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SYDNEY NSW 2000

VIA: [www.asx.online.com](http://www.asx.online.com)

Dear Sir/Madam,

## **AVOCA CONSOLIDATES HIGGINSVILLE AND CHALICE GOLD FIELDS**

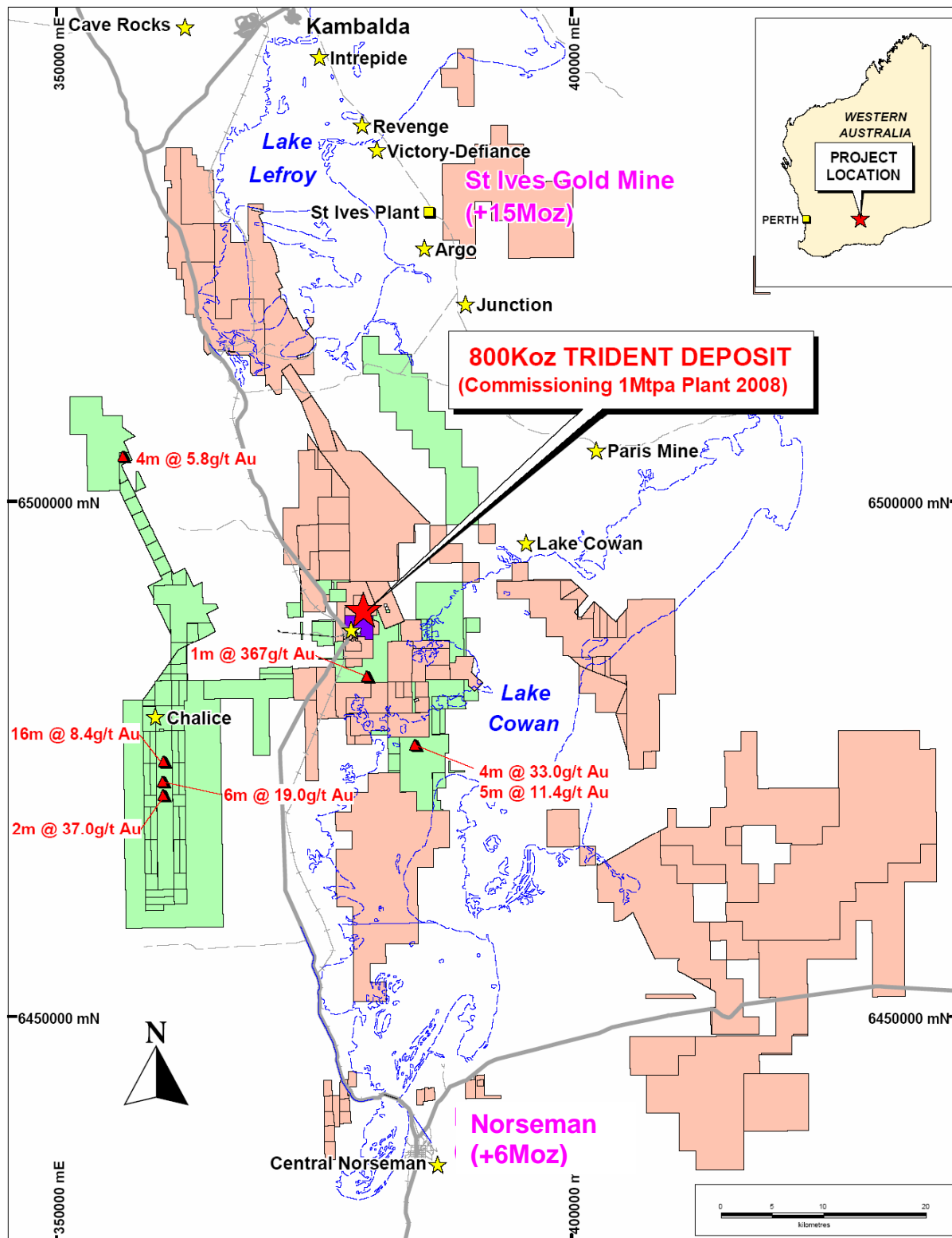
Avoca Resources Limited (**Avoca**) is pleased to announce that it has reached agreement with Chalice Gold Mines Limited (**CGM**) to acquire 100% of CGM's Chalice and Higginsville Project; and, subject to completion of final documentation, with Resolute Limited and Marapana Gold Pty Ltd (together **Resolute**) to acquire M15/348, a key and centrally located tenement within the Higginsville goldfield.

**The acquisitions complete the consolidation of the Higginsville and Chalice goldfields**, and together with existing project tenure, provides Avoca with a significant and strategic control of one of Western Australia's premier developing gold mining districts (see Figure 1). Avoca now controls 2016km<sup>2</sup> of highly prospective tenure between the world-class St Ives (+15Moz) and Norseman (+6Moz) gold mining districts.

Avoca considers the acquisition will provide it with an excellent opportunity to grow its existing 1.1 million ounce resource base by adopting the same exploration strategy it used in discovering the Trident deposit following the acquisition of Higginsville in 2004.

The high grade Chalice underground Inferred Resource of 460Kt @ 5.31 g/t gold for 79Koz will be the subject of detailed technical studies with a view to developing it as Avoca's second underground gold mine in the district.





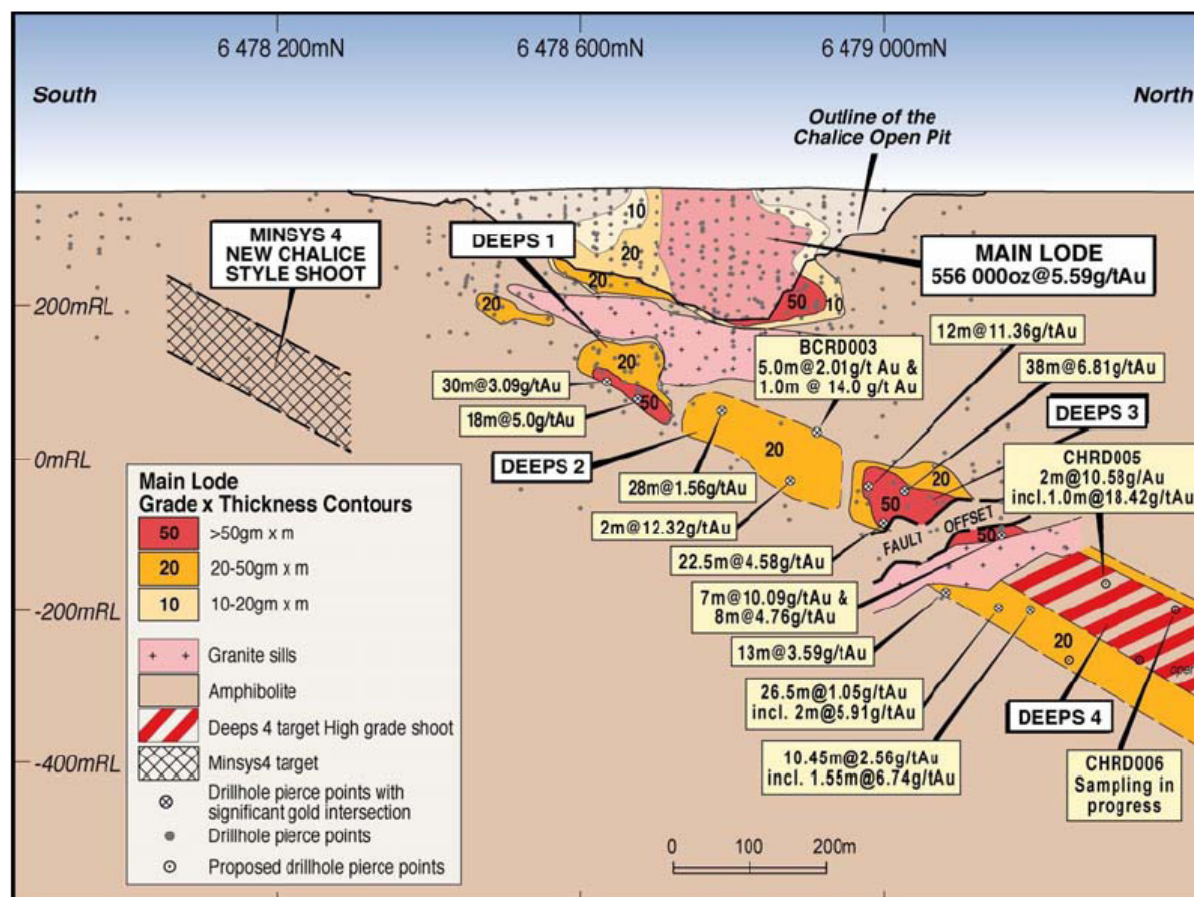
**Figure 1:** Location map showing acquisition of CGM's Chalice and Higginsville project in green; and Resolute's M15/348 in purple, in relation to Avoca's project area in pink. The location of several high grade intersections within the CGM holding is also shown.

## Acquisition of CGM's Chalice and Higginsville Project

The acquisition benefits and transaction details are as follows:

- Avoca believes the Chalice and Trident gold deposits share many similarities. Avoca will use its detailed geological understanding of the Trident deposit to immediately assess the Chalice underground Inferred Resource of 460Kt @ 5.31 g/t gold for 79Koz (above a 3 g/t cut off grade, JORC estimate of 2002) for resource extensions (see also Figure 2). Avoca believes the Chalice underground deposit could become Avoca's second underground gold mine in the district.
- Excellent exploration potential for the discovery of new Chalice and Trident style ore deposits exist. Intersections from within the acquisition tenure requiring follow up drilling include 4m @ 33 g/t gold, 16m @ 8 g/t, 6m @ 19 g/t gold, 2m @ 37 g/t gold, 5m @ 11 g/t gold and 1m @ 367 g/t gold (see Figure 1). The CGM Chalice-Higginsville project lies within a 30km radius of the site of the new 1 Mtpa CIL treatment plant Avoca will commission in 2008.
- The acquisition includes the Chalice bore field which, if required, is of sufficient quality to provide an additional long term water supply for the Trident treatment plant.
- Subject to Shareholder approval which will be sought at a General Meeting to be held in June, Avoca will issue CGM a total of \$5.8 million of fully paid ordinary shares in two tranches plus 2 million 3 year options with an exercise price of \$1.79. The first Tranche of 3,496,503 shares will be issued at \$1.43 per share equating to a value of \$5 million. The second Tranche of shares will be issued following the completion of certain conditions, at which time the issue price of the Tranche 2 shares will be calculated using a 5 day closing VWAP of Avoca shares immediately prior to the conditions being met.
- The acquisition cost is exclusive of \$159,000 of performance bonds associated with the Chalice mining lease.





**Figure 2:** Long section showing location of significant mineralisation comprising Deeps 1, Deeps 2 and Deeps 3, together with recent drilling completed by CGM.

## Acquisition of Resolute's M15/348 Tenement

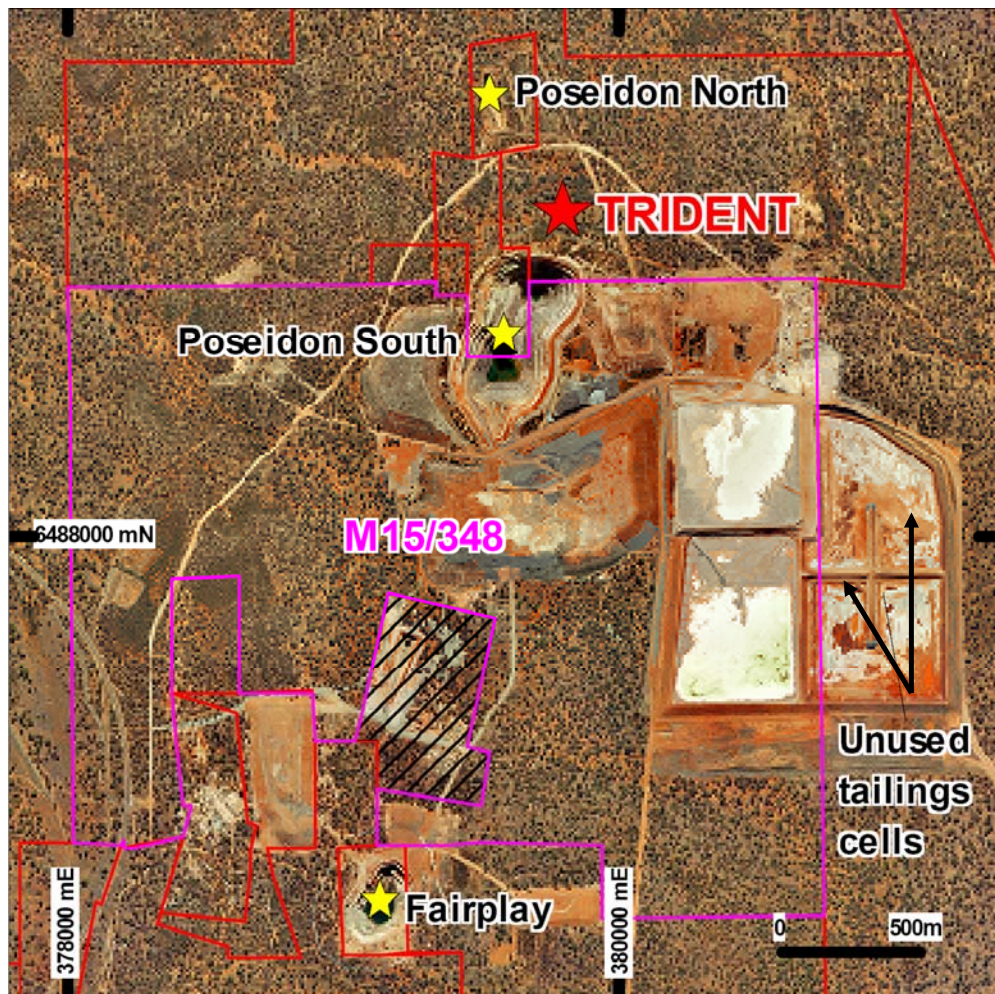
The M15/348 tenement is a granted mining lease measuring 5km<sup>2</sup> in size and contains the southern half of the Poseidon South open pit and lies immediately north of the Fairplay open pit (see Figure 3). In return for acquiring M15/348, Avoca has agreed to assume all the environmental liabilities for the Higginsville Gold Project, including the replacement of the Higginsville site's performance bonds totalling \$2.5 million.

The acquisition of M15/348 provides Avoca with:

- Excellent exploration potential for the discovery of additional resources including:
  - 100% of any underground resources found below the Poseidon South open pit (produced 285,000 ounces of gold in the 1990s);



- 100% of the open-pittable resources within M15/348;
- Resolute's interest in a joint venture with Barmenco Pty Ltd (**Barmenco**) over a portion of M15/348.
- Two unused tailings cells that have sufficient capacity to contain all of the tailings to be produced from the treatment of the 800,000 ounce Trident Gold Deposit;
- Unrestricted access to M15/348 to allow Avoca to optimise the site infrastructure layout and design for the Higginsville Project.



**Figure 3:** Aerial photograph showing the location of M15/348 (pink) in relation to Poseidon South open pit and the Fairplay open pit. The unused tailings cells on the right hand side of the photograph will be used to store tailings from the treatment of the Trident deposit.

Yours faithfully,  
**AVOCA RESOURCES LIMITED**



Rohan Williams  
**Managing Director**

*The information in this report is compiled by Rohan Williams, a full time employee of Avoca Resources Limited and who is a Member of the Australasian Institute of Mining and Metallurgy. Rohan Williams has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is 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". Rohan Williams consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.*

