

UNITED REEF LIMITED

QUARTERLY REPORT
FOR THE SIX MONTHS ENDED MAY 31, 2004

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REPORT TO SHAREHOLDERS

Dear Shareholders:

This report accompanies our interim financial statements for the 6-month period ended May 31, 2004. We would encourage you to read the financial statements, including the notes thereto, as there were significant events which occurred subsequent to May 31st.

Perhaps the most important event that occurred since our last report to you was the completion of a successful financing, which raised gross proceeds of \$708,000. The principal purpose of the financing was to generate sufficient funds to allow the Company to complete a due diligence investigation of an opportunity to participate in an oil & gas project located in the Central African Republic announced on May 18th. The licence area appears to cover favourable geology for the potential of hydrocarbon development and lies in close proximity to a number of significant discoveries and developed reserves of hydrocarbons in this region in Africa. Our due diligence of the project has advanced substantially and we expect further disclosure about the project to be made during August.

During the period we also advanced our ongoing evaluation of the Nickel Offsets project in the Sudbury area, Ontario. The Company's consultant has recently provided his final interpretation and report on the IP and mag data generated from surveys carried out earlier this year on the property. This new information has enhanced our exploration model for the property and we are now developing plans for a first-phase diamond drilling program. During the quarter the Company held discussions with several parties interested in joint venturing the project with the objective of having a joint venture partner finance the initial diamond drilling program in exchange for the right to earn an interest in the property. Discussions with one such party advanced significantly during late July and we are hopeful this will lead to an agreement shortly.

We look forward to reporting further to you on the above projects.

On behalf of the Board of Directors we thank the shareholders for their continuing support of the Company.

Yours truly,

"Signed"

Michael D. Coulter
President

July 29, 2004

UNITED REEF LIMITED**Balance Sheet**

(Expressed in Canadian dollars)

	May 31, 2004	November 30, 2003
	(unaudited)	(audited)
ASSETS		
Current		
Cash	\$ 84,566	\$ 165,983
Prepaid expenses and sundry receivables	12,052	6,221
	<u>96,618</u>	<u>172,204</u>
Investment in AXMIN Inc.	10,833	20,833
Investment in exploration properties (Note 3)	204,798	125,589
	<u>\$ 312,249</u>	<u>\$ 318,626</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 51,613	\$ 14,987
Due to a related party (Note 4)	51,876	80,166
	<u>103,489</u>	<u>95,153</u>
SHAREHOLDERS' EQUITY		
Capital Stock (Notes 5 and 6)		
Authorized: Unlimited common shares without par value		
Issued: 43,622,453 (May 31, 2003 - 42,522,453)	17,563,583	17,513,583
Deficit	<u>(17,354,823)</u>	<u>(17,290,110)</u>
	<u>208,760</u>	<u>223,473</u>
	<u>\$ 312,249</u>	<u>\$ 318,626</u>

See accompanying notes to the financial statements.

UNITED REEF LIMITED
Statement of Operations and Deficit
(Expressed in Canadian dollars)
(unaudited)

	For the three months ended		For the six months ended	
	May 31,		May 31,	
	2004	2003	2004	2003
Revenue	\$ -	\$ -	\$ -	\$ -
Expenses				
Administration	\$ 40,364	\$ 26,177	\$ 78,193	\$ 45,946
Insurance	437	744	3,981	4,169
Shareholder information and filing fees	9,293	1,098	10,393	17,104
Transfer Agent	4,283	1,344	5,087	6,656
Legal	18,386	-	22,390	16,091
Advertising	9,976	999	10,229	3,620
Loss before the following	(82,739)	(30,362)	(130,273)	(93,586)
Recapture (write off) of exploration and research expenditures	13,252	-	-	(7,570)
Gain on sale of AXMIN shares	65,560	41,780	65,560	100,159
Gain on settlement of debt	-	-	-	18,342
Net income (loss) for the period	(3,927)	11,418	(64,713)	17,345
DEFICIT, beginning of the period	(17,350,895)	(17,371,882)	(17,290,110)	(17,377,809)
DEFICIT, end of the period	\$ (17,354,823)	\$ (17,360,464)	\$ (17,354,823)	\$ (17,360,464)
Income (loss) per share for the period	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ 0.00

See accompanying notes to the financial statements.

UNITED REEF LIMITED**Statement of Cash Flow**

(Expressed in Canadian dollars)

(unaudited)

	For the three months ended		For the six months ended	
	May 31,		May 31,	
	2004	2003	2004	2003
Operating activities				
Net income (loss) for the period	\$ (3,928)	\$ 11,418	\$ (64,713)	\$ 17,345
Write off exploration and research expenditures	(13,252)	-	-	7,570
Gain on sale of AXMIN shares	(65,560)	(41,780)	(65,560)	(100,159)
Gain on settlement of debt	-	-	-	(18,342)
	<u>(82,740)</u>	<u>(30,362)</u>	<u>(130,273)</u>	<u>(93,586)</u>
Non-cash items:				
Prepaid and sundry receivables	9,033	4,759	(5,831)	425
Accounts payable and accrued liabilities	30,638	(21,673)	36,626	6,447
	<u>(43,069)</u>	<u>(47,276)</u>	<u>(99,478)</u>	<u>(86,714)</u>
Investing activities				
Proceeds on sale of AXMIN shares	75,560	68,780	75,560	154,523
Expenditures on resource properties	(33,179)	(15,284)	(60,664)	(37,581)
Expenditures on oil & gas project	(5,294)	-	(18,546)	-
	<u>37,087</u>	<u>53,496</u>	<u>(3,649)</u>	<u>116,942</u>
Financing activities				
Issuance of common shares	-	-	50,000	-
Decrease in loan payable to a related party	-	-	-	(25,040)
Decrease (increase) in amounts due to a related party	18,151	(15,762)	(28,291)	(12,528)
	<u>18,151</u>	<u>(15,762)</u>	<u>21,709</u>	<u>(37,568)</u>
Change in cash	12,169	(9,542)	(81,418)	(7,340)
CASH, beginning of period	72,396	24,250	165,983	22,048
CASH, end of period	\$ 84,565	\$ 14,708	\$ 84,565	\$ 14,708

See accompanying notes to the financial statements.

Notes to the Financial Statements

For the three-month periods ended May 31, 2004 and 2003 (unaudited)

1. Nature of Operations

United Reef Limited (the "Company") is a Canadian natural resource exploration company, which is presently evaluating a past producing nickel-copper property in the Sudbury area, Ontario. The Company is also evaluating a potential investment in an oil & gas project in the Central African Republic. See Investment in Exploration Properties - Note 3.

2. Accounting Policies

These interim financial statements should be read in conjunction with the Company's year-end audited financial statements. The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principals and follow the same accounting principals and methods of application as disclosed in Note 2 of the Company's audited financial statements for the year ended November 30, 2003.

3. Investment in Exploration Properties

Property Description	Foot Note	Opening Balance at November 30, 2003	Expenditures	Closing Balance at May 31, 2004
		\$	\$	\$
Nickel Offsets, Sudbury area, Ontario	(1)	125,586	60,664	186,250
Oil & Gas Project, Central African Republic	(2)	-	18,545	18,545
Other		3	-	3
		<u>125,589</u>	<u>79,209</u>	<u>204,798</u>

- (1) The Company holds a 100% interest in 12 patented and 5 unpatented mining claims located in Foy Township Sudbury Mining Division, Ontario. The following table sets out the expenditures made on the property since November 30, 2002.

	Balance at November 30, 2002	Expenditures	Balance at November 30, 2003	Expenditures	Balance at May 31, 2004
Acquisition	20,001	-	20,001	-	20,001
Recoveries	(25,000)	-	(25,000)	-	(25,000)
Assaying	-	279	279	-	279
Consulting	13,485	10,760	24,245	3,398	27,643
Geology	13,796	59,381	73,177	18,633	91,810
Geophysical surveys	-	15,855	15,855	37,196	53,051
Staking costs	-	3,434	3,434	-	3,434
Miscellaneous	4,888	8,705	13,594	1,437	15,031
	<u>\$27,172</u>	<u>\$98,414</u>	<u>\$125,586</u>	<u>\$60,664</u>	<u>\$186,250</u>

- (2) Represents expenditures for due diligence of a proposed acquisition of an interest in an oil & gas project in the Central African Republic. On May 18, 2004 the Company announced a proposed financing (the "Offering") (See Capital Stock - Note 5) to raise up to \$500,000 (see Subsequent Events - Note 6)

The Company intends to use the proceeds of the Offering to fund further due diligence costs of the potential investment in the oil & gas project and for general working capital purposes. The Company's right to participate in the project, subject to completion of satisfactory due diligence, will result by the President of the Company, Michael Coulter, assigning his rights to farm-in to the project to acquire a 25% interest. The President has agreed to assign all of his rights, title and interest in his farm-in agreement to the Company for no consideration.

The oil & gas project is located in northeastern Central African Republic, bounded by the Chad border to the north and is presently held by a private U.S. corporation. The licence area covers approximately 55,000 sq km (13.7 million acres) for oil & gas exploration rights. The licence area appears to cover favourable geology for the potential of hydrocarbon development and lies in close proximity to significant discoveries in southern Chad and south-central Sudan to the east.

Completion of the transaction is subject to a number of matters, including but not limited to, completion of a due diligence review of the project, an ongoing assessment of the political risk associated with the Central African Republic and the Company's ability to finance its share of expenditures to earn its potential interest in the project.

4. Due to a Related Party

During the period, the Company incurred expenses in the amount of \$61,252 for rent, accounting, secretarial and administrative services and management fees provided by M.D. Coulter & Associates Inc. ("MDC"). MDC is a private company owned by the President and Secretary of the Company. The Company was indebted to MDC for \$51,875 at May 31, 2004.

5. Capital Stock

On March 23, 2004 the Company announced that it had engaged Union Securities Ltd. ("Union") to act as United Reef's agent, on a best efforts basis, to raise gross proceeds of up to \$413,975 through a private placement of up to 4,139,750 Units at \$0.10 per Unit. Each Unit was to consist of one common share plus one-half of one common share purchase warrant. Each whole common share purchase warrant would entitle the holder to purchase a common share of the Company at a price of \$0.15 for a period of eighteen months following closing. Closing of the Offering, which was originally scheduled for March 31, 2004, was extended to May 3, 2004. On May 5, 2004 the Company announced that it had terminated the Agency Agreement with Union and withdraw the offering.

On May 18, 2004 the Company announced that it was making an offering of units (the "Offering") by way of a private placement to investors on a non-brokered basis. The Offering was to consist of up to 5 million units (the "Units") of the Company at a price of \$0.10 per Unit. Each Unit was to consist of one common share and one-half of one common share purchase warrant (the "Warrants"). Each whole Warrant will entitle the holder to purchase an additional common share at a price of \$0.15 for a period of eighteen months from the date of closing of the sale of the Units. Closing of the Offering was extended from May 31, 2004 to June 23, 2004. See Investment in Exploration Properties - Note 3 and Subsequent Events - Note 6.

6. Subsequent Events

- (a) On June 23, 2004 the Company announced that it had closed the private placement announced on May 18, 2004; see Capital Stock - Note 5. A total of 7,080,000 Units at a price of \$0.10 per Unit were subscribed for by individual and institutional investors for total gross proceeds of \$708,000 (the "Offering") on the terms outlined in Capital Stock - Note 5. The Offering was over-subscribed by \$208,000.

The net proceeds of the Offering will be used to fund the Company's due diligence costs associated with its potential investment in a Central African Republic oil & gas project (announced on May 18 and June 18, 2004) (See Investment in Exploration Properties - Note 3) and for general working capital purposes.

The Company was assisted in marketing the Offering by Credifinance Securities Limited on a non-exclusive basis. In consideration for their services, the Company agreed to compensate Credifinance by the payment of an 8% cash commission and to issue to Credifinance broker's warrants (the "Broker Warrants") equal to 10% of the total number of Units sold in the Offering by Credifinance to its clients. Each Broker Warrant entitles the holder to purchase one Unit at a price of \$0.10 for a period of 18 months from closing. A total of 505,000 Broker's Warrants were issued and a commission of \$40,400 was paid to Credifinance on June 23, 2004.

Subsequent to closing of the Offering, the Company has a total of 50,702,453 common shares issued and outstanding. All of the common shares, warrants and broker warrants issued pursuant to the Offering are subject to trading restrictions until October 25, 2004.

- (b) On July 12, 2004 the Company granted the following stock options to two recently appointed directors of the Company. The stock options have been granted pursuant to the terms of the Company's 2003 Stock Option Plan (the "Plan"). A total of 4,000,000 common shares of the Company are reserved for grant under the Plan.

Name of Optionee	Relationship to Company	Number of Stock Options Granted	Exercise Price	Expiry Date
Richard J. Lachcik	Director	400,000	\$0.15	July 12, 2007
Robert W. Jackson	Director	400,000	\$0.15	July 12, 2007

One-quarter of the above stock options shall vest on each of the date of grant, and the 6-month, 12 month and 18-month anniversaries of the date of grant. Each stock option gives the option holder the right to purchase one common share of the Company.

- (c) As of July 29, 2004, following are securities of the Company which are outstanding, that may be converted, exercised or exchanged for voting or equity securities of the Company.

1,630,124	Warrants exercisable at \$0.15 until September 6, 2004
300,000	Warrants exercisable at \$0.15 until December 12, 2004

3,540,000	Warrants exercisable at \$0.15 until December 23, 2005
505,000	Broker's Warrants exercisable at \$0.10 until December 23, 2005 to purchase 505,000 units consisting of one common share and one-half of one common share purchase warrant exercisable at \$0.15 until December 23, 2005.
2,400,000	Options exercisable at \$0.15 until December 3, 2006
800,000	Options exercisable at \$0.15 until July 12, 2007