BUKA GOLD LIMITED

Level 45, 2 Park St,
Sydney NSW 2000
Tel: +61 2 9264 5515
Fax: +61 2 9264 5656

BUKA GOLD LIMITED

REPORT TO SHAREHOLDERS

DECEMBER QUARTER, 2005

Highlights

- Buka Gold Limited commenced trading on the ASX on 13 October 2005 after raising $12m in an initial public offering. In connection with the IPO, Buka Gold acquired 100% of the Gympie Gold Mine and associated exploration properties in South East Queensland.
- Exploration confirms a strike extension of the displaced Inglewood structure of almost 2 kilometres at South Inglewood.
- Gold production from the Gympie Mine totalled 3,001 ounces.
- A restructure of the Gympie mining operation commenced and included measures to increase productivity and reduce operating costs. Production in January 2006 has shown significant improvement.
- The toll treatment of a batch of approximately 2,735 tonnes of ore for Norton Gold Fields was completed in December.
- Trials of hand held selective mining methods commenced on two levels in the Monkland mine.
- Evaluation of corporate opportunities has continued.

Exploration

South Inglewood – Inglewood Structure

The existing Gympie assets include tenements covering 100% of the Gympie goldfield where approximately 4 million ounces of gold have been produced since discovery in 1867. The field remains largely unexplored outside the historic mine workings, despite being highly prospective. Two contract rigs have continued surface exploration activities on the Gympie tenements with one rig devoted exclusively to the South Inglewood prospect while the other rig tested targets to the north of the Monkland mine. Another contract rig was used underground to target prospective zones adjacent to the northern workings of the Monkland mine. During the quarter some 4,518 metres (previous quarter – 4,493 metres) of surface diamond drilling was completed.

Drilling at South Inglewood was planned to test the Inglewood structure at approximately 450 metres below the surface at intervals of 200 metres along strike. The drilling has extended the strike length of the prospective stratigraphy to nearly two kilometres. The Inglewood structure is considered to be the feeder structure for most of the gold produced from the Gympie goldfield and has been intersected in all holes targeting the structure at south Inglewood during the quarter. Assay data is incomplete because of processing delays at the laboratory, however, a number of the holes have intersected quartz veining with visible gold confirming the prospectivity of the structures at South Inglewood.

Significant intersections from the six holes testing the Inglewood structure at South Inglewood during the quarter are given in the table below:

Hole	Northing	Easting	Azimuth	Dip	From (m)	Interval (m)	Au (g/t)	Comment
G298	7098839	469164	46	-68	413.9	2.98	0.40	Inglewood structure
G300	7098576	469244	32	-62	166.6	0.12	12.95	Quartz vein with visible gold
G300	7098576	469244	32	-62	473.6	3.70	1.07	Inglewood structure with 21% quartz
G301	7098473	469414	33	-55	334.8	1.84	0.22	Inglewood structure
G301	7098473	469414	33	-55	527.1	0.70	3.36	Quartz vein with visible gold
G302	7098302	469381	39	-60	507.6	6.38	0.29	Inglewood structure with 7% quartz
G305	7098613	469316	34	-75	260.1	1.99	0.11	Inglewood structure with 13% quartz
G305	7098613	469316	34	-75	361.8	1.79	1.10	Gympie Vein with visible gold
G306	7097971	469733	6	-56	381.3	4.36	0.26	Inglewood structure with 16% quartz

1. Intervals are estimated true widths and grades are weighted mean over sampled intervals.
2. Assay results are weighted mean over sampled intervals.
3. Halved HQ core samples were analysed by 50g Fire Assay (AAS) or by Screen Fire Assay (AAS) on 1kg splits of 0.25m-0.5m samples if coarse gold was present.
4. Previously incorrectly reported as 2.32g/t.

Results from a quartz vein intersection with substantial visible gold in G305 were lower than expected with the screen fire assay from a 0.40m down-hole interval within the vein returning only 4.64g/t Au.

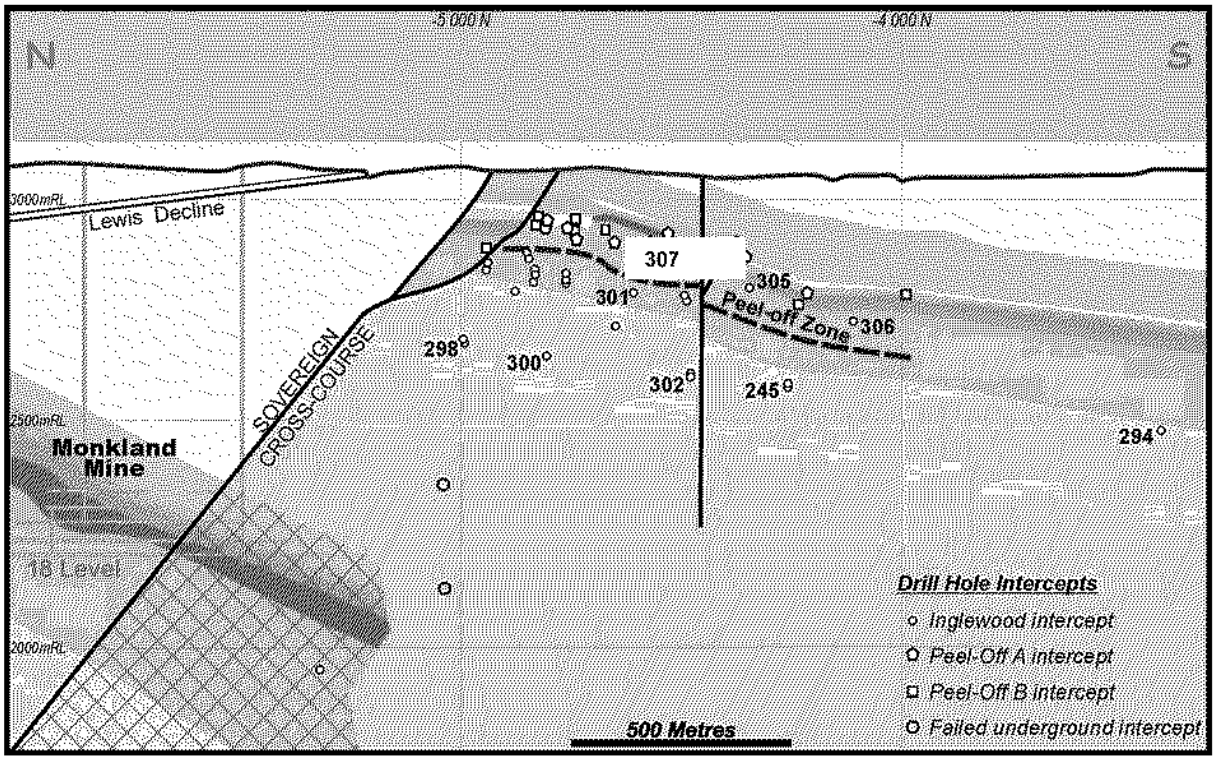
South Inglewood – Peel-Off Zone

In mid-December infill drilling commenced of the Peel-Off A zone in which several promising intercepts were made in earlier drilling at South Inglewood. Significant intercepts from that earlier drilling included:

Hole	Northing	Easting	Azimuth	Dip	From (m)	Interval (m)	Au (g/t)	Comment
GOP044	7098772	469423	34	-60	46.0	0.71	8.02	Quartz vein
G219	7098723	469432	39	-50	136.0	10.8	3.91	Stockwork with visible gold
G224	7098692	469413	84	-50	193.0	1.93	3.74	Quartz-dolerite structure with visible gold
G245	7098395	469937	220	-60	299.8	1.67	4.88	Quartz veining with visible gold

1. Intervals are estimated true widths and grades are weighted mean.
2. No top-cuts were applied when compiling interval grades.
3. Halved HQ core samples were analysed for gold by 50g Fire Assay (AAS) or by Screen Fire Assay (AAS) on 1kg splits of 0.25-0.5m samples if coarse gold was present.
4. Hole GOP044 was a reverse circulation hole and minimum sample intervals were 1m. Approximately 3kg splits of each sampled interval was analysed for gold by 50g Fire Assay (AAS).

Figure 1: South Inglewood – Long Section



G307, the first hole in the programme, intersected a 14 metre downhole thickness of Peel-Off A structure at a depth of 175.6 metres. The structure averaged 32% quartz with strong galena mineralisation present in zones. A 15 metre downhole intersection below the structure contained 4% quartz.

Hole	Northing	Easting	Azimuth	Dip	From (m)	Interval (m)	Au (g/t)	Comment
G307	7098534	469582	1	-73	175.6	7.86	0.37	Peel-Off A structure with 32% quartz
G307	7098534	469582	1	-73	189.8	8.58	0.20	Stockwork with visible gold

1. Intervals are estimated true widths and grades are weighted mean over sampled intervals.
2. Halved NQ core samples were analysed for gold by 50g Fire Assay (AAS) or by Screen Fire Assay (AAS) on 1kg splits of 0.25-0.5m samples if coarse gold was present.

Other Exploration

Three holes were drilled in the Inglewood Hill area, north of the Monkland mine to test for mineralisation in the Inglewood structure between the Lewis Decline and the Wilmot Shoot.

A narrow quartz vein with visible gold and galena (possibly the Caledonia structure) was intersected in the first hole but the Inglewood structure contained little or no quartz.

One hole drilled into the Pinewood geochemical anomaly at Two Mile failed to explain the source of the anomaly. Further work is planned.

Hole	Northing	Easting	Azimuth	Dip	From (m)	Interval (m)	Au (g/t)	Comment
G297	7100588	467590	25	-55	199.2	0.54	4.48	Caledonia(?) vein with visible gold

1. Intervals are estimated true widths and grades are weighted mean over sampled intervals.
2. Halved BQ core samples were analysed for gold by 50g Fire Assay (AAS) or by Screen Fire Assay (AAS) on 1kg splits of 0.25-0.5m samples if coarse gold was present.

Two underground holes were drilled into the N3N area of the Monkland mine. The second hole intersected two quartz veins (containing visible gold) within dolerite in the Western Lode Channel of the Inglewood structure, with the interception shown below.

Hole	Northing	Easting	Azimuth	Dip	From (m)	Interval (m)	Au (g/t)	Comment
B092	7100403	467857	7	-25	223.6	2.05	3.77	Inglewood structure (WLC) in N3N area of Monkland mine
including					225.30	0.48	14.8	Easternmost quartz vein

1. Intervals are estimated true widths and grades are weighted mean over sampled intervals.
2. Halved BQ core samples were analysed for gold by 50g Fire Assay (AAS) or by Screen Fire Assay (AAS) on 1kg splits of 0.25-0.5m samples if coarse gold was present.

Gympie Gold Mine Operations

Operating Statistics

		October	November	December	December Quarter
Ore mined	t	5,421	5,798	6,079	17,298
Development	m	73	130	76	279
Ore milled	t	7,194	5,738	3,230	16,162
Milled grade	g/t	4.85	4.84	10.97	6.07
Recovered gold	oz	1,060	854	1,087	3,001
Shipped gold	oz	820	1,312	878	3,010

Gold production for the quarter was 3,001 ounces from the treatment of 16,162 tonnes of ore grading 6.07 grams per tonne. Ore was sourced predominantly from the Museum Block on the Inglewood structure. Gold shipped was 3,010 ounces. In addition to this a batch of 2,735 tonnes of ore was treated for Norton Gold Fields during December.

Production was below expectations because of a number of operational problems and to a lesser extent due to the deferral of Monkland mine ore treatment whilst toll milling took place during late December. A combination of low availability on loaders and drills had a direct impact on mine production. Geotechnical issues led to the interruption of production during November when cracks appeared in one of the main haulage drives adjacent to an old stope. Production losses occurred until it became safe to continue ore haulage. Throughout the quarter, issues with ore dilution arose and these were a consequence of design, quality control and management factors as well as geotechnical conditions in the stopes. Actions were taken to correct the individual problems as they arose and an operational review was instigated in December.

Operational Review

The immediate outcome of the review was an improvement in drill productivity, equipment availability, better communications and reinforcement of mine standards. This has been reflected in higher underground ore production and an improvement in the milled grade in January. In the period from 1 January to 27 January 2006 a total of 7,366 tonnes of ore had been treated and approximately 1,898 fine ounces of gold had been shipped.

In order to reduce costs a retrenchment program was developed and carried out in conjunction with a management restructuring following the appointment of a new General Manager. This led to a total of nineteen company and contract personnel being retrenched to the end of December with a further four personnel retrenched in January. Level development on the Museum block was discontinued although vertical development is ongoing. Additional airleg miners have been employed to focus on selective mining of high grade orebodies in the stockwork and peel off areas.

A number of other changes were made to rationalise the operation and further reduce costs. This included the relocation of the mining activities from the Scottish Gympie No2 shaft to the Lewis Decline and the subsequent closure of that shaft. The West of Scotland shaft is now used to hoist all of the ore from the mine. Production drilling and blasting quality control has been improved resulting in a reduction in stope dilution and ore loss. A revised mining schedule now allows for some contingency in the underground operation and this has successfully contributed to improved productivity.

Buka Gold is currently preparing its half-yearly financial statements which it expects to release in the next fortnight. As part of this exercise, the board will review the carrying value of the company's assets in the light of the abovementioned restructuring of the Monkland mine operations.

Outlook

The indications are that the changes made as a result of the operational review have resulted in increased gold production at reduced costs. The future production profile from the existing Monkland mine will be dependent upon the success of both the selective ore mining trials and the extent to which costs associated with mechanised mining can continue to be reduced.

Competent Persons' Statement:

The information in this report that relates to exploration results is based on information compiled by Mr Anthony Woodward, who is a Member of the Australian Institute of Scientists and the Australasian Institute of Mining and Metallurgy. Mr Woodward is a full-time employee of Gympie Eldorado Mining Pty Ltd. Mr Woodward 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 Woodward consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

For further information, contact:

Michael Hulmes
Managing Director
Mobile: +61 (0)417 966 068
Telephone: +61 (0)2 9264 5515
E-mail: mh@buka.com.au