

BARRIER REEF RESOURCES LTD. (N.P.L.)

904-675 WEST HASTINGS STREET, VANCOUVER, B.C. V6B 1N2
TELEPHONE 688-3584

861989

August 23, 1979

REPORT TO THE SHAREHOLDERS

Dear Shareholder:

Enclosed is a statement of source and application of funds for the 6 month period ended June 30, 1979.

The following are highlights of the company's current exploration programme.

North Thompson District

Airborne magnetic and electromagnetic surveys (Dighem System) have been completed on three claim blocks in which the Company holds an interest. No report has been received on the "MS" block of 81 claims which is 50% owned by the Company and optioned to Inco or on the 374 claim "Joseph" block, also 50% owned and optioned to Craigmont Mines Ltd. The survey has identified 4 geophysical targets on the 151 claim Foghorn Creek property in which a 33 1/3% participating interest is held by Barrier. Ground follow-up work at Foghorn Creek including diamond drilling is in progress.

Gilbert Lake Molybdenum Prospect

Geochemical survey work has recently been completed on this property at Greenstone Mt., 10 miles south west of Kamloops and a strong soil anomaly approximately 5000' x 2500' has been identified. Further exploration work is contemplated to investigate this anomaly.

Gayna River Lead Zinc Prospect

A programme of geophysical surveys and about 10,000 feet of diamond drilling have been completed by Rio Tinto at Gayna River 100 miles west of Norman Wells, North West Territories, where the company holds the right to a 10% participating interest when a production decision has been reached.

Blackdome Exploration Ltd.

The company has recently increased its net beneficial interest in Blackdome from 11% to 20% by acquiring 54% of the shares of Empire Valley Gold Mines Ltd. (N.P.L.) for 165,797 shares of Barrier by means of private purchase and a public takeover bid. Empire owns 250,000 shares of Blackdome. As a result of the takeover, the Company controls 27% of the voting shares of Blackdome.

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COOPERS & LYBRAND

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AND IN PRINCIPAL AREAS
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COMMENTS ON UNAUDITED INTERIM FINANCIAL INFORMATION TO THE DIRECTORS OF BARRIER REEF RESOURCES LTD.

We have prepared the accompanying unaudited interim financial information comprising the statement of changes in financial position for the six months ended June 30, 1979 from the records of Barrier Reef Resources Ltd. and from other information supplied to us by the company and have reviewed such interim financial information. Our review, which was made in accordance with standards established for such reviews, consisted primarily of enquiry, comparison and discussion.

We have not performed an audit and consequently do not express an opinion on this interim financial information. The most recent audited financial statements issued to shareholders were for the year ended December 31, 1978. These statements were reported on by other auditors.

Coopers & Lybrand

Vancouver, B.C.
August 17, 1979

CHARTERED ACCOUNTANTS

BARRIER REEF RESOURCES LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 1979

(Prepared without audit)

1. CHANGE IN ACCOUNTING POLICY

During the six months ended June 30, 1979, the company adopted, retroactively, the equity method of accounting for its participation in a Joint Venture. Previously all current assets and liabilities of the Joint Venture were included with the accounts of the company and the company's share of the Joint Venture's deferred exploration and development costs were classified with the company's deferred costs.

This change in policy has increased working capital previously reported at January 1, 1978 by \$3,802 and decreased working capital previously reported at January 1, 1979 by \$165,499. Had the previous policy been followed for the six months ended June 30, 1979, the closing working capital would have been \$405,004.

2. ACQUISITION OF INVESTMENT AND ISSUE OF SHARES

During the period, the company made offerings to purchase all of the shares of Empire Valley Gold Mines Ltd (N.P.L.) under the terms of which one share of the company would be exchanged for every four shares of Empire. As at June 30, 1979, 107,620 shares had been issued in exchange for 430,482 Empire shares.

Subsequent to June 30, 1979, a further 58,177 shares were issued to acquire an additional 232,698 Empire shares, bringing the company's holding of Empire to 663,180 shares which represents 53.9% of the issued and outstanding share capital of Empire.

An amount of 75¢ has been ascribed to each of the company's shares issued in connection with this transaction.