

22 January 2007

Company Announcements Office  
Australian Stock Exchange Limited  
4<sup>th</sup> Floor  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

### **Avoca Welcomes Pala Investments as New Strategic Investor**

Avoca Resources Limited ("Avoca or the "Company") wishes to announce that Pala Investments Holdings ("Pala") has acquired a 13.3% shareholding or 19,849,861 shares in Avoca from St Ives Gold Mining Company Pty Ltd and Gold Fields Australasia Pty Ltd, both wholly owned subsidiaries of Gold Fields Limited ("Gold Fields") in an off-market purchase equivalent to \$1.32 per share

Pala Investments Holdings, which is registered in Jersey (UK), is a US\$900 million alternative investments fund focused on the mining and resources sector. Pala Investments AG (PIAG), based in Zug, Switzerland, is the exclusive adviser for the fund.

Commenting on Pala's investment in Avoca, Avoca's Chairman Robert Reynolds said "We are pleased to have an investor such as Pala become our major shareholder. Pala is a very knowledgeable investor in the mining sector and we look forward to a close working relationship". Avoca will invite a Pala nominee to join the Board of Directors

Jan Castro, Managing Director of Pala Investments AG added "Our investment in Avoca represents an attractive entry platform in the gold sector. Avoca has been recognised as a high-quality emerging gold producer with strong exploration prospects. We have a tremendous amount of respect for what the management of Avoca has accomplished to date and look forward to working actively with management to execute its development strategy at Higginsville and realise the full potential of its asset base."

Avoca holds a 100% interest in the Higginsville Gold Project in Western Australia. Since its discovery in late 2004, the Trident Gold Deposit at Higginsville has increased to a total resource base of 797,000 ounces. Following the completion of a feasibility study in December 2006, first gold production is expected in early to mid 2007 and will ramp up to an annualised rate of 160-190,000 ounces at an average life-of-mine cash cost of \$AUD369 per ounce. In addition to Higginsville, Avoca holds interests in a number of quality exploration projects in Western Australia and South Australia.

Avoca wishes to thank Gold Fields for its support since the 2002 IPO.

Yours faithfully  
**AVOCA RESOURCES LIMITED**



**Managing Director**

