

BUKA MINERALS LIMITED

REPORT TO SHAREHOLDERS

JUNE QUARTER, 2004

Highlights

- ◆ Formation of CopperCo.
- ◆ Progress with proposed Gympie Gold investment.
- ◆ General meeting of shareholders to be called.

Existing Assets

Lady Annie Copper (Buka 100%)

On 17 June 2004, Buka announced its participation in the formation of CopperCo, a new independent copper business to be established through Avon Resources Limited (to be renamed CopperCo Limited), under the guidance of Mr Brian Rear, who has substantial experience in small-medium scale copper operations.

Buka's participation in CopperCo is through the contribution of the Lady Annie project to CopperCo for a combination of cash payments and the issue of 300 million Avon / CopperCo ordinary shares. The cash payments consist of \$2 million on completion and \$3 million in June 2006, with further contingent payments of up to \$2 million on achievement of certain milestones. The share consideration has a current market value of approximately \$8.4 million.

CopperCo will combine:

- the project development skills of the Mineral Securities Limited group;
- Lady Annie, on which a positive pre-feasibility study into the establishment of stand-alone copper mine and process plant was completed in September 2003;
- the nearby Mt Kelly and Buckley River advanced exploration projects; and
- Avon's Cameron River, Round Mountain and Mt Birnie properties.

Following completion of a feasibility study to begin in the second half of 2004, Avon expects the Lady Annie project to commence copper metal production in mid-2006 at an annual rate of at least 15,000 tonnes. In parallel, the CopperCo business aims to build a substantial mineral resource base to sustain long term production.

Registered Office

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Buka anticipates being the largest shareholder in CopperCo, with a holding of approximately 22%. Buka will be entitled to nominate a Director for appointment to CopperCo's Board. The transaction is conditional upon a number of matters including relevant regulatory and shareholder approvals, a capital raising by Avon, and completion by Avon of the Mt Kelly and Buckley River acquisitions. The necessary shareholder approvals include approval by Buka's shareholders.

On 25 June 2004, Avon announced that it had obtained commitments for \$8 million in new equity and would seek to raise a further \$3 million from an issue with preference to existing Avon shareholders. When completed, these equity raisings will provide the financial basis for implementation of the next stages of the CopperCo business.

The CopperCo transactions are expected to be completed in September 2004. Copper market conditions remain buoyant, giving added confidence in CopperCo's future.

Lady Loretta Zinc (Buka 25%)

Buka's partner in Lady Loretta, Noranda Pacific Pty Limited, continued a review of the Lady Loretta project. Lady Loretta is a substantial, high grade zinc deposit with previously reported total ore reserves (in proved and probable categories) of 11.5 million tonnes grading 15.2% zinc, 5.4% lead and 90 g/t silver.

Zinc market conditions were stable during the quarter, with market expectations of a sustained improvement as zinc metal stockpiles begin to be drawn down.

New Investments

Gympie Gold

As announced on 28 April 2004, subject to documentation and shareholder approval, agreement has been reached for the acquisition of an interest in the senior secured debt of Gympie Gold Limited (Receivers & Managers Appointed, In Liquidation). This investment is to be acquired from interests associated with certain of Buka's Directors and is to be made at the same cost as incurred by those associated parties, including holding costs.

On 28 July 2004, the status of the Gympie Gold administration moved from Voluntary Administration to Liquidation, in the absence of an alternative Deed of Company Arrangement proposal. This has no material impact on the current process or on the rights of the senior secured debt syndicate. The Receivers & Managers of Gympie Gold continue to progress the sale of certain assets and the maximisation of value from other assets. Further details will be provided as these processes are completed.

Other

A range of potential investments were considered during the quarter, with a number remaining under active consideration. An initial investment has been made in a start-up venture in the oil & gas sector.

General Meeting of Shareholders

As noted above, a Notice of Meeting is being prepared for dispatch to shareholders in the coming days. The meeting will consider resolutions relating to:

- i) the sale of the Lady Annie project to Avon Resources Limited as part of the formation of the CopperCo business; and
- ii) the acquisition, from interests associated with certain of Buka's Directors, of an interest in the senior secured debt (and related assets) of Gympie Gold.

Included with the Notice of Meeting will be a report from an independent expert in relation to the Gympie Gold transaction.

30 July 2004

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COMPANY PROFILE

AS AT 30 JUNE 2004

Registered Office

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Principal Office

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Board of Directors

Robert Champion de Crespigny AC, Chairman
John Richards, Managing Director
Mark Carnegie
Dr Angus Collins
Thomas Klinger
Ronald Walker AC CBE

Company Secretary, John Walker

Share Capital

Issued Capital	138,515,846	ordinary shares
Share Options	50,000,000	options (exercise price 20c, exercisable between October 2005 and September 2010)
	50,000,000	options (exercise price 22.5c, exercisable between October 2006 and September 2010)

Substantial Shareholders

Investor Group ¹	42,235,001	ordinary shares
Triako Resources Limited	34,256,987	ordinary shares
Delphic Holdings Pty Ltd	22,469,213	ordinary shares

¹ Includes interests associated with Messrs Champion de Crespigny, Walker, Carnegie and Richards.