity	21	231,630	177,666
Reserves	22	7,321	7,495
Retained earnings / (losses)	22	29,909	(27,880)
TOTAL EQUITY		**268,860**	**157,281**

The above balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2010

	Attributable to owners of Avoca Resources Limited					
	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total	Non-controlling interest $'000	Total Equity $'000
Balance at 1 July 2008	**120,969**	**6,396**	**(11,610)**	**115,755**	**-**	**115,755**
Total comprehensive income for the year as reported in the 2009 financial statements	-	2,375	(16,270)	(13,895)	-	(13,895)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs and tax	646	-	-	646	-	646
Share placement	29,022	-	-	29,022	-	29,022
Acquisition of investments	7,663	-	-	7,663	-	7,663
Employee share options - value of employee services	-	499	-	499	-	499
Conversion of convertible bonds	19,366	(1,775)	-	17,591	-	17,591
	56,697	**(1,276)**	**-**	**55,421**	**-**	**55,421**
Balance at 30 June 2009	**177,666**	**7,495**	**(27,880)**	**157,281**	**-**	**157,281**
Balance at 1 July 2009	**177,666**	**7,495**	**(27,880)**	**157,281**	**-**	**157,281**
Total comprehensive income for the year as reported in the 2010 financial statements	-	(532)	57,789	57,257	-	57,257
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs and tax	2,079	(507)	-	1,572	-	1,572
Acquistion of investment in subsidiaries	42,875	-	-	42,875	-	42,875
Non-controlling interest on acquisition of subsidiaries	-	-	-	-	16,525	16,525
Transactions with non-controlling interests	8,593	(356)	-	8,237	(16,525)	(8,288)
Employee share options - value of employee services	-	1,261	-	1,261	-	1,261
Conversion of convertible bonds	417	(40)	-	377	-	377
	53,964	**358**	**-**	**54,322**	**-**	**54,322**
Balance at 30 June 2010	**231,630**	**7,321**	**29,909**	**268,860**	**-**	**268,860**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2010

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		301,919	154,877
Payments to suppliers and employees (inclusive of goods and services tax)		(172,703)	(97,707)
Interest received		1,504	659
Interest paid		(6,113)	(5,904)
Income tax received		152	-
Net cash inflow from operating activities	24	**124,759**	**51,925**
Cash flows from investing activities			
Payments for exploration and evaluation		(18,601)	(7,984)
Payments for property, plant and equipment		(58,086)	(55,440)
Payments for acquisition of subsidiaries		(14,410)	-
Refunds / (payments) for security bonds		(3)	181
Proceeds from sale of available-for-sale financial assets		6,606	-
Proceeds from sale of exploration tenements		-	40
Net cash outflow from investing activities		**(84,494)**	**(63,203)**
Cash flows from financing activities			
Proceeds from the issue of shares		2,056	30,640
Transaction costs on issue of shares		(1)	(1,190)
Proceeds from borrowings		118	23,000
Repayment of borrowings		(30,330)	(5,000)
Transactions with non-controlling interests		(8,508)	-
Proceeds from refinancing lease assets		-	1,205
Net cash (outflow) / inflow from financing activities		**(36,665)**	**48,655**
Net increase in cash and cash equivalents		**3,600**	**37,377**
Cash and cash equivalents at the beginning of the year		38,946	1,569
Cash and cash equivalents at the end of the year		**42,546**	**38,946**
Financing arrangements	19, 20		
Non-cash investing and financing activities	25		

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report is for the Consolidated Entity consisting of Avoca Resources Limited and its subsidiaries ("group").

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues group Interpretations and the Corporations Act 2001.

Working capital deficiency

The Avoca group has a working capital deficiency at balance date of $29.01 million (2009: $8.61 million) mainly due to the reclassification of scheduled senior debt repayments from non-current borrowings to current borrowings totalling $36 million. The debt repayment schedule comprises a $20 million repayment in September 2010 and a $16 million repayment in March 2011 being the final scheduled repayment under the senior debt facility. At balance date, there was 5,235 ounces of produced gold in circuit and 7,478 ounces of gold bullion on hand not sold. The sale value (fair value) of this gold using spot gold price at balance date is $18.5 million. Net of recorded inventory costs, the improvement in current assets as a result of the sale of this gold is $8.7 million. The group is forecasting to generate and have access to sufficient operating cash flows from its three operating projects, the Higginsville Gold Project, South Kalgoorlie Operation and the Frog's Leg Joint Venture, over the 2010 / 2011 financial year to settle these repayments and maintain appropriate working capital funding capacity. The Directors are confident that the operations will achieve production and output forecasts.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial report of Avoca Resources Limited complies with the International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Avoca Resources Limited (''company'' or ''parent entity'') as at 30 June 2010 and the results of all subsidiaries for the year then ended. Avoca Resources Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all those entities (including Special Purpose Entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations of the group (refer to note 1 (ab))

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

(ii) Joint ventures

Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 34.

(iii) Associates

Associates are all entities over which the group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The group's share of its associates' post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Note 1. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(iv) Changes in ownership interests

The group treats transactions with non controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Avoca Resources Limited.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(v) Changes in accounting policy

The group has changed its accounting policy for transactions with non controlling interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when a revised AASB 127 Consolidated and Separate Financial Statements became operative. The revisions to AASB 127 contained consequential amendments to AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures.

Previously transactions with non controlling interests were treated as transactions with parties external to the group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously when the group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The group has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Changes in accounting policy

The group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is represented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the Board of Directors.

There has been no further impact on the measurement of the group's assets and liabilities.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Avoca Resources Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale financial assets are included in the fair value reserve in equity.

(e) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Gold Sales

Gold revenue is recognised when the bullion is sold, which is when a binding sales agreement is entered into. Bullion delivered but not sold as at balance date is recorded as bullion awaiting settlement at the lower of cost and net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

Note 1. Summary of significant accounting policies (continued)

(e) Revenue (continued)

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and for unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

(g) Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 19). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 29). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement within 30 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of future cash flows. The amount of the provision is recognised in the income statement.

Note 1. Summary of significant accounting policies (continued)

(k) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Investments and other financial assets

Classification

The group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held to maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non current assets. Loans and receivables are included in trade and other receivables (note 9) in the balance sheet.

(iii) Held to maturity investments

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held to maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held to maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available for sale financial assets

Available for sale financial assets, comprising principally marketable equity securities, are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available for sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date, the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available for sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest rate method.

Available for sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when the group's right to receive payments is established.

Changes in the fair value of other monetary and non monetary securities classified as available for sale are recognised in equity.

Details on how the fair value of financial instruments is determined are disclosed in note 2(d).

Impairment

The group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available for sale are not reversed through the income statement.

(m) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

Note 1. Summary of significant accounting policies (continued)

(m) Derivatives and hedging activities (continued)

The group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 14. Movements in the hedging reserve in shareholders' equity are shown in note 22. The full fair value of a hedging derivative is classified as a non current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of the hedge is recognised in the income statement within other expenses, together with changes in the fair value of the hedged asset or liability. The gain or loss relating to the ineffective portion is recognised in the income statement within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expense.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). When the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income or other expenses.

(n) Share-based payment transactions

The Consolidated Entity provides benefits to employees (including directors) and other permitted persons of the Consolidated Entity in the form of share-based payment transactions, whereby employees and other permitted persons render services in exchange for shares or rights over shares ("equity-settled transactions").

There is currently a Directors, Officers, Employees and other permitted persons Option Plan. Information relating to this option plan is set out in Note 37.

The cost of these equity-settled transactions with employees and other permitted persons is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black-Scholes Pricing model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees and other permitted persons become fully entitled to the award ("vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Consolidated Entity, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met and the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Note 1. Summary of significant accounting policies (continued)

(o) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Land is not depreciated. Economic life assets' depreciation is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Buildings	5-20 years
- Mining equipment	3-5 years
- Motor vehicles	3-5 years
- Furniture, fittings and office equipment	3-5 years
- Other plant and equipment	3-5 years
- Leasehold improvements	Shorter of lease term or useful life of 5-10 years

Life of mine assets are depreciated on the units of production method using tonnes mined as the basis for the calculation. This is in accordance with AASB 116 Property, Plant & Equipment that requires a depreciation method that closely reflects the assets' expected use or output. Depreciation is based on assessments of Measured resources that are available to be mined by the current production equipment. The units-of-production method results in a depreciation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves plus, where appropriate, a portion of Measured resources).

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(p) Mine properties

Mine properties represent the accumulation of all acquisition, exploration, evaluation and development expenditure incurred by or on behalf of the Consolidated Entity in relation to areas of interest in which mining of mineral resource has commenced. When further development expenditure, including waste development, is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the cost of that mine property only when substantial future economic benefits are established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on the units-of-production method, with separate calculations being made for each mineral resource using tonnes mined as the basis for the calculation. Estimated future capital and waste development costs to be incurred in accessing the reserves and measured resources are taken into account in determining amortisation charges. The units-of-production method results in an amortisation charge proportional to the depletion of the economically recoverable mineral resources (comprising proven and probable reserves plus, where appropriate, a portion of measured resources).

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. Should the carrying value of the expenditure not yet amortised exceed its estimated recoverable amount in any year, the excess is written off to the income statement.

(q) Exploration, evaluation and development expenditure

(i) Exploration and evaluation

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. All costs carried forward are in respect of areas of interest in the exploration and evaluation phases and accordingly, production has not commenced. Costs are carried forward when current right of tenure exists.

Costs carried forward in respect of an area of interest that is abandoned are written off to the profit and loss account in the year in which the decision to abandon is made.

(ii) Development expenditure

Development expenditure incurred by or on behalf of the entity is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the directors. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure having a specific nexus with the development property.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated with the costs of development and classified under non-current assets as "Development Properties".

All expenditure incurred prior to the commencement of commercial levels of production from each development property, is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.

No amortisation is provided in respect of development properties until they are reclassified as "Mine Properties" following a decision to commence mining.

(r) Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

Note 1. Summary of significant accounting policies (continued)

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effect.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(t) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(u) Provisions

Provisions for legal claims and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

A provision for dividends is not recognised as a liability unless the dividends have been declared, determined or publicly recommended on or before the reporting date.

(v) Rehabilitation costs

Long-term environmental obligations are based on the Consolidated Entity's environmental management plans which are in compliance with current environmental and regulatory requirements.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the balance sheet date. Increases due to additional environmental disturbances, relating to the development of an asset, are capitalised and amortised over the remaining lives of the area of interest.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by potential proceeds from the sale of assets.

(w) Employee benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

Contributions made by the Consolidated Entity to employee superannuation funds are charged as an expense when incurred.

(iv) Share-Based Payments

Share based compensation benefits are provided to employees, under the 'Directors, Officers, Employees and other permitted persons Option Plan (refer note 1(n)).

(x) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buy back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

Note 1. Summary of significant accounting policies (continued)

(y) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(z) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(aa) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

(ab) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the group recognises any non controlling interest in the acquiree either at fair value or at the non controlling interest's proportionate share of the acquiree’s net identifiable assets.

The excess of the consideration transferred, the amount of any non controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain on purchase.

Change in accounting policy

A revised AASB 3 Business Combinations became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non controlling interests in an acquiree are now recognised either at fair value or at the non controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition by acquisition basis. Under the previous policy, the non controlling interest was always recognised at its share of the acquiree's net identifiable assets.

(ac) Financial Guarantee Contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(ad) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ae) Parent entity financial information

The financial information for the parent entity, Avoca Resources Limited, disclosed in note 38 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Avoca Resources Limited. Dividends received from associates are recognised in the parent entity’s profit or loss, rather than being deducted from the carrying amount of these investments.

Note 1. Summary of significant accounting policies (continued)

(ae) Parent entity financial information (continued)

(ii) Tax consolidation legislation

Avoca Resources Limited and its wholly-owned entity, Avoca Mining Pty Ltd implemented the tax consolidation legislation from 5 May 2004. The newly acquired entities, Dioro Exploration NL and subsidiaries joined the consolidated tax group in May 2010.

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limit the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Avoca Resources Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Avoca Resources Limited for any current tax payable assumed and are compensated by Avoca Resources Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Avoca Resources Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

In this regard the Company has assumed the benefit of tax losses from controlled entities of $17.9 million (2009 : $17.52 million) as of the balance date. The nature of the tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables.

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(af) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments and AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 *(effective from 1 January 2013)*

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact. However, initial indications are that it may affect the group's accounting for its available for sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available for sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

The group has not yet decided when to adopt AASB 9.

(ii) Revised AASB 124 Related Party Disclosures and AASB 2009 12 Amendments to Australian Accounting Standards *(from 1 January 2011)*

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies and simplifies the definition of a related party. The group will apply the amended standard from 1 July 2011. There will be no impact on the Group financial statements.

(iii) AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009 13 Amendments to Australian Accounting Standards arising from Interpretation 19 *(effective from 1 January 2011)*

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the group's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the group has not entered into any debt for equity swaps since that date.

(iv) AASB 2009 14 Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement *(effective from 1 January 2011)*

In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The group does not make any such prepayments. The amendment is therefore not expected to have any impact on the group's financial statements. The group intends to apply the amendment from 1 July 2011.

Note 2. Financial risk management

The Group's exploration, mine development and mining activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as deferred premium gold put options to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

Risk management is carried out by the Chief Financial Officer (CFO) under policies approved by the Board of Directors. The Chief Financial Officer identifies, evaluates and hedges financial risks in close co-operation with the Group’s operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Hedging Program

In May 2008 Avoca Mining Pty Ltd ("Avoca Mining"), a subsidiary of Avoca Resources Limited entered into a deferred premium Australian dollar gold put option program over 438,933 ounces of reserve with a strike price of A$830/oz (refer note 14). This program was undertaken with a view to minimise potential adverse impacts of movements in the Australian dollar gold price below the strike price of the gold put options.

At the balance date, Avoca Mining has hedged the following:

- A percentage of the forecast gold production from the Higginsville Gold Project, using Australian dollar gold put options, The program was arranged through the members of the senior debt finance syndicate comprising Société Générale Australia Branch and the Commonwealth Bank of Australia. The hedge program finishes in March 2011.

Group Hedging Policy

Under the hedging policy approved by the Avoca Resources Limited Board (Group Hedging Policy) a number of “Hedging Guidelines” are recognised and taken into consideration when developing a suitable hedging strategy for the Group.

The Hedging Guidelines are as follows:

- Commodity price hedging will be kept to a minimum where production costs are low by industry standards;
- Hedging positions will only be entered into if the Group is totally comfortable with the ability to be able to deliver under the contracts and the resulting cash position;
- The overall aim of any hedging entered into will be to ensure that the Group remains in a position to meet its financial obligations in an orderly and timely manner and to achieve an acceptable return on its investments; and,
- Management of cash flow risk will be undertaken through the forecasting of cash inflows and outflows using internally produced cash flow forecasts. Whilst there is a debt facility in place, forecasts will be in a form pursuant to the debt facility “waterfall requirements” (the order in which operating cash flow is applied) outlined in those facility agreements.

The primary objective of the Group Hedging Policy is to provide a framework to investigate, recommend and (upon Board approval) execute appropriate strategies.

Note 2. Financial risk management (continued)

The Group holds the following financial instruments:

	Consolidated	
	2010 $'000	2009 $'000
Financial assets		
Cash and cash equivalents	42,546	38,946
Trade and other receivables	6,090	2,351
Available-for-sale financial assets	4,028	12,200
Derivative financial instruments	18	2,342
	52,682	**55,839**
Financial liabilities		
Trade and other payables	54,176	30,653
Borrowings	47,044	67,934
Convertible bonds	18,801	18,600
Other financial liabilities	3,634	8,343
	123,655	**125,530**

(a) Market risk

(i) Price risk

The Group is exposed to commodity price risk and equity securities price risk.

The equity securities risk arises from investments held by the Group and is classified on the balance sheet as available-for-sale financial assets. The majority of the Group's equity investments are publicly traded on the Australian Stock Exchange.

The table below summarises the impact of increases/decreases in the share price for the equity securities on the Group's post-tax profit for the year and on equity. The analysis is based on the assumption that the share price for the equity securities had increased/decreased by 20% (2009 - 20%).

	Impact on post-tax profit/(loss)		Impact on equity	
Consolidated	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Share price increase - 20%	-	-	564	2,440
Share price decrease - 20%	-	-	(564)	(2,440)

The Group is exposed to commodity price risk, this arises from the sale of gold that is priced on, or bench marked to, open market exchanges. To manage this price risk, during project commissioning and ramp up, Avoca Mining entered into a hedging program in May 2008 that purchased Australian dollar gold put options over 438,933 ounces of reserve production on a deferred premium basis at a strike price of A$830/oz. At balance date, there were gold put options covering 122,414 ounces of forecast reserve production. At 30 June 2010, had the gold price moved by +/- 20% from the year end spot price of A$1,452/oz, together with the quoted forward gold price applicable to the tenor of the gold put options, post-tax profit/(loss) and equity for the year would have been impacted by the movements detailed in the table below. This impact would represent a non-cash mark to market movement in the fair value of the derivative financial instrument (gold put option).

Note 2. Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

The parent entity has no exposure to movements in gold prices.

	Impact on post-tax profit/(loss)		Impact on equity	
	20% increase $'000	20% decrease $'000	20% increase $'000	20% decrease $'000
Consolidated 2010				
Financial Assets				
• Derivatives - Cash flow hedges #1	(12)	2,052	-	-
Consolidated 2009				
Financial Assets				
• Derivatives - Cash flow hedges #1	(1,759)	7,665	-	-

#1 Impact from gold put option.

(ii) Foreign Exchange Risk

The Group's functional currency is Australian dollars. The Group is exposed to foreign exchange risk arising primarily from a currency exposure to the US dollar which in subsequent reporting periods will result from the sale of gold from its three operating projects, Higginsville Gold Project, South Kalgoorlie Operation and the Frog's Leg Joint Venture.

The result for the year ended 2010 and 2009 did not include any material financial instrument that exposed the Group to a foreign exchange risk, therefore no further analysis is provided.

(iii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from holding cash and cash equivalents and long-term borrowings. Cash and cash equivalents are exposed to movements in interest rates, when held at call or at maturity on term deposits. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2010 and 2009, the Group's borrowings at variable rates were denominated in Australian dollars.

As at the reporting date, the Group had the following cash and cash equivalents on deposit and variable rate borrowings outstanding.

	30 June 2010		30 June 2009	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Cash and cash equivalents	4.11%	42,546	2.91%	38,946
Bank loans	6.43%	36,000	4.89%	61,000

Sensitivity of post-tax profit/(loss) and equity to changes in interest rate rises by +/-1% (2009: +/- 1%) from the 30 June 2010 rates of 4.11% (2009: 2.91%) for cash and 6.43% (2009: 4.89%) for borrowings with all other variables held constant are shown in the table below.

The exposure is mainly as a result of borrowings at floating rates, interest bearing loan receivables and interest income from cash and cash equivalents.

The Group's convertible bonds are fixed rate borrowings and are carried at amortised cost. They are therefore not subject to interest rate risk as defined by AASB 7.

	Impact on post tax profit/(loss)		Impact on equity	
Consolidated	1% increase $'000	1% decrease $'000	1% increase $'000	1% decrease $'000
2010				
Cash and cash equivalents	298	(298)	-	-
Borrowings	(252)	252	-	-
	46	**(46)**	**-**	**-**
2009				
Cash and cash equivalents	273	(273)	-	-
Borrowings	(427)	427	-	-
	(154)	**154**	**-**	**-**

Note 2. Financial risk management (continued)

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only high-credit-quality counterparties are accepted, and the Group utilises ISDA agreements with derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and payable to individual counterparties. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

There are no significant credit risk issues for the Group at the balance date, as the balance in trade debtors at 30 June 2010 and 2009 were mainly receivables from government agencies.

The Group also has a policy in place to ensure that surplus cash is invested with financial institutions of appropriate credit worthiness. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference of external credit ratings below:

	Consolidated	
	2010 $'000	2009 $'000
Cash at bank and short -term deposits		
AA rating	42,546	38,946
	42,546	38,946
Trade receivables*		
Group 1	6,041	2,283
Group 2	4	39
	6,045	2,322

* Group 1 - government agency
Group 2 - existing customers with no defaults in the past

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, The Group treasury function aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. Surplus funds are generally only invested in instruments that are tradable in highly liquid markets.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the reporting date:

	Consolidated	
	2010 $'000	2009 $'000
Floating rate		
• Expiring within one year (bond guarantee facility)	1,139	-
• Expiring beyond one year (bond guarantee facility)	-	1,158

Under the Senior Debt Facility, the available undrawn bond guarantee facility for $1.13 million (2009: $1.158 million) may be drawn at any time. This limit can also be utilised within the Senior Debt Tranche 1 Facility. The Facility limit is available until 31 March 2011.

Note 2. Financial risk management (continued)

(c) Liquidity risk (continued)

Maturity of financial liabilities

The tables below analyses the Group's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group - At 30 June 10	Less than 6 months $'000	6 - 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total Contractual cash flow $'000	Carrying Amount Liabilities $'000
Non-derivatives							
Bank overdrafts and loans	20,906	16,672	-	-	-	37,578	36,000
Trade and other payables	54,176	-	-	-	-	54,176	54,176
Finance lease liabilities	2,564	2,480	3,019	4,736	-	12,799	11,044
Other financial liabilities	2,492	1,240	-	-	-	3,732	3,634
Convertible bonds	600	600	21,200	-	-	22,400	18,801
Total non-derivatives	**80,738**	**20,992**	**24,219**	**4,736**	**-**	**130,685**	**123,655**

Group - At 30 June 09	Less than 6 months $'000	6 - 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total Contractual cash flow $'000	Carrying Amount Liabilities $'000
Non-derivatives							
Bank overdrafts and loans	11,367	11,129	19,414	23,282	-	65,192	61,000
Trade and other payables	30,653	-	-	-	-	30,653	30,653
Finance lease liabilities	798	798	1,584	5,852	-	9,032	6,934
Other financial liabilities	2,559	2,450	3,732	-	-	8,741	8,343
Convertible bonds	762	606	1,212	21,412	-	23,992	18,600
Total non-derivatives	**46,139**	**14,983**	**25,942**	**50,546**	**-**	**137,610**	**125,530**

There were no financial derivative liabilities as at the 30 June 2010 and 30 June 2009 reporting dates.

(d) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

As of 1 July 2009, Avoca Resources Limited has adopted the amendment to *AASB 7 Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following tables present the group's and the parent entity's assets and liabilities measured and recognised at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

Consolidated - at 30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit and loss				-
Available-for-sale financial assets	4,028	-	-	4,028
Derivative financial instruments	-	18	-	18
Total Assets	**4,028**	**18**	**-**	**4,046**

Note 3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(b) Critical judgments in applying the entity's accounting policies

(i) Mine restoration provision estimates

The calculation of rehabilitation and closure provisions (and corresponding capitalised closure cost assets where necessary) rely on estimates of costs required to rehabilitate and restore disturbed land to its original condition. These estimates are regularly reviewed and adjusted in order to ensure that the most up to date data is used to calculate these balances. Restoration provisions are disclosed in Note 16. The restoration provision increased in 2010 by $16.79 million to $21.19 million (2009: by $1.04 million to $4.40 million) primarily due to reassessment of the costs of closure for the Higginsville Gold Project and the initial take up of an acquired provision, for the South Kalgoorlie Operation following the acquisition of Dioro Exploration NL.

Significant judgement is required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate costs required to rehabilitate the mine site. Factors that will affect this liability include future development, changes in technology, price increases and changes in interest rates.

(ii) Determination of Ore Reserves and Mineral Resources

The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves of December 2004 (the JORC code). Reserves, and where applicable resources, determined in this way are used in the calculation of depreciation, amortisation and impairment charges, the assessment of mine lives and for forecasting the timing of the payment of close down and restoration costs.

When a change in estimated recoverable gold ounces contained in proved and probable ore reserves is made, amortisation and depreciation rates are adjusted and accounted for prospectively.

(iii) Units of Production Method of Depreciation and Amortisation

The Group applies the units of production method for depreciation and amortisation of its mine assets based on resource ore tonnes mined. These calculations require the use of estimates and assumptions. Significant judgment is required in assessing the available reserves, resources and the production capacity of the plants to be depreciated under this method. Factors that are considered in determining reserves, resources and production capacity are the Group’s history of converting resources to reserves and the relevant timeframes, the complexity of metallurgy, markets and future developments. When these factors change or become known in the future, such differences will impact pre-tax profit and carrying value of assets.

(iv) Income Taxes

The Group is subject to income taxes in Australia. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group’s current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

In addition, the Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

(v) Fair values of derivative financial instruments

The Group assesses the fair value of its gold put options, in accordance with the accounting policy stated in Note 1(m). Fair values have been determined based on well established option pricing models and market conditions existing at the balance date. These calculations require the use of estimates and assumptions. Changes in assumptions concerning interest rates, gold prices and volatilities could have a significant impact on the fair valuation attributed to the Group's gold put options. When these assumptions change in the future, such differences will impact asset carrying values and the hedging reserve and / or income statement in the period in which they change or become known.

(vi) Impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

Note 3. Critical accounting estimates and judgments (continued)

(b) Critical judgments in applying the entity's accounting policies (continued)

(vii) Exploration and evaluation

The Group's accounting policy for exploration and evaluation is set out at Note 1(q). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves may be determined. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure, it is determined that recovery of the expenditure by future exploitation or sale is unlikely, then the relevant capitalised amount is written off to the income statement.

(viii) Mining Production Costs

The Group is currently finalising negotiations on the schedule of mining rates for the Higginsville Gold Project production mining contract with the incumbent mining contractor. To date, Avoca has used its estimate of the likely rates to make a provision for production costs incurred during the financial year. The costs provisioned by Avoca reflect a best estimate of the likely costs that will be negotiated with the contractor (excluding contested amounts) and any variation from these estimates will be recognised in the income statement. For further information on these estimates, refer to note 28.

Note 4. Segment information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors considers the business from a geographic perspective and has identified two reportable segments located in Western Australia, they are the Higginsville Gold Project located between Kambalda and Norseman and the South Kalgoorlie operation which comprises a number of regional open pits, the Jubilee treatment plant and ore feed from the Frogs Leg Joint Venture. The board of Directors monitor the performance in those two areas separately.

(b) Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2010 is as follows:
All segments are in Australia.

Consolidated - 2010	Higginsville $'000	South Kalgoorlie Operations $'000	All Other Segments $'000	Total $'000
Total Segment Revenue	226,987	57,223	-	284,209
Interest Revenue	299	176	1,012	1,488
Revenue from External Customers	227,286	57,399	1,012	285,697
Adjusted EBITDA	**109,155**	**38,468**	**439**	**148,062**
Finance Costs	4,262	1,045	1,941	7,248
Depreciation	15,447	2,563	323	18,334
Amortisation	31,551	24,515	-	56,066
Total segment assets	**266,205**	**129,711**	**218,859**	**614,775**
Total segment liabilities	**221,855**	**101,638**	**29,225**	**352,718**

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2009 is as follows:

Consolidated - 2009	Higginsville $'000	All Other Segments $'000	Total $'000
Total Segment Revenue	145,756	-	145,756
Interest Revenue	174	497	671
Revenue from External Customers	145,930	497	146,427
Adjusted EBITDA	**24,197**	**4,249**	**28,447**
Finance Costs	6,415	2,906	9,321
Depreciation	14,652	152	14,804
Amortisation	27,565	-	27,565
Total segment assets	**111,771**	**159,653**	**271,424**
Total segment liabilities	**109,631**	**20,496**	**130,127**

Note 4. Segment information (continued)

(b) Segment information provided to the Board of Directors (continued)

	Consolidated	
	2010 $'000	2009 $'000
Total segment revenue	285,697	146,427
Total revenue from continuing operations	**285,697**	**146,427**

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of finance costs, depreciation and amortisation.

A reconciliation of adjusted EBITDA to operating profit before income tax is provided as follows:

	Consolidated	
	2010 $'000	2009 $'000
Adjusted EBITDA	148,062	28,447
Intersegment eliminations	-	-
Finance Costs	(7,248)	(9,321)
Depreciation	(18,334)	(14,804)
Amortisation	(56,066)	(27,565)
Profit before income tax from continuing operations	**66,414**	**(23,244)**

The amounts provided to the Board of Directors with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset. Investment in shares (classified as available-for-sale financial assets, held to maturity investments or financial assets at fair value through the profit and loss) held by the group are not considered to be segment assets but rather managed by the treasury function.

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Consolidated	
	2010 $'000	2009 $'000
Segment assets	614,775	271,424
Intersegment eliminations	(207,352)	(5,319)
Unallocated:		
Current tax assets	-	152
Deferred tax assets	2,774	8,951
Available-for-sale financial instruments	4,028	12,200
Total assets as per the balance sheet	**414,225**	**287,408**
Segment liabilities	352,718	130,127
Intersegment liabilities	(207,352)	-
Unallocated:		
Current tax liabilities	-	-
Total liabilities as per the balance sheet	**145,365**	**130,127**

Note 5. Revenue and other income

	Consolidated	
	2010 $'000	2009 $'000
From continuing operations		
Sales Revenue		
Gold sales	284,209	145,756
	284,209	**145,756**
Other revenue		
Interest received	1,488	671
Total revenue	**285,697**	**146,427**
Other income		
Equity gain on acquisition	18,502	-
Net gain on sale of available-for-sale financial assets	5,952	-
Gain on disposal of tenements	-	40
Insurance recovery relating to vehicle claims	324	-
Scrap metal sales	11	-
Rental and sub-lease rental	62	-
Total other income	**24,851**	**40**

Note 6. Expenses

	Consolidated	
	2010 $'000	2009 $'000
Profit / (loss) before income tax includes the following specific expenses:		
Depreciation and amortisation		
Mining properties	56,066	27,565
Buildings	237	103
Plant and office equipment	691	279
Motor vehicles	415	147
Mining equipment	16,991	14,275
Total depreciation & amortisation	**74,400**	**42,369**
Exploration expenditure written off	4,313	512
Rental expenses on operating leases	551	412
Fair value loss on derivative instruments	2,324	9,474
Finance costs		
Interest and finance charges paid / payable for financial liabilities	4,873	7,401
Interest on deferred gold put option premium	300	997
Interest on rehabilitation provision	1,301	183
Interest on finance lease liability	773	740
Total finance costs	**7,247**	**9,321**

Note 7. Income tax benefit

	Consolidated	
	2010 $'000	2009 $'000
(a) Income tax expense / (benefit)		
Deferred tax expense / (benefit)	8,625	(6,822)
Adjustments for current tax of prior period	-	(152)
	8,625	**(6,974)**
Income tax benefit is attributable to:		
Profit / (loss) from continuing operations	8,625	(6,974)
Aggregate income tax benefit	**8,625**	**(6,974)**
Deferred income tax (benefit)/expense included in income tax expense comprises:		
Increase /(decreases) in deferred tax asset (note 13)	13,662	(18,678)
Decrease in deferred tax liabilities (note 13)	(5,037)	11,856
	8,625	**(6,822)**
(b) Numerical reconciliation of income tax benefit to prima facie tax payable		
Profit / (loss) from continuing operations before income tax expense	66,414	(23,244)
Tax at the Australian tax rate of 30% (2009 - 30%)	19,924	(6,973)
Tax effect of amounts which are not deductable (taxable) in calculating taxable income:		
Non-deductable expenses	382	192
Temporary difference not brought to account as a deferred tax assets	-	174
Investment allowance	(602)	(35)
Charge to equity	(361)	(282)
Share of net profit of associates	(1,978)	-
Equity gain on acquisition	(5,551)	-
Effect of forming a tax consolidated group	(1,675)	-
Tax losses not previously recognised now brought to account as a deferred tax asset	-	(20)
	(9,785)	29
Adjustments in respect of current income tax of previous years	(1,514)	(30)
Income tax expense / (benefit)	**8,625**	**(6,974)**
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity		
Capital raising costs	483	(77)
Convertible bond	(9)	(434)
Income tax expense reported in equity	**474**	**(511)**
(d) Tax expense (income) relating to items of other comprehensive income		
Available-for-sale financial assets	(226)	1,012
	(226)	**1,012**
(e) Tax losses		
Restricted tax losses for which no deferred tax has been recognised:	7,151	579
Potential tax benefit @ 30%	**2,145**	**174**

Note 8. Cash and cash equivalents

	Consolidated	
	2010 $'000	2009 $'000
Cash at bank and on hand [1]	38,540	13,257
Short term deposits [2]	4,006	25,689
	42,546	**38,946**

(1) Cash at bank and on hand attracts interest rates of between 0% and 2.5% (2009: 0% and 2.5%).
(2) Term deposits have fixed interest rates of between 4.73% and 5.25% (2009: 3% and 3.55%) with average maturity terms between 30 - 61 days.

(a) Reconciliation to cash at the end of the year
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above and per cash flow statement	**42,546**	**38,946**

(b) Interest rate risk exposure
The Group's exposure to interest rate risk is discussed in note 2(a). The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

Note 9. Trade and other receivables

	Consolidated	
	2010 $'000	2009 $'000
Current		
Trade receivables	6,045	2,322
Prepayments	786	200
Accrued interest	45	29
	6,876	**2,551**
Non-Current		
Security bonds	9	6
	9	**6**
Total trade and other receivables	**6,885**	**2,557**

(a) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

(b) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

(c) Impaired receivables and receivables past due

None of the receivables are impaired or past due but not impaired.

Note 10. Available-for-sale financial assets

	Consolidated	
	2010 $'000	**2009 $'000**
Non-Current		
Listed securities		
At cost [1]	1,744	8,221
Changes in fair values [2]	2,284	3,979
	4,028	**12,200**

(1) In May 2009 Avoca acquired 14.95% interest in the share capital of Dioro Exploration NL. In February 2010 the Company successfully acquired 85.71% control of Dioro Exploration NL and its subsidiaries. The investment carrying amount of $6,822,000 was subsequently transferred to Investment in subsidiaries (refer to note 15).

(2) Changes in fair values of financial assets are recorded in Equity - listed investments revaluation reserves (note 22(a)[ii]).

(b) Risk exposure

Information about the Group's exposure to price risk is provided in note 2.

Note 11. Inventories

	Consolidated	
	2010 $'000	**2009 $'000**
Ore inventory - at cost	3,972	846
Ore inventory - at net realisable value	567	-
Gold inventory - at cost	9,817	3,668
Consumables and stores - at cost	5,258	1,159
	19,614	**5,673**

Note 12. Mineral exploration and evaluation

	Consolidated	
	2010 $'000	**2009 $'000**
Cost brought forward	39,857	30,714
Exploration and acquisition expenditure incurred during the year at cost	17,968	8,498
Exploration tenements acquired	30,687	1,157
Exploration expenditure written off	(4,313)	(512)
	84,199	**39,857**

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

Note 13. Deferred tax assets and liabilities

	Consolidated	
	2010 $'000	2009 $'000
(a) Deferred tax assets		
The balance comprises temporary differences attributable to		
Tax losses	29,277	30,655
Accrued expenditure	275	61
Borrowing costs	13	23
Capital raising costs	1,371	676
Employee benefits	775	217
Property, plant and equipment	190	1,232
Other financial liabilities	1,090	1,800
Rehabilitation provision	6,650	1,320
Total deferred tax assets	**39,641**	**35,984**
Set-off deferred tax liabilities pursuant to set-off provisions (note 13(b))	(36,867)	(27,033)
Net deferred tax assets	**2,774**	**8,951**
Deferred tax assets to be recovered within 12 months	1,057	218
Deferred tax assets to be recovered after more than 12 months	1,717	8,733
	2,774	8,951

The deferred tax asset has been recognised in accordance with the Consolidated Entity's accounting policy note 1(f) on the assumption that the Consolidated Entity will utilise the available tax losses in the near future.

The directors believe that the consolidated entity will generate sufficient taxable profit in the foreseeable future against which the deferred tax asset will be utilised.

(i) Deferred tax asset - Movements in temporary differences

2010 - Consolidated movements	1 July 09	Charged to income statement	Charged to equity	Acquisition	30 June 2010
Accrued expenditure	61	162	-	53	276
Borrowing costs	23	(10)	-	-	13
Capital raising costs	676	(10)	(483)	1,186	1,369
Employee benefits	217	128	-	431	776
Property, plant and equipment	1,232	(2,151)	-	1,109	190
Other financial liabilities	1,800	(710)	-	-	1,090
Rehabilitation provision	1,320	1,776	9	3,545	6,650
Tax losses	30,273	(12,465)	-	11,469	29,277
	35,602	**(13,280)**	**(474)**	**17,793**	**39,641**

Note 13. Deferred tax assets and liabilities (continued)

(i) Deferred tax asset - Movements in temporary differences (continued)

2009 - Consolidated movements	1 July 08	Charged to income statement	Charged to equity	30 June 2009
Accrued expenditure	202	(141)	-	61
Borrowing costs	33	(10)	-	23
Capital raising costs	602	(3)	77	676
Employee benefits	132	85	-	217
Property, plant and equipment	9	1,223	-	1,232
Other financial liabilities	33	1,767	-	1,800
Rehabilitation provision	1,005	315	-	1,320
Tax losses	14,556	15,717	-	30,273
	16,572	18,953	77	35,602

	Consolidated	
	2010 $'000	2009 $'000
(b) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Capitalised exploration expenditure	18,145	11,957
Consumable stock	1,644	216
Convertible bond	304	455
Diesel fuel rebate	345	139
Fair value adjustment of investments	1,267	1,194
Interest receivable	13	12
Mine properties	15,074	13,056
Other assets	75	4
Total deferred tax liabilities	36,867	27,033
Set-off deferred tax liabilities pursuant to set-off provisions (note13(a))	(36,867)	(27,033)
Net deferred tax liabilities	-	-

(i) Deferred tax liabilities - Movements in temporary differences:

2010 - Consolidated	1 July 09	Charged to income statement	Charged to equity	Acquisition	30 June 2010
Capitalised exploration expenditure	11,957	2,532	-	3,655	18,144
Consumable stock	216	1,648	-	(220)	1,644
Convertible bond	455	(142)	(9)	-	304
Diesel fuel rebate	139	166	-	40	345
Fair value adjustment of investments	1,194	288	(216)	1	1,267
Interest receivable	12	(3)	-	4	13
Mine properties	12,674	(9,216)	-	11,616	15,074
Other assets	4	72	-	-	76
	26,651	**(4,655)**	**(225)**	**15,096**	**36,867**

Note 13. Deferred tax assets and liabilities (continued)

(i) Deferred tax liabilities - Movements in temporary differences (continued)

2009 - Consolidated	1 July 08	Charged to income statement	Charged to equity	30 June 2009
Capitalised exploration expenditure	9,214	2,743	-	11,957
Consumable stock	305	(89)	-	216
Convertible bond	1,119	(230)	(434)	455
Diesel fuel rebate	86	53	-	139
Fair value adjustment of investments	182	-	1,012	1,194
Interest receivable	9	3	-	12
Mine properties	3,027	9,647	-	12,674
Other assets	-	4	-	4
	13,942	12,131	578	26,651

Note 14. Derivative financial instruments and other financial liabilities

(a) Derivative financial instruments - Assets

	Consolidated	
	2010 $'000	2009 $'000
Current assets		
Gold put option fair value	18	525
	18	**525**
Non-Current assets		
Gold put option fair value	-	1,817
	-	**1,817**
Total derivative financial instrument assets	**18**	**2,342**

(b) Other financial liabilities

	2010	2009
Current liability		
Gold put option premium	3,634	4,880
	3,634	**4,880**
Non-Current liability		
Gold put option premium	-	3,463
	-	**3,463**
Total gold put option liability	**3,634**	**8,343**

(c) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange and gold price in accordance with the Group's Financial Risk Management Policies (refer to note 2).

In May 2008 Avoca Mining Pty Ltd purchased gold put options over 438,933 ounces of reserve at a strike price of AUD$830 per ounce. The put options will provide a guaranteed minimum gold price for gold sold on account of reserve ounces from the Higginsville Gold Project for a period of 34 months from inception, which is equivalent in time to the initial tenor of the $71 million senior debt facility, refer to note 19. The gold put options are being financed on a deferred premium basis over a 34 month period from inception and have an average cost (including financing charges) of AUD$30 per ounce.

As at 30 June 2010, Avoca Mining Pty Ltd has remaining gold put options over 122,414 ounces of forecast reserve production. The hedge program finishes in March 2011.

The gold put options have been purchased on a deferred premium basis. The consolidated entity has brought to account the liability associated with the purchase of the put options. The liability will be settled over the tenor of the gold put option program as and when the respective options expire as designated.

Note 14. Derivative financial instruments and other financial liabilities (continued)

(c) Instruments used by the Group (continued)

The gain or loss from re-measuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the put premium expense is recognised. Any re-measurement of fair value gain or loss that arises on the extrinsic component of a hedging instrument is immediately expensed to the income statement. In the year ended 30 June 2010 no gains or losses (2009: Nil) were deferred to the hedge reserve, a $2,324,129 fair value adjustment (non-cash) (2009: $9,474,000 loss) was expensed to the income statement. Cash payments made on account of the deferred premium gold put option program totalled $5,008,484 for the year (2009: $4,581,721).

(d) Risk exposures

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of derivative financial assets mentioned above.

Note 15. Investment in associates

	Consolidated	
	2010 $'000	2009 $'000
Carrying amount at the beginning of the financial year	-	-
Transfer from available-for-sale financial assets	6,822	-
Additional acquisition of investment	19,957	-
Share of profits after income tax	6,594	-
Transfer on acquisition of subsidiary	(33,373)	-
	-	-

On 19 August 2009 the parent entity acquired 44.85% of Dioro Exploration NL, as a result the group obtained a significant interest in Dioro Exploration NL and its subsidiaries. The group has accounted the 44.85% interest as investment in associates during the first half of the financial year.

Subsequently, the Group acquired additional interest and on 12 February 2010 the Group obtained control over Dioro Exploration NL and its subsidiaries. For further details of business combinations refer to note 31.

Note 16. Trade and other payables

	Consolidated	
	2010 $'000	2009 $'000
Trade payables and accruals	44,581	29,524
Employee benefits - annual leave	2,072	523
Other payables	7,523	606
	54,176	**30,653**

Note 17. Provisions

	Consolidated	
	2010 $'000	2009 $'000
Non-Current		
Provision for rehabilitation (i)	21,194	4,399
Employee benefits - long service leave	513	198
Total provisions	**21,707**	**4,597**

Note 17. Provisions (continued)

	Consolidated 2010 $'000	Consolidated 2009 $'000
(a) Movement in rehabilitation provision		
Carrying amount at start of year	4,399	3,350
Charged to the income statement	1,301	183
Acquired provision [(ii)]	14,573	-
Additional provision recognised	922	866
	21,194	**4,399**

(i) Rehabilitation provision
A provision for restoration is recognised in relation to the mining activities for costs such as reclamation, waste site closure, plant closure and other costs associated with the restoration of a mining site. Estimates of the restoration obligations are based on anticipated technology, legal requirements and future costs which have been discounted to their present value. In determining the restoration provision, the company has assumed no significant changes will occur in the relevant legislation in relation to restoration of such mines in the future. The basis for accounting for rehabilitation costs is set out in Note 1(v).

(ii) Acquired provision
On the 12 February 2010 as a result of the acquisition of Dioro Exploration NL and its subsidiary companies, a rehabilitation provision totalling $14.5m was recognised in the Consolidated Entity's balance sheet for the first time.

Note 18. Property, plant and equipment

Consolidated - 2010	Land & Buildings $'000	Computer & Office Equipment $'000	Motor Vehicles $'000	Mining Plant & Equipment $'000	Mining Properties $'000	Total $'000
At 1 July 2009						
Cost	976	1,631	920	85,740	136,096	225,363
Accumulated depreciation	(236)	(630)	(317)	(14,673)	(32,777)	(48,633)
Net book amount	740	1,001	603	71,067	103,319	176,730
Year ended 30 June 2010						
Additions	109	259	177	2,768	57,032	60,345
Acquisition of subsidiary [(i)]	986	244	423	24,407	65,717	91,777
Net disposals (write-offs)	-	(28)	-	(263)	-	(291)
Transfer of assets	185	82	-	22,818	(23,085)	-
Amortisation charge	-	-	-	-	(56,066)	(56,066)
Depreciation charge	(237)	(691)	(415)	(16,991)	-	(18,334)
Closing net book amount at 30 June 10	1,783	867	788	103,806	146,917	254,161
At 30 June 2010						
Cost	2,257	2,070	1,520	135,380	235,760	376,987
Accumulated depreciation	(474)	(1,203)	(732)	(31,574)	(88,843)	(122,826)
Net book amount	**1,783**	**867**	**788**	**103,806**	**146,917**	**254,161**

(i) On the 12 February 2010, the Company acquired the net assets of Dioro Exploration NL and its subsidiaries.

Note 18. Property, plant and equipment (continued)

Consolidated - 2009	Land & Buildings $'000	Computer & Office Equipment $'000	Motor Vehicles $'000	Mining Plant & Equipment $'000	Mining Properties $'000	Total $'000
At 1 July 2008						
Cost	560	721	733	80,637	96,654	179,305
Accumulated depreciation	-	(315)	(150)	(587)	(5,212)	(6,264)
Net book amount	560	406	583	80,050	91,442	173,041
Year ended 30 June 2009						
Additions	-	588	-	631	44,859	46,078
Disposals (write-offs)	-	-	(16)	(4)	-	(20)
Transfer of assets (net)	283	286	183	4,665	(5,417)	
Amortisation charge	-	-	-	-	(27,565)	(27,565)
Depreciation charge	(103)	(279)	(147)	(14,275)	-	(14,804)
Closing net book value at 30 June 09	740	1,001	603	71,067	103,319	176,730
At 30 June 2009						
Cost	976	1,631	920	85,740	136,096	225,363
Accumulated depreciation	(236)	(630)	(317)	(14,673)	(32,777)	(48,633)
Net book amount	**740**	**1,001**	**603**	**71,067**	**103,319**	**176,730**

(a) Leased assets

Mining plant and equipment includes the following amount where the Group is a lessee under a finance lease:

	Consolidated	
	2010 $'000	2009 $'000
Leased plant & equipment	15,312	7,760
Accumulated depreciation	(3,642)	(1,560)
Net book amount	**11,670**	**6,200**

Leased plant and equipment at 30 June 2010 comprises the Higginsville Gold Project power station, motor vehicles and equipment. The leased assets include for the first time leased plant and equipment acquired following the acquisition of Dioro Exploration NL. As at 12 February 2010, the fair value of these assets were $6.01 million.

The Higginsville Gold Project power station

Operation of the power plant facility is governed by a take or pay contract with a power systems provider who has constructed and installed the facility, and who now runs and manages its operations. Avoca Mining Pty Ltd under this contract has an option to purchase the facility for agreed values throughout the term of the contract. The power station has been accounted for on the basis that Avoca Mining Pty Ltd will exercise its option to acquire the plant during the term of the contract, and has been included in the leased asset values disclosed in this note.

(b) Non-current assets pledged as security.

Refer to note 19 for information on non-current assets pledged as security by the parent entity and its controlled entities.

Note 19. Borrowings

	Consolidated 2010 $'000	Consolidated 2009 $'000
Current		
Secured & unsecured		
Lease liabilities	4,137	923
Insurance loans	118	-
Bank loans	36,000	20,000
Total current borrowings	**40,255**	**20,923**
Non-current		
Secured		
Lease liabilities	6,789	6,011
Bank loans	-	41,000
Total non-current borrowings	**6,789**	**47,011**
Total borrowings	**47,044**	**67,934**

(a) Financing facilities

At reporting date, the following facilities had been negotiated and were available:

	2010	2009
Total facilities		
Secured bank advance	36,000	61,000
Secured performance bond guarantee facility	10,000	5,000
	46,000	**66,000**
Facilities used at reporting date:		
Secured bank advance	36,000	61,000
Secured performance bond guarantee facility	8,308	3,842
	44,308	**64,842**
Facilities unused at reporting date:		
Secured bank advance	-	-
Secured performance bond guarantee facility	1,692	1,158
	1,692	**1,158**

(b) Secured bank advance

Senior Debt Facility

On the 21 May 2008, Avoca Mining Pty Ltd entered into loan agreements for a AUD$71 million multi-option secured facility (Senior Debt Facility) with Société Générale Australia Branch (SocGen) and the Commonwealth Bank of Australia (CBA). SocGen have provided 60% of the Facility and CBA have provided 40% of the Facility. The Senior Debt Facility at May 2008 comprised three tranches:

(i) AUD $23 million revolving line of credit with an initial term of 30 months from project commissioning which can be extended to a 42 month loan tenor upon certain conditions being met (Tranche 1);

(ii) AUD $43 million non-revolving facility with a 6 monthly amortising repayment schedule over a 30 month loan tenor from project commissioning (Tranche 2); and

(iii) AUD $5 million performance bond guarantee facility available for the term of the Tranche 1 facility.

Project commissioning is documented to be 30 September 2008.

Note 19. Borrowings (continued)

(b) Secured bank advance (continued)

The purpose of the Senior Debt Facility was to:

- Refinance the unsecured facility provided by SocGen in 2006. At the time of first draw down on the new Senior Debt Facility, SocGen had provided unsecured funding to Avoca Resources Limited amounting to $23 million. This was repaid in full from the proceeds of the first drawn down from the Senior Debt Facility. The SocGen un-secured Performance Bond Guarantee Facility was replaced with the Senior Debt Facility.
- Provide funding to facilitate the completion of the construction and development of the Higginsville Gold Project.
- Provide ongoing working capital funding for operations post the completion of construction.

The Senior Debt Facility references the interest rate to BBSY plus a margin. At 30 June 2010, the rate of interest applicable to drawdowns was 6.52% (2009: 4.89%).

During the year, there were scheduled debt repayments made on Tranche 1 totalling $5,000,000 and Tranche 2 totalling $20,000,000 as a result, and in accordance with the loan agreement the available debt limit on both Tranche 1 and Tranche 2 was reduced by the same amount.

BNP Performance bond guarantee facility

Dioro Exploration NL has a secured performance bond guarantee facility with BNP Paribas comprising a facility limit of $5.0 million. As at 30 June 2010, performance bonds issued under this facility total $4.47 million. The facility was in place at the time of acquisition of Dioro Exploration NL and expired 31 March 2011.

(c) Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2010 $'000	2009 $'000
Bank loans	36,000	61,000
Lease liabilities	10,926	6,934
Performance Bond Guarantee Facility (i)	8,308	3,842
	55,234	**71,776**

(i) This amount is a contingent liability that has not been brought to account within the balance sheet.

Senior Debt Facility

Avoca Mining Pty Ltd has provided the following security for the bank loans:

- Fixed and floating charge over the assets of the company.
- Mining mortgages over ten tenements comprising infrastructure or access to the project.

Avoca Resources Limited has provided an unsecured corporate guarantee in the form of a feather weight charge over it's assets.

BNP Performance Bond Guarantee Facility

Dioro Exploration NL and its subsidiaries HBJ Minerals Pty Ltd and Hampton Gold Mining Areas Limited have provided the following security for the Performance Bond Guarantee Facility:

- Fixed and floating charge over the assets of the companies.
- Mining mortgage's over key tenements comprising infrastructure, mining areas and access to the project.
- Share mortgages over the respective shareholdings in HBJ Minerals Pty Ltd and Hampton Gold Mining Areas Limited.
- Real property mortgage over the South Kalgoorlie leasehold land.

HBJ Minerals Pty Ltd and Hampton Gold Mining Areas Limited have provided secured corporate guarantees under the facility agreement.

Note 19. Borrowings (continued)

	Consolidated 2010 $'000	Consolidated 2009 $'000
The carrying amounts of assets pledged as security for current and non-current borrowings are:		
Current floating charge		
Cash and cash equivalents	38,139	7,389
Trade and other receivables	5,968	2,180
Inventories	19,614	5,673
Derivative financial instruments	18	525
Other financial assets	713	146
Total current assets pledged as security	**64,453**	**15,913**
Non-current floating charge		
Derivative financial instruments	-	1,817
Property, plant and equipment	330,014	174,248
Mineral exploration and evaluation	73,676	34,249
Total non-current assets pledged as security	**403,690**	**210,314**
Total assets pledged as security	**468,143**	**226,227**

The carrying amounts and fair values of borrowings at balance date are:

Consolidated	2010		2009	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Non-traded financial liabilities				
Bank loans	36,000	36,000	61,000	61,000
Lease liabilities	10,926	10,926	6,934	6,934
	46,926	**46,926**	**67,934**	**67,934**

(i) On Balance Sheet

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair value of non-current borrowings (lease liabilities) are based on cash flows discounted using 10.5% (2009: 10.25%).

(ii) Off Balance Sheet

The performance bond guarantee facility is used to provide environmental bonds to the West Australian department of Minerals and Petroleum.

These bonds are contingent liabilities which represent the Group's obligations with respect to environmental rehabilitation commitments on tenements that are actively being developed. These bonds are at call and are therefore contingent and represent a potential current liability. As at balance date the performance bond guarantee amounted to $8,308,000 (2009: $3,842,000). The fair value of this potential current liability equals its carrying amount, as the contingent nature of the liability makes assessing the impact of discounting difficult.

(e) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 2(a) and 2(c).

Note 20. Convertible bonds

	Consolidated	
	2010 $'000	2009 $'000
Convertible bonds [i]	18,801	18,600
	18,801	**18,600**
Movements:		
Opening balance	18,600	34,893
Additions	-	-
Less: conversion to equity	(369)	(17,157)
Add: interest capitalised	473	767
Add: borrowing fees capitalised	97	97
Closing balance	**18,801**	**18,600**
Interest expense [ii]	1,687	2,130
Interest paid	(1,529)	(1,974)
Current interest liability	**158**	**156**
Face value of convertible bonds		
Opening balance	20,400	39,000
Converted to equity	(400)	(18,600)
Closing balance	**20,000**	**20,400**

(i) Convertible bonds
The parent entity issued AUD$40 million in convertible bonds on 14 May 2007. The convertible bonds are unsubordinated, unsecured and have an underlying coupon rate of 6.0% per annum payable semi-annually in arrears. The convertible bonds are convertible into ordinary shares at $1.741 per share (2009: $1.742 per share).
The Group has treated the convertible bonds as a compound financial instrument and recognised a liability component and an equity component in respect of these bonds. An amount of $34,868,863 was initially recognised as a non-current liability together with an equity reserve net of tax for $3,323,342 at inception. The convertible bonds mature on 12 May 2012.
During the year, Bonds holders converted 2 bonds and received 229,752 ordinary shares, representing a $416,772 increase in share capital.

(ii) Interest expense
Interest expense is calculated by applying the effective interest rate of 7.61% (2009: 6.10%) to the liability component.

Note 21. Contributed Equity

	Consolidated	
	2010 $'000	2009 $'000
Share capital		
Ordinary shares		
290,492,011 ordinary shares (2009: 259,012,099)	231,630	177,666
Total issued capital	**231,630**	**177,666**

Note 21. Contributed Equity (continued)

(a) Movements in ordinary share capital

		Consolidated		
Fully paid ordinary shares		**Number of shares**	**Issue price**	**$'000**
Date	**Details**			
01-Jul-08	**Opening balance**	221,929,903		120,969
15-Jul-08	Issue of shares pursuant to conversion of bonds	571,428	$1.75	1,000
22-Jul-08	Issue of shares on conversion of employee's options	300,000	$0.45	135
30-Sep-08	Issue of shares on conversion of employee's options	55,000	$0.90	49
22-Jan-09	Share placement	20,500,000	$1.47	30,135
13-Feb-09	Issue of shares on acquisition of tenements - Chalice	483,335	$1.74	841
03-Mar-09	Issue of shares on conversion of employee's options	300,000	$0.90	270
20-Apr-09	Issue of shares on acquisition of investment (Dioro Exploration)	4,563,300	$1.50	6,822
21-May-09	Issue of shares on conversion of employee's options	200,000	$0.25	50
10-Jun-09	Issued of shares pursuant to conversion of bonds	10,109,133	$1.82	18,366
Add :	Transfer from equity compensation reserve in respect of options exercised			141
Less:	Transaction costs arising on share issue			(1,190)
	Deferred tax credit arising on capital raising costs recognised directly in equity			77
Date	**Details**			
30-Jun-09	**Opening balance**	259,012,099		177,665
16-Jul-09	Issue of shares pursuant to conversion of bonds	114,876	$1.82	209
22-Jul-09	Issue of shares on conversion of employee's options	100,000	$0.45	45
13-Aug-09	Issue of shares on conversion of employee's options	300,000	$0.90	270
24-Aug-09	Issue of shares on acquisition of Dioro Exploration	11,908,520	$1.68	19,957
27-Aug-09	Issued of shares on conversion of options exercised (SocGen)	350,000	$1.39	487
22-Sep-09	Issue of shares on conversion of employee's options	500,000	$0.45	225
03-Dec-09	Issue of shares on conversion of employee's options	500,000	$0.75	375
08-Dec-09	Issue of shares on conversion of employee's options	150,000	$1.66	249
12-Feb-10	Issue of shares on acquisition of Dioro Exploration	12,287,128	$1.87	22,918
15-Apr-10	Issue of shares on acquisition of Dioro Exploration	4,254,512	$2.02	8,593
31-May-10	Issue of shares on conversion of employee's options	100,000	$0.45	45
17-Jun-10	Issue of shares on conversion of employee's options	500,000	$0.45	225
28-Jun-10	Issue of shares on conversion of employee's options	300,000	$0.45	135
30-Jun-10	Issued of shares pursuant to conversion of bonds	114,876	$1.81	208
Add :	Transfer from equity reserves in respect of options exercised			154
Add :	Transfer from equity compensation reserve in respect of options exercised			353
Less:	Transaction costs arising on share issue			(1)
	Deferred tax credit arising on capital raising costs recognised directly in equity			(481)
Balance at 30 June 2010		**290,492,011**		**231,630**

Note 21. Contributed Equity (continued)

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(c) Options

Information relating to the Avoca Resources Limited Directors, Officers, Employees and other permitted persons Option Plan is set out in note 37.

(d) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet (including minority interest) plus net debt.

During 2010 the Group's strategy, which was unchanged from 2009, was to maintain a gearing ratio within 10% to 55%. The gearing ratios at 30 June 2010 and 30 June 2009 were as follows:

	Consolidated	
	2010 $'000	**2009 $'000**
Total borrowings	120,021	117,187
Less: cash and cash equivalents	(42,546)	(38,946)
Net debt	77,475	78,241
Total equity	268,860	157,281
Total capital	**346,335**	**235,522**
Gearing ratio	22%	33%

The decrease in the gearing ratio during 2010 resulted primarily from the increase in total equity following the issue of shares by the company as consideration (in part) for the acquisition of Dioro Exploration NL.

Note 22. Reserves and accumulated losses

	Consolidated	
	2010 $'000	2009 $'000
(a) Reserves		
Equity compensation reserve (i)	3,998	3,090
Other reserves (ii)	3,323	4,405
	7,321	**7,495**
(i) Movements - Equity compensation reserve		
Balance 1 July	3,090	2,591
Transfer to equity compensation reserve in respect of options issued	1,261	640
Transfer to issued capital in respect of options exercised	(353)	(141)
Balance at end of financial year	**3,998**	**3,090**
(ii) Movements - Other reserves		
Options issued reserve		
Balance 1 July	154	154
Options issued	-	-
Transfer to issued capital in respect of options exercised	(154)	-
Balance at end of financial year	**-**	**154**
Equity reserve		
Balance 1 July	1,465	3,240
Equity recognised on convertible bond	(47)	-
Transfer to issued capital in respect of bond conversion	-	(2,209)
Deferred tax liability arising on the recognition of the convertible bond equity	8	434
Balance at end of financial year	**1,426**	**1,465**
Listed investments revaluation reserve		
Balance 1 July	2,786	411
Revaluation to fair value	(752)	3,387
Deferred tax liability arising on the recognition of the revaluation of listed investments	226	(1,012)
Balance at end of financial year	**2,260**	**2,786**
Foreign currency translation reserve		
Balance 1 July	-	-
Acquisition	(7)	-
Balance at end of financial year	**(7)**	**-**
Transactions with non-controlling interests		
Balance 1 July	-	-
Acquisition of additional ownership in Dioro Exploration NL	(356)	-
Balance at end of financial year	**(356)**	**-**
Balance at end of financial year	**3,323**	**4,405**

(b) Accumulated losses		
Balance 1 July	(27,880)	(11,610)
Profit / (Loss) for the period	57,789	(16,270)
Balance at end of financial year	**29,909**	**(27,880)**

Note 22. Reserves and accumulated losses (continued)

(c) Nature and purpose of reserves

(i) Share-based compensation reserve

The share-based compensation reserve is used to recognise the fair value of options issued to employees but not exercised.

(ii) Options issued reserve

The options issued reserve is used to recognise the fair value of options issued to non-employees but not exercised.

(iii) Equity reserve

The equity reserve is used to recognise the equity portion on the convertible bond.

(iv) Listed investments revaluation reserve

Changes in the fair value of listed investments, are taken to the listed investments revaluation reserve, as described in note 10. Amounts are recognised in the profit and loss when the associated assets are sold or impaired.

(v) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit and loss when the net investment is disposed of.

(vi) Transactions with non-controlling interests

This reserve is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

Note 23. Dividends

No dividends were paid or proposed during the financial year (2009: Nil).

The Group has no franking credits available as at 30 June 2010 (2009: Nil).

Note 24. Reconciliation of loss after income tax to net cash inflow from operating activities

	Consolidated	
	2010 $'000	2009 $'000
Profit / (loss) for the year	57,789	(16,270)
Depreciation and amortisation	74,400	42,369
Exploration costs written off	4,313	512
Share based payments expense	1,260	640
Write off of assets	282	16
Fair value adjustment to derivatives	2,324	9,474
Gain on sale of assets	(5,952)	(40)
Non-cash finance costs	2,944	2,785
Share of net profit of associate accounted for using the equity method	(6,594)	-
Equity gain on acquisition	(18,502)	-
Change in operating assets and liabilities:		
Decrease (Increase) in prepaid expenses	(295)	73
Decrease (Increase) in receivables	1,092	(259)
Decrease (Increase) in accrued interest income	17	(12)
Decrease (Increase) in inventories	(1,110)	5,753
Decrease (Increase) in deferred tax asset	12,351	(6,822)
Increase (Decrease) in provision for income tax	152	(152)
Increase (Decrease) in payables	2,209	18,355
Increase (Decrease) in other provisions	2,538	85
Increase (Decrease) in other financial liabilities	(4,460)	(4,582)
Net cash inflow from operating activities	**124,759**	**51,925**

Note 25. Non-cash investing and financing activities

	Consolidated	
	2010 $'000	2009 $'000
Acquisition of plant and equipment by means of a finance lease	1,962	1,205
Tenement interests acquired through the issue of ordinary shares.	-	841
Investment in Dioro Exploration acquired through the issue of ordinary shares	51,468	6,822
Conversion of debt to equity by bond holders	400	18,600
	53,830	**27,468**

Note 26. Key management personnel disclosures

	Consolidated	
	2010 $'000	2009 $'000
(a) Key management personnel compensation		
Short-term employee benefits	2,042,099	1,570,811
Post-employment benefits	120,074	180,950
Long-term benefits	46,427	29,853
Share-based payments	296,865	284,674
	2,505,466	**2,066,288**

Detailed remuneration disclosures are provided in sections A - C of the remuneration report on pages 40 - 47

Note 26. Key management personnel disclosures (continued)

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on pages 44 - 45

(ii) Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of Avoca Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2010

Name	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Avoca Resources Limited							
R G Reynolds	500,000	-	(500,000)	-	-	-	-
R I Williams	3,200,000	-	-	-	3,200,000	2,300,000	900,000
S J Unwin	-	-	-	-	-	-	-
D F Quinlivan	300,000	-	-	-	300,000	300,000	-
J A Castro	-	-	-	-	-	-	-
Other key management personnel of the Group							
A P James	1,150,000	-	(500,000)	-	650,000	500,000	150,000
G A Dyker	600,000	-	-	-	600,000	250,000	350,000
L Smith (2)	-	250,000	-	-	250,000	-	250,000
J Rezos (1)	-	250,000	-	-	250,000	-	250,000

2009

Name	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Avoca Resources Limited							
R G Reynolds	500,000	-	-	-	500,000	500,000	-
R I Williams	3,000,000	200,000	-	-	3,200,000	2,000,000	1,200,000
S J Unwin	-	-	-	-	-	-	-
D F Quinlivan	300,000	-	-	-	300,000	300,000	-
J A Castro	-	-	-	-	-	-	-
Other key management personnel of the Group							
A P James	1,000,000	150,000	-	-	1,150,000	1,000,000	150,000
G A Dyker	450,000	150,000	-	-	600,000	-	600,000
M Haugg	-	400,000	-	-	400,000	-	400,000
S Roesler (3)	400,000	-	-	(400,000)	-	-	-

(1) Ms J Rezos commenced employment with Avoca Resources Limited on 31st March 2010.
(2) Mr L Smith commenced employment with Avoca Resources Limited on the 14 December 2009.
(3) Mr S Roesler terminated employment with Avoca Resources Limited on 31 December 2008.

Note 26. Key management personnel disclosures (continued)

(b) Equity instrument disclosures relating to key management personnel (continued)

(iii) Share holdings

The number of shares in the company held during the financial year by each director of Avoca Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2010

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Avoca Resources Limited				
R G Reynolds	2,287,501	500,000	(200,000)	2,587,501
R I Williams	3,418,079	-	-	3,418,079
S J Unwin	300,865	-	-	300,865
D F Quinlivan	-	-	-	-
J A Castro	-	-	-	-
Other key management personnel of the Group				
A P James	24,788	500,000	(205,195)	319,593
G A Dyker	200,719	-	-	200,719
L Smith (2)	-	-	-	-
J Rezos (1)	-	-	-	-

2009

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Avoca Resources Limited				
R G Reynolds	2,028,788	-	258,713	2,287,501
R I Williams	3,377,576	-	40,503	3,418,079
S J Unwin	300,000	-	865	300,865
D F Quinlivan	-	-	-	-
J A Castro	-	-	-	-
Other key management personnel of the Group				
A P James	24,788	-	-	24,788
G A Dyker	200,719	-	-	200,719
M Haugg	-	-	-	-
S Roesler	-	-	-	-

(1) Ms J Rezos commenced employment with Avoca Resources Limited on 31st March 2010.
(2) Mr L Smith commenced employment with Avoca Resources Limited on the 14 December 2009.

(c) Loans to key management personnel

No loans were made to Director of Avoca Resources Limited or any other key management personnel, including personally related entities during the reporting period.

Note 27. Remuneration of auditors

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

	Consolidated	
	2010 $'000	2009 $'000
PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial statements	272,000	95,000
Other services		
Advisory services	30,000	-
Total remuneration of PricewaterhouseCoopers Australia	**302,000**	**95,000**

Note 28. Contingencies

(a) Contingent liabilities

There were no material contingent liabilities not provided for in the financial statements of the Consolidated Entity as at 30 June 2010 other than:

Financing Guarantees

The parent entity has a contingent liability at 30 June 2010 with respect to the provision of an unsecured corporate guarantee in the form of a feather weight charge over its assets, which has been provided in respect of the Senior Debt Facility secured by Avoca Mining Pty Ltd.

Performance Bond Guarantee Facility

Avoca Mining Pty Ltd and Dioro Exploration NL have issued environmental bonds to the West Australian department of Minerals and Petroleum amounting to $6,798,700. The remaining balance of performance bonds on issue totalling $1,509,500 have been provided to a number of key suppliers to the Group on normal commercial terms. All bonds on issue are at call. Should a bond be called, the terms of the facility require that the called bond be cash backed by the company. At 30 June 2010 no bonds within this facility had been called. Refer to note 19 for further details.

Native Title and Aboriginal Heritage

Native title claims have been made with respect to areas which include tenements in which the Group has an interest. The Group 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 Group 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 Group has an interest.

Contract with Australian Contract Mining

Avoca Mining Pty Limited has signed a 5 year contract commencing 1 July 2007 with Australian Contract Mining Pty Ltd (ACM) in respect of the mine development and haulage work for the Higginsville Gold Project. In the event that the Company terminates the contract within 36 months of the commencement date the Company will be liable to pay a termination payment of between $6.5 million and $8.5 million depending on when the contract is terminated. At 30 June 2010 the termination payment amount is $6.5 million.

Avoca has continuing negotiations on the Higginsville Gold Project production mining contract with the incumbent mining contractor ACM. The negotiations include the agreement of a schedule of mining rates which will be used to cost the production works undertaken by ACM. Since December 2009 the majority of the rates to be used for the production works have been agreed by both parties with the exception of the underground loader rates. Avoca has used its estimate of the likely rates to make a provision for production costs incurred during the period from the commencement of production works to 30 June 2010. As at 30 June 2010 ACM has invoiced Avoca $34.9 million for production works completed since the commencement of production to 30 June 2010. As at 30 June 2010, Avoca has recognised the invoiced amount of $34.9 million in its financial results. Additional claims raised but not invoiced by ACM as at 30 June 2010 on account of underground loader rates total $0.9 million. This amount has not been recognised by Avoca at 30 June 2010. The rates used by ACM to invoice Avoca for the production works are higher than the rates proposed by Avoca. These rates are subject to the ongoing negotiations that are to be finalised with ACM and do not reflect Avoca's expectations of the rates, following, inter alia, findings from an independent study, by a mining consulting group. On conclusion of the current negotiations with ACM, Avoca anticipates a favourable resolution on the production mining contract rates.

Note 28. Contingencies (continued)

As at 30 June 2010, ACM has submitted rise and fall claims totalling $15.1 million for the mine development and haulage contract. Avoca has recognised $8.8 million against these claims. The difference between the amount claimed by ACM and that recognised by Avoca arises from the different interpretations of the calculation of the rise and fall provisions for the existing mine development and haulage contract. Avoca believes the position adopted by the company, appropriately reflects the provisions of the contract and normal industry practice for the calculation of rise and fall adjustments. As a result, there exists a contingent liability at 30 June 2010 for the difference between the amount paid by Avoca and the amount invoiced by ACM which totals $6.3 million. Avoca has continuing negotiations with ACM on this matter, and believes that a favourable resolution will be achieved.

No material losses are anticipated in respect of any of the above contingent liabilities.

(b) Contingent assets

There were no material contingent assets as at 30 June 2010 (2009: Nil).

Note 29. 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. The estimated commitment amount which covers the following twelve month period is $6,931,630 (2009: $3,561,480). These obligations are also subject to variations by farm-out arrangements or sale by way of the relevant tenement interest. This commitment does not include the expenditure commitments which are the responsibility of the joint venture partners.

(b) Contractual commitments

As at 30 June 2010 Avoca Mining Pty Ltd has a contractual agreement with Kalgoorlie Power Systems (KPS) for provision of service by KPS to maintain and service the power station located in at the Higginsville Gold Project. The agreement was for a period of five years at an agreed amount of $2,732,500 refer to note 29(d). As at 30 June 2010 the remaining maintenance and service payments due under the agreement totalled $2,186,000.

(c) Operating lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are as follows:

	Consolidated	
	2010 $'000	2009 $'000
Within one year	734	331
Later than one year but not later than five years	3,429	323
Later than five years	1,036	-
	5,199	**654**

Non-cancellable operating lease commitments relate to the lease of the Company's Perth office and lease of various equipment associated with the development of the Company's Higginsville Gold Project.

Commitments for minimum lease payments in relation to cancellable operating leases are as follows:

	Consolidated	
	2010 $'000	2009 $'000
Within one year	2,689	2,617
Later than one year but not later than five years	2,151	4,441
Later than five years	-	-
	4,840	**7,058**

Cancellable operating lease commitments relate to the hire of various equipment and vehicles associated with the development of the Company's Higginsville Gold Project and South Kalgoorlie operation.

Note 29. Commitments (continued)

(d) Finance lease commitments

During the year the group incurred additional finance lease commitments as a result of the acquisition of Dioro Exploration NL and its subsidiaries. The finance lease commitments consist of finance lease arrangements on plant and equipments for its operation in its South Kalgoorlie mining operations.

Avoca Mining Pty Ltd has entered into an agreement with Kalgoorlie Power Systems to build and operate the power station located at the Higginsville Gold Project, and to supply electricity for a fixed term of five years. Avoca Mining Pty Ltd under this contract has an option to purchase the facility for agreed values throughout the term of the contract. At the end of the five year term the purchase amount is $3,644,000. The power station has been accounted for on the basis that Avoca Mining Pty Ltd will exercise its option to acquire the plant during the term of the contract. A finance lease has been recognised reflecting a five year term and a $3,644,000 residual payment amount.

	Consolidated	
	2010 $'000	2009 $'000
Within one year	5,044	1,597
Later than one year but not later than five years	7,755	7,482
Later than five years	-	-
Minimum lease payment	**12,799**	**9,079**
Future finance charges	(1,873)	(2,145)
Recognised as liability	**10,926**	**6,934**
Representing lease liabilities:		
Current	4,137	923
Non-current	6,789	6,011
	10,926	**6,934**

The weighted average interest rate implicit in the lease is 9.76% (2009: 10.25%).

Note 30. Related party transactions and balances

(a) Parent entity

The parent entity within the Group is Avoca Resources Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 32. Loans to the subsidiaries incur interest calculated on the loan's daily balance using the published BBSY rate plus a margin. Interest is payable on 30 June and 31 December each year.

The funds were expended on exploration, evaluation and mine development activities for the Group's operation. There were no sales or purchases of goods and services within the Group during the year.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Avoca Resources Limited for any current tax payable assumed and are compensated by Avoca Resources Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Avoca Resources Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 26.

Note 31. Business Combination

(a) Summary of acquisition

On 12 February 2010 the parent entity acquired 85.7% of the issued share capital of Dioro Exploration NL, a gold mining company who owns and operates the South Kalgoorlie Operation which includes the Jubilee treatment plant. The company also has a 49% joint venture interest in the Frog's Legs underground gold mine. The acquisition enhances the Company's production profile with the addition of the Jubilee treatment plant and exposes it to significant exploration potential in a historically well endowed gold field.

Details of the purchase consideration, the net assets acquired are as follows:

	2010 $'000
Purchase consideration	
Cash paid	24,319
Fair value of initial equity interest	51,862
Equity instrument issued	22,918
	99,099

The assets and liabilities recognised as the result of the acquisition are as follows:

	2010 $'000
Cash	9,909
Trade receivables	5,138
Inventories	12,832
Other investments	54
Plant and equipment	26,060
Mine Development and Exploration	96,404
Deferred tax asset	2,698
Trade payables	(13,712)
Provision for employee benefits	(1,403)
Lease liabilities	(4,283)
Rehabilitation provisions	(14,573)
Borrowings	(3,500)
Net identifiable assets acquired	**115,624**
Less: non-controlling interests	(16,525)
Net assets acquired	**99,099**

There were no acquisitions in the year ending 30 June 2009.

The acquisition of Dioro Exploration NL occurred on 12 February 2010. In accordance with AASB 3R Business Combinations, the initial accounting determined above is provisional. The provisional accounting for this acquisition may be adjusted in the next reporting period in the event that the finalisation of fair value procedures, produces fair values which are different to those provisionally determined.

(i) Equity interests issued as purchase consideration

12,287,128 Avoca shares were issued to Dioro Exploration NL shareholders as part of the purchase consideration. The shares were valued at $22,918,000 in total which was determined with reference to the price quoted on the Australian Stock Exchange at the date of acquisition.

(ii) Acquired receivables

The fair value of the acquired receivables is $5,138,000. The gross contractual amount for trade receivables due is $5,138,000.

(iii) Non-controlling interests

In accordance with the accounting policy set out in note 1 (b) (iii), the group elected to recognise the non-controlling interests in Dioro Exploration NL at its proportionate share of the acquired net identifiable assets.

Note 31. Business Combination (continued)

(iv) Revenue and profit contribution

The acquired business contributed revenues of $57,399,000 and net loss of $2,946,000 to the group from the 12 February 2010 to 30 June 2010.

If the acquisition had occurred on 1 July 2009, consolidated revenue and consolidated profit for the year ended 30 June 2010 would have been $344,264,749 and $57,790,000 respectively. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiaries to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from 1 July 2009, together with the consequential tax effects.

(v) Business combination achieved in stages.

The fair value of the company's equity interest in Dioro Exploration NL immediately prior to the acquisition date was $51,862,000. As a result of remeasuring the company's equity interest to fair value, a gain of $18,502,000 has been recognised in the income statement.

(b) Purchase consideration - cash outflow

	2010 $'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	24,319
Less Balances acquired:	
Cash	(9,909)
	14,410

Acquisition-related costs of $6,010,000 is separately disclosed in the income statement and in operating cash flows in the statement of cash flows.

Note 32. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1(b).

Name of entity	Country of incorporation	Class of shares	Equity holding **	
			2010 %	2009 %
Avoca Mining Pty Ltd	Australia	Ordinary	100	100
Dioro Exploration NL *	Australia	Ordinary	100	-
HBJ Minerals Pty Ltd *	Australia	Ordinary	100	-
Hampton Gold Mining Areas Limited *	United Kingdom	Ordinary	100	-

* The Company acquired Dioro Exploration NL and its subsidiaries and obtained control on 12 February 2010.
** The proportion of ownership interest is equal to the proportion of voting power held.

Note 33. Deed of cross guarantee

Avoca Resources Limited, Avoca Mining Pty Ltd, Dioro Exploration NL, HBJ Minerals Pty Ltd and Hampton Gold Mining Areas Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others.

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Avoca Resources Limited, they also represent the 'extended closed group'.

As the above companies represent the consolidated entity of Avoca Resources Limited, refer to the consolidated income statement, consolidated balance sheet and consolidated statement of change in equity for the disclosures relating to the companies under the deed of cross guarantee.

Note 34. Interests in joint ventures

(a) Exploration Joint venture

Included in capitalised exploration and evaluation expenditure (refer note 12) of the Consolidated Entity is $Nil (2009:$Nil) which represents the Entity's interest in the assets and liabilities employed in joint ventures entered into by the Entity. There are no other amounts in the assets and liabilities of the Entity representing the Entity's interest in assets and liabilities employed in joint ventures. At balance date the Consolidated Entity's interest had a Nil carrying value. The Entity's involvement in joint ventures is shown below:

		Consolidated	
	Interest	2010 $'000	2009 $'000
Western Australia Uranium JV (i)	11-20	-	-
Lakeway Uranium Project (ii)	40	-	-
Glandore South JV	80.16	-	-
Lake Greta JV	24.5	-	-
Kunderong JV	40	-	-
South Laverton Tectonic Zone JV	20	-	-

(i) The Consolidated entity's interest in the joint venture is determined by the respective interests it has in each of the seventeen tenements comprising the joint venture. During the year the consolidated entity diluted certain tenement interests. As at 30 June 2010, the interest in the joint venture's tenements ranged from 11% to 20% (2009: 11% to 20%). At balance date the Consolidated entity's interest had nil carrying value.

(ii) Represents the Consolidated entity's share of the uranium rights in respect of the joint venture. At balance date the Consolidated entity's interest had a nil carrying value.

(b) Jointly controlled assets

A subsidiary of the consolidated entity, Dioro Exploration NL has entered into a joint venture, the Mungari East Joint Venture which its principal activity is the production of gold from the Frog's Leg underground gold mine.

Dioro Exploration NL has a 49% participating interest in this joint venture and is entitled to 49% of its output of completed production. The group's interests in the assets employed in the joint venture are included in the consolidated balance sheet, in accordance with the accounting policy under the following classifications:

	Consolidated	
	2010 $'000	2009 $'000
Share of partnership's assets and liabilities		
Current assets		
Cash and cash equivalents	433	-
Trade & Other Receivables	1,209	-
Inventories	1,860	-
Total current assets	**3,502**	**-**
Non-current assets		
Property, plant and equipment	52,050	-
Total non-current assets	**52,050**	**-**
Share of assets employed in joint venture	**55,552**	**-**

Note 34. Interests in joint ventures (continued)

(c) Finance lease commitments

	Consolidated	
	2010 $'000	**2009 $'000**
Within one year	2,327	1,597
Later than one year but not later than five years	1,345	7,482
Later than five years	-	-
Minimum lease payment	**3,672**	**9,079**
Future finance charges	(310)	(2,145)
Recognised as liability	**3,362**	**6,934**
Representing lease liabilities:		
Current	2,090	923
Non-current	1,272	6,011
	3,362	**6,934**

Note 35. Events occurring after the balance sheet date

On 9 September 2010 Avoca Resources Limited (Avoca) and Anatolia Minerals Development Limited (Anatolia) a TSX listed company, announced that they have entered into a Merger Implementation Deed to combine the two companies and create a new leading intermediate global gold producer. The combined company will be called Alacer Gold Corp.

Under the terms of the merger, which is to be structured as a scheme of arrangement under Australian law between Avoca and its shareholders (the "Scheme"), each Avoca shareholder will receive 0.4453 Anatolia common shares for each Avoca ordinary share they hold in consideration for the transfer of those Avoca shares to Anatolia (the "Merger"). Unless an Avoca shareholder otherwise elects, the Anatolia consideration shares will take the form of CHESS depositary interests which Anatolia will apply to have listed on the ASX. Upon completion of the Merger, existing Anatolia and Avoca shareholders will own approximately 50% and 50% of Alacer Gold, respectively.

Under the Merger Implementation Deed, a transaction brokerage fee of A$10 million can be imposed on Avoca or Anatolia should either party fail to comply with certain conditions under this deed.

On 29 September 2010, Avoca Resources Limited announced the full conversion of all remaining convertible bonds to ordinary shares. The A$20 million in bonds to be converted will result in the issue of 11,487,649 ordinary shares.

Apart from 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 or 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.

Note 36. Earnings per share

	Consolidated	
	2010 $'000	2009 $'000
(a) Basic earnings / (loss) per share		
Total basic earnings per share attributable to the ordinary equity holders of the company	20.82	(6.97)
(b) Diluted earnings / (loss) per share		
Total diluted earnings per share attributable to the ordinary equity holders of the company	19.84	(6.97)
(c) Reconciliation of earnings / (loss) used in calculating earnings per share		
Basic earnings/ (loss) - per share		
Profit / (loss) after tax from continuing operations attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	57,790	(16,270)
Diluted earnings/ (loss) - per share		
Profit / (loss) after tax from continuing operations attributable to the ordinary equity holders of the company	57,790	(16,270)
Add: Interest savings on convertible notes	1,687	-
Profit / (loss) after tax from continuing operations attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	59,477	(16,270)
(d) Weighted average number of shares used as the denominator	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings / (loss) per share	277,505,360	233,500,782
Adjustments for calculation of diluted earnings per share:		
Options	10,692,287	-
Convertible notes	11,561,070	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	299,758,717	233,500,782

(e) Information concerning the classification of securities

(i) Options

Options to acquire ordinary shares granted by the Company and not exercised at the reporting dates are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of the basic earnings per share. Details relating to the options are set out in note 37.

(ii) Convertible Bonds

Convertible Bonds issued are considered to be potential ordinary shares and have been included in the determination of diluted loss per share from their issue date. The bonds have not been included in the determination of basic earnings per share. Details relating to the bonds are set out in note 20.

Note 37. Share-based payments

(a) Employee Option Plan

The establishment of the Avoca Resources Limited Directors, Officers, Employees and other permitted persons Option Plan ("the Plan") was approved by a special resolution at a General Meeting of shareholders of the Company held on 14 November 2007. All eligible directors, executive officers, employees and consultants of Avoca Resources who have been continuously employed by the Company are eligible to participate in the Plan.

The Plan allows the Company to issue options to eligible persons for no consideration. The options are exercisable at a fixed price in accordance with the Plan.

Options issued under the Plan have vesting periods between 12 and 48 months except under certain circumstances where options may be capable of exercise prior to the expiry of the vesting period.

Options granted under the Plan carry no dividend or voting rights. The exercise price of options is based on the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the five trading days immediately before the options are granted, plus a premium of between 20% to 25%. The Board and Remuneration Committee oversee and approve the issue of all options. The Board retains a discretion to issue options with exercise prices determined using a different basis to that described above.

(b) Options issued during the year

Set out below are summaries of options granted under the Plan:

Consolidated - 2010

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
Various	31-Jul-10	$0.45	1,800,000	-	(1,500,000)	-	300,000	300,000
22-May-06	01-Mar-10	$0.75	500,000	-	(500,000)	-	-	
24-Jul-06	30-Jun-11	$0.90	1,950,000	-	(300,000)	-	1,650,000	1,650,000
15-Nov-06	30-Nov-11	$1.60	2,000,000	-	-	-	2,000,000	2,000,000
26-Oct-06	31-Oct-09	$1.39	350,000	-	(350,000)	-	-	-
18-Dec-06	31-Dec-11	$1.65	300,000	-	-	-	300,000	300,000
09-Jul-07	30-Jun-12	$1.64	300,000	-	-	-	300,000	300,000
09-Jul-07	30-Jun-12	$1.76	300,000	-	-	-	300,000	-
09-Jul-07	30-Jun-12	$1.84	400,000	-	-	-	400,000	-
09-Jul-07	30-Jun-12	$1.66	150,000	-	(150,000)	-	-	-
09-Jul-07	30-Jun-12	$1.80	100,000	-	-	-	100,000	-
10-Sep-07	30-Jun-12	$1.65	250,000	-	-	-	250,000	-
10-Sep-07	30-Jun-12	$1.79	200,000	-	-	-	200,000	-
21-Dec-07	31-Dec-12	$2.71	150,000	-	-	-	150,000	-
21-Dec-07	31-Dec-12	$2.95	100,000	-	-	-	100,000	-
15-Oct-08	30-Sep-13	$1.96	150,000	-	-	-	150,000	-
15-Oct-08	30-Sep-13	$2.01	150,000	-	-	-	150,000	-
15-Oct-08	30-Sep-13	$2.18	100,000	-	-	-	100,000	-
21-Nov-08	31-Oct-13	$1.41	1,700,000	-	-	-	1,700,000	-
17-Dec-08	30-Nov-13	$2.23	200,000	-	-	-	200,000	-
21-Nov-08	31-Oct-13	$1.75	250,000	-	-	-	250,000	-
15-Jun-09	30-Jun-14	$2.23	250,000	-	-	-	250,000	-
15-Jun-09	30-Jun-14	$2.42	150,000	-	-	-	150,000	-
15-Jun-09	30-Jun-14	$1.90	150,000	-	-	-	150,000	-
15-Jun-09	30-Jun-14	$2.06	100,000	-	-	-	100,000	-
29-Mar-10	30-Jun-14	$2.10	-	150,000	-	-	150,000	-
29-Mar-10	30-Jun-14	$2.20	-	100,000	-	-	100,000	-
22-Apr-10	30-Jun-15	$2.50	-	300,000	-	-	300,000	-
22-Apr-10	30-Jun-15	$2.70	-	200,000	-	-	200,000	-
			12,050,000	**750,000**	**(2,800,000)**	**-**	**10,000,000**	**4,550,000**
Weighted average exercise price			**$1.35**	**$2.43**	**$0.73**	**$0.00**	**$1.61**	**$1.28**

Note 37. Share-based payments (continued)

(b) Options issued during the year (continued)

Consolidated - 2009

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
Various	30-Jun-09	$0.25	200,000	-	(200,000)	-	-	-
Various	31-Jul-10	$0.45	2,100,000	-	(300,000)	-	1,800,000	1,800,000
22-May-06	01-Mar-10	$0.75	500,000	-	-	-	500,000	500,000
24-Jul-06	30-Jun-11	$0.90	2,305,000	-	(355,000)	-	1,950,000	1,950,000
15-Nov-06	30-Nov-11	$1.60	2,000,000	-	-	-	2,000,000	2,000,000
26-Oct-06	31-Oct-09	$1.39	350,000	-	-	-	350,000	350,000
18-Dec-06	31-Dec-11	$1.65	700,000	-	-	(400,000)	300,000	300,000
09-Jul-07	30-Jun-12	$1.64	300,000	-	-	-	300,000	-
09-Jul-07	30-Jun-12	$1.76	300,000	-	-	-	300,000	-
09-Jul-07	30-Jun-12	$1.84	400,000	-	-	-	400,000	-
09-Jul-07	30-Jun-12	$1.66	150,000	-	-	-	150,000	-
09-Jul-07	30-Jun-12	$1.80	100,000	-	-	-	100,000	-
10-Sep-07	30-Jun-12	$1.65	250,000	-	-	-	250,000	-
10-Sep-07	30-Jun-12	$1.79	200,000	-	-	-	200,000	-
10-Sep-07	30-Jun-12	$1.81	150,000	-	-	(150,000)	-	-
10-Sep-07	30-Jun-12	$1.96	100,000	-	-	(100,000)	-	-
21-Dec-07	31-Dec-12	$2.71	150,000	-	-	-	150,000	-
21-Dec-07	31-Dec-12	$2.95	100,000	-	-	-	100,000	-
30-Apr-08	31-Mar-13	$2.66	150,000	-	-	(150,000)	-	-
30-Apr-08	31-Mar-13	$2.88	100,000	-	-	(100,000)	-	-
15-Oct-08	30-Sep-13	$1.96	-	150,000	-	-	150,000	-
15-Oct-08	30-Sep-13	$2.01	-	150,000	-	-	150,000	-
15-Oct-08	30-Sep-13	$2.18	-	100,000	-	-	100,000	-
21-Nov-08	31-Oct-13	$1.41	-	1,760,000	-	(60,000)	1,700,000	-
17-Dec-08	30-Nov-13	$2.23	-	200,000	-	-	200,000	-
21-Nov-08	31-Oct-13	$1.75	-	250,000	-	-	250,000	-
15-Jun-09	30-Jun-14	$2.23	-	250,000	-	-	250,000	-
15-Jun-09	30-Jun-14	$2.42	-	150,000	-	-	150,000	-
15-Jun-09	30-Jun-14	$1.90	-	150,000	-	-	150,000	-
15-Jun-09	30-Jun-14	$2.06	-	100,000	-	-	100,000	-
			10,605,000	**3,260,000**	**(855,000)**	**(960,000)**	**12,050,000**	**6,900,000**
Weighted average exercise price			**$1.24**	**$1.71**	**$0.59**	**$1.98**	**$1.35**	**$1.03**

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2010 was $2.06 (2009: $1.75).

The weighted average remaining contractual life of share options outstanding at the end of the period was 850 days (2009: 1,107 days).

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2010 was a weighted average 0.85 cents per option (2009 : 0.69 cents). The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Note 37. Share-based payments (continued)

(b) Options issued during the year (continued)

The model inputs for options granted during the year ended 30 June 2010 included:

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

(b)

Grant date	Expiry date	Share price at grant date	Exercise price	Risk-free interest rate	Volatility factor	Dividend yield
29-Mar-10	30-Jun-14	$2.00	$2.10	6.25%	64%	0%
29-Mar-10	30-Jun-14	$2.00	$2.20	6.25%	64%	0%
22-Apr-10	30-Jun-15	$2.23	$2.50	6.25%	65%	0%
22-Apr-10	30-Jun-15	$2.23	$2.70	6.25%	65%	0%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Where options are issued to employees of subsidiaries within the Group, the subsidiaries compensate Avoca Resources Limited for the amount recognised as an expense in relation to these options.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated	
	2010 $'000	**2009 $'000**
Options issued under employee option plan	1,260	639
	1,260	**639**

Note 38. Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Consolidated	
	2010 $'000	**2009 $'000**
Balance sheet		
Current assets	4,601	31,934
Total assets	254,161	200,158
Current liabilities	5,212	1,738
Total liabilities	24,234	20,497
Shareholders' Equity		
Issued capital	231,630	177,666
Reserves		
Equity Reserve	1,427	1,619
Equity Compensation Reserve	2,892	2,710
Other reserves	2,280	2,785
Retained earnings	(7,441)	(5,121)
	230,788	**179,660**
(Loss) / Profit for the year	**(3,268)**	**228**
Total comprehensive income	**(3,793)**	**2,603**

Note 38. Parent entity financial information (continued)

(b) Guarantees entered into by the parent entity

There are cross guarantees given by Avoca Resources Limited, Avoca Mining Pty Ltd, Dioro Exploration NL, HBJ Minerals Pty Ltd and Hampton Gold Mining Areas Ltd as described in note 32. No deficiencies of assets exist in any of these companies.

No liability was recognised by the parent entity or consolidated entity in relation to the cross guarantees as the fair value of the guarantees is immaterial.

(c) Contingent liabilities of the parent entity

There were no material contingent liabilities not provided for in the financial statements of the parent entity as at 30 June 2010 other than:

Financing Guarantees

The parent entity has a contingent liability at 30 June 2010 with respect to the provision of an unsecured corporate guarantee in the form of a feather weight charge over its assets, which has been provided in respect of the Senior Debt Facility secured by Avoca Mining Pty Ltd.

(d) Contractual commitments for the acquistion of property, plant and equipment

As at 30 June 2010 and 30 June 2009, the parent entity has no contractual commitments for the acquisition of property, plant or equipment.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 52 to 106 are in accordance with the *Corporations Act 2001*, including:

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

  (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that Avoca Resources Limited will be able to pay its debts as and when they become due and payable.

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 33 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 33.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

R I Williams
Managing Director

Perth

29 September 2010

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Independent auditor's report to the members of Avoca Resources Limited

Report on the financial report

We have audited the accompanying financial report of Avoca Resources Limited (the company), which comprises the balance sheet as at 30 June 2010, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Avoca Resources Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of Avoca Resources Limited (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Avoca Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 40 to 47of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Avoca Resources Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Nick Henry
Partner

Perth
29 September 2010

ASX ADDITIONAL INFORMATION

as at 14 October 2010

Pursuant to the Listing requirements of the Australian Securities Exchange Limited, the shareholder information set out below was applicable as at the 14 October 2010.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Ordinary Shares	Distribution	Percentage of issued shares
1 - 1,000	2,237	0.42%
1,001 - 5,000	2,909	2.65%
5,001 - 10,000	1,064	2.79%
10,001 - 100,000	1,042	9.48%
100,001 and over	112	84.66%
Total	**7,364**	**100.00%**

There were 177 shareholders holding less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

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

		Ordinary Shares	
	Name	Number held	Percentage of issued shares
1	CITICORP NOM PL	90,532,997	29.94%
2	NATIONAL NOM LTD	42,705,765	14.12%
3	HSBC CUSTODY NOM AUST LTD	40,718,827	13.47%
4	J P MORGAN NOM AUST LTD	28,462,885	9.41%
5	JP MORGAN NOM AUST LTD CASH INCOME A/C	6,363,270	2.10%
6	UBS NOM PL	3,947,292	1.31%
7	UBS WEALTH MGNT AUST NOM	2,667,311	.88%
8	RBC DEXIA INVESTOR SVCS A PIPOOLED A/C	2,541,193	.84%
9	WILLIAMS ELIZABETH	2,253,788	.75%
10	HSBC CUSTODY NOM AUST LTD	2,245,890	.74%
11	COGENT NOM PL	2,090,204	.69%
12	EQUITY TTEES LTD SGH20	1,280,000	.42%
13	ROGO INV PL	1,258,788	.42%
14	CS FOURTH NOM PL UNPAID A/C	1,174,209	.39%
15	MERRILL LYNCH AUST NOM PL PACT A/C	1,050,684	.35%
16	AMP LIFE LTD	1,000,610	.33%
17	WILLIAMS ROHAN	1,000,000	.33%
18	HSBC CUSTODY NOM AUST LIM	884,304	.29%
19	CITICORP NOM PL CFSIL CWLTH AUST S	842,696	.28%
20	ROGO INV PL ROGO S/F A/C	820,000	.27%
Total		**233,840,713**	**77.33%**

Unquoted equity securities:

	Number on issue	No of holders
Options issued under the Avoca Resources Limited Employees Option Plan to take up ordinary shares	9,420,000	50

ASX ADDITIONAL INFORMATION

as at 14 October 2010

C. Substantial holders

Substantial holders in the company (who hold more than 5% or more of the issued capital) are set out below:

	Name	Number held	Percentage of issued shares
1	Pala Investment Holdings Limited	67,952,343	22.51%
2	Commonwealth Bank of Australia	15,523,003	5.35%

D. Voting rights

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

NOTES

RESOURCES LIMITED
ABN 30 097 083 282

NOTICE OF ANNUAL GENERAL MEETING

&

EXPLANATORY STATEMENT

To be held

At 10:00am, Friday 26 November 2010

at

Sheraton Perth Hotel
207 Adelaide Terrace, Perth WA 6000

AVOCA RESOURCES LIMITED
ABN 30 097 083 282
Level 3, 18-32 Parliament Place
West Perth WA 6005
PO Box 1156
West Perth WA 6872
T: (+61 8) 9226 0625
F: (+61 8) 9226 0629
W: www.avocaresources.com.au

25 October 2010

Dear Fellow Avoca Shareholder,

Please find enclosed the Notice of the Annual General Meeting of Shareholders to be held at the Sheraton Perth Hotel, 207 Adelaide Terrace, Perth at 10:00am (WST) on Friday 26 November 2010.

The purpose of the Annual General Meeting is to conduct the annual business of the Company, being consideration of the annual financial statements, the remuneration report and, in addition seek shareholder approval in accordance with the Corporations Act 2001, and the Listing Rules of the ASX to the resolutions, which are set out in the attached Notice of Meeting paper.

Your Directors seek your support and look forward to your attendance at the meeting.

Yours sincerely

Robert Reynolds
Chairman

AVOCA RESOURCES LIMITED
ABN 30 097 083 282

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Avoca Resources Limited will be convened at 10:00am (WST) on Friday 26 November 2010 at the Sheraton Perth Hotel, 207 Adelaide Terrace, Perth, Western Australia.

AGENDA

ORDINARY BUSINESS

1. Discussion of Financial Statements and Reports
To discuss the Financial Report, the Directors' Report and Auditors' Report for the year ended 30 June 2010.

2. Adoption of the Remuneration Report
To adopt the Remuneration Report for the financial year ended 30 June 2010.

3. Election of Director – Mr Jan Castro
To consider and, if thought fit, to pass with or without modification the following resolution as an ordinary resolution.

"To elect as a Director, Mr Jan Castro who retires by rotation in accordance with the Company's Constitution and being eligible, offers himself for re-election."

4. Election of Director – Mr David Quinlivan
To consider and, if thought fit, to pass with or without modification the following resolution as an ordinary resolution.

"To elect as a Director, Mr David Quinlivan who retires by rotation in accordance with the Company's Constitution and being eligible, offers himself for re-election."

GENERAL NOTES

1. With respect to Agenda Item 2, the vote on this item is advisory only and does not bind the Directors of the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company. The Chairman of the meeting intends to vote undirected proxies in favour of the adoption of the remuneration report.

2. The Explanatory Statement to Shareholders attached to this Notice of Annual General Meeting is hereby incorporated into and forms part of this Notice of Annual General Meeting.

3. The Directors have determined in accordance with Regulation 7.11.37 of the Corporations Regulations that, for the purposes of voting at the meeting, shares will be taken to be held by the registered holders at 5:00pm (WST) on 24 November 2010.

BY ORDER OF THE BOARD

Kevin R Hart
COMPANY SECRETARY

Dated this 25th day of October 2010

AVOCA RESOURCES LIMITED
ABN 30 097 083 282

EXPLANATORY STATEMENT

The purpose of the Explanatory Statement is to provide shareholders with information concerning all of the Agenda items in the Notice of Annual General Meeting.

1. Discussion of Financial Statements and Reports

Avoca Resources Limited's financial reports and the directors' declaration and reports and the auditor's report are placed before the meeting thereby giving shareholders the opportunity to discuss those documents and to ask questions. The auditor will be attending the Annual General Meeting and will be available to answer any questions relevant to the conduct of the audit and his report.

2. Adoption of Remuneration Report

During this item there will be opportunity for shareholders at the meeting to comment on and ask questions about the remuneration report. The remuneration report is available in the Directors' Report section of the 2010 Annual Report.

The vote on the proposed resolution in Item 2 is advisory only and will not bind the directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

A reasonable opportunity will be provided for discussion of the remuneration report at the meeting.

The Chairman of the meeting intends to vote undirected proxies in favour of the adoption of the remuneration report.

The directors recommend that shareholders vote in favour of Item 2.

3. Re-election of Director – Mr Jan Castro

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

Mr Castro holds directorships in the TSX listed company Anatolia Minerals Development Limited, Churchill Mining Plc and Titanium Resources Group Ltd both listed on AIM.

Mr Castro is a Non-Executive Director of the Company and has been a director of Avoca Resources Limited since 7 February 2007. He is Chairman of the Risk and Governance Committee and a member of the Audit Committee.

Mr Castro is aged 43 and resides in Switzerland.

4. Re-election of Director – Mr David Quinlivan

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

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

Mr Quinlivan is a Non-Executive Director of the Company and has been a director of Avoca Resources Limited since 16 February 2005. He is Chairman of the Occupational Health Safety & Environment Committee and the Audit Committee.

Mr Quinlivan is aged 56 and resides in Western Australia.

PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

AVOCA RESOURCES LIMITED

ACN 30 097 083 282

REGISTERED OFFICE:
LEVEL 3
18 - 32 PARLIAMENT PLACE
WEST PERTH WA 6005

SHARE REGISTRY:
Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535,
APPLECROSS WA 6953 AUSTRALIA
770 Canning Highway,
APPLECROSS WA 6153 AUSTRALIA
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

Code: AVO

Holder Number:

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

☐ OR

The meeting Chairperson (mark with an "X")

The name of the person you are appointing (if this person is someone other than the Chairperson of the meeting).

or failing the person named, or if no person is named, the Chairperson of the Meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the Annual General Meeting of the Company to be held at 10.00am (WST) on Friday 26 November 2010 at Sheraton Perth Hotel, 207 Adelaide Terrace, Perth WA 6000 and at any adjournment of that meeting.

SECTION B: Voting Directions to your Proxy

Please mark "X" in the box to indicate your voting directions to your Proxy.

Resolution	For	Against	Abstain*
2. Adoption of Remuneration Report	☐	☐	☐
3. Re-election of Mr Jan Castro as a Director	☐	☐	☐
4. Re-election of Mr David Quinlivan as a Director	☐	☐	☐

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

* If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

☐ **If you wish to appoint the Chairperson as your proxy and you do not wish to direct the Chairperson how to vote, please mark "X" in the box.**
By marking this box, you acknowledge that the Chairperson may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him/her other than as a proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution. The Chairperson of the Meeting intends to vote undirected proxies in favour of the resolution.

SECTION C: Please Sign Below

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder	Security Holder 2	Security Holder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

7991344401 Reference Number:

1 AVO 1

My/Our contact details in case of enquiries are:

NAME

TELEPHONE NUMBER

( )

NOTES

1. Name and Address

This is the name and address on the Share Register of Avoca Resources Limited. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

2. Appointment of a Proxy

If you wish to appoint the Chairperson of the Meeting as your Proxy please mark "X" in the box in Section A. Please also refer to Section B of this proxy form and ensure you mark the box in that section if you wish to appoint the Chairperson as your Proxy.

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a Shareholder of Avoca Resources Limited.

3. Directing your Proxy how to vote

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

4. Appointment of a Second Proxy

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by telephoning the Company's share registry +61 8 9315 2333 or you may photocopy this form.

To appoint a second Proxy you must:

(a) On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and

(b) Return both forms in the same envelope.

5. Signing Instructions

Individual: where the holding is in one name, the Shareholder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Power of Attorney: to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

6. Lodgement of Proxy

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Registrars Pty Ltd no later than 10.00am (WST) on Wednesday 24 Novemebr 2010, being 48 hours before the time for holding the meeting. Any Proxy form received after that time will not be valid for the scheduled meeting.

Security Transfer Registrars Pty Ltd
PO BOX 535
Applecross, Western Australia 6953

Street Address:
Alexandrea House, Suite 1
770 Canning Highway
Applecross, Western Australia 6153

Telephone **+61 8 9315 2333**

Facsimile **+61 8 9315 2233**

Email **registrar@securitytransfer.com.au**

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Registrars Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Registrars Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.

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