

METALORE RESOURCES LIMITED



CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

**FOR THE THREE AND SIX MONTHS ENDED
SEPTEMBER 30, 2017**

MANAGEMENT'S COMMENTS ON THE CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of Metalore Resources Limited for the three and six months ended September 30, 2017 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed interim financial statements have not been reviewed by the Company's external auditors.

METALORE RESOURCES LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT SEPTEMBER 30, 2017 AND MARCH 31, 2017

	(Unaudited) As at September 30 2017	(Audited) As at March 31 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 122,870	\$ 64,159
Marketable securities	541,370	623,910
Accounts receivable	79,378	93,404
Inventory	62,000	23,000
Prepaid expenses	16,434	14,423
Total current assets	822,052	818,896
Non-current assets		
Property and equipment (Note 4)	6,723,768	6,782,192
Exploration and evaluation assets (Note 5)	4,539,938	4,520,053
Total non-current assets	11,263,706	11,302,245
Total assets	\$ 12,085,758	\$ 12,121,141
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 163,345	\$ 156,191
Non-current liabilities		
Decommissioning obligations (Note 6)	511,042	509,172
Deferred tax liabilities	1,347,000	1,380,000
Total non-current liabilities	1,858,042	1,889,172
Total liabilities	2,021,387	2,045,363
Shareholders' Equity		
Share capital (Note 7)	2,468,832	2,468,832
Contributed surplus	153,123	90,430
Accumulated other comprehensive income	(144,750)	(226,749)
Retained earnings	7,587,166	7,743,265
Total shareholders' equity	10,064,371	10,075,778
Total liabilities and shareholders' equity	\$ 12,085,758	\$ 12,121,141

Approved by the Board on November 28, 2017:



Donald W. Bryson
Director and CFO



Armen A. Chilian
Director and CEO

The accompanying notes are an integral part of these condensed interim financial statements.

METALORE RESOURCES LIMITED

CONDENSED INTERIM STATEMENT OF INCOME AND LOSS (UNAUDITED)

	Three Months Ended September 30		Six Months Ended September 30	
	2017	2016	2017	2016
Revenue				
Natural gas sales	\$ 178,929	\$ 141,713	\$ 339,726	\$ 288,175
Royalty income	1,062	420	1,727	900
Less: Royalties paid	(16,000)	(13,000)	(31,006)	(26,545)
Net natural gas revenue	163,991	129,133	310,447	262,530
Expenses				
Production	126,855	94,622	230,244	177,931
Depletion and depreciation	50,000	80,000	95,000	155,000
General and administrative	44,007	25,866	79,521	62,835
Share based compensation (Note 8)	-	-	62,693	-
Accretion	975	844	1,870	1,652
Impairment reversal	-	(64,967)	-	(140,000)
	221,837	136,365	469,328	257,418
Operating income (loss)	(57,846)	(7,232)	(158,881)	5,112
Other income	5,000	9,173	10,567	18,622
Income (loss) before taxes	(52,846)	1,941	(148,314)	23,734
Deferred taxes	(16,000)	300	(33,000)	6,300
Net income (loss)	\$ (36,846)	\$ 1,641	\$ (115,314)	\$ 17,434
Basic and diluted earnings (loss) per share (Note 9)	\$ (0.02)	\$ 0.00	\$ (0.06)	\$ 0.01
Weighted average number of shares outstanding	1,775,035	1,775,035	1,775,035	1,775,035

The accompanying notes are an integral part of these condensed interim financial statements.

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CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME AND LOSS (UNAUDITED)

	Three Months Ended September 30		Six Months Ended September 30	
	2017	2016	2017	2016
Net income (loss)	\$ (36,846)	\$ 1,641	\$ (115,314)	\$ 17,434
Changes in comprehensive income (loss)				
Reclassification for realized losses	-	-	2,434	-
Changes in fair value of financial assets at fair value through other comprehensive income	66,620	33,690	38,780	85,160
Comprehensive income (loss)	\$ 29,774	\$ 35,331	\$ (74,100)	\$ 102,594

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Six Months Ended September 30	
	2017	2016
Share capital		
Balance, beginning of period	\$ 2,468,832	\$ 2,468,832
Issued	-	-
Balance, end of period	\$ 2,468,832	\$ 2,468,832
Contributed surplus		
Balance, beginning of period	\$ 90,430	\$ 90,430
Share based compensation	62,693	-
Balance, end of period	\$ 153,123	\$ 90,430
Accumulated other comprehensive income (loss)		
Balance, beginning of period	\$ (226,749)	\$ (33,805)
Reclassification for realized losses	2,434	-
Changes in fair value of financial assets at fair value through other comprehensive income	38,780	85,160
Equity reserve transfer to retained earnings	40,785	-
Balance, end of period	\$ (144,750)	\$ 51,355
Retained earnings		
Balance, beginning of period	\$ 7,743,265	\$ 10,400,291
Net income (loss)	(115,314)	17,434
Equity reserve transfer from accumulated other comprehensive income	(40,785)	-
Balance, end of period	\$ 7,587,166	\$ 10,452,593
Total shareholders' equity	\$ 10,064,371	\$ 13,063,210

The accompanying notes are an integral part of these condensed interim financial statements.

METALORE RESOURCES LIMITED

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

	Three Months Ended September 30		Six Months Ended September 30	
	2017	2016	2017	2016
Operating activities				
Net income (loss)	\$ (36,846)	\$ 1,641	\$ (115,314)	\$ 17,434
Items not affecting cash:				
Depletion and depreciation	50,000	80,000	95,000	155,000
Accretion	975	844	1,870	1,652
Share based compensation	-	-	62,693	-
Deferred taxes	(16,000)	300	(33,000)	6,300
Impairment reversal	-	(64,967)	-	(140,000)
	(1,871)	17,818	11,249	40,386
Changes in non-cash working capital:				
Accounts receivable	(23,948)	4,066	14,026	2,809
Inventory	(41,000)	1,000	(39,000)	1,000
Prepaid expenses	(10,236)	(18,605)	(2,011)	(9,719)
Accounts payable and accrued liabilities	10,771	(22,044)	7,154	27,322
	(64,413)	(35,583)	(19,831)	21,412
Cash flow from (used by) operating activities	(66,284)	(17,765)	(8,582)	61,798
Investing activities				
Net proceeds from sale of marketable securities	-	-	123,754	-
Additions to property and equipment	(18,342)	(28,431)	(36,576)	(51,300)
Additions to exploration and evaluation assets	(17,785)	(33,700)	(19,885)	(84,838)
Cash flow from (used by) investing activities	(36,127)	(62,131)	67,293	(136,138)
Increase (decrease) in cash	(102,411)	(79,896)	58,711	(74,340)
Cash - beginning of period	225,281	130,754	64,159	125,198
Cash - end of period	\$ 122,870	\$ 50,858	\$ 122,870	\$ 50,858

The accompanying notes are an integral part of these condensed interim financial statements.

METALORE RESOURCES LIMITED

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2017

1. Reporting entity

Metalore Resources Limited (the "Company") is a junior resource company incorporated and domiciled in Canada dedicated to natural gas production and gold exploration in Ontario. The Company currently operates in one geographic region, Canada. The Company's common shares are listed on the TSX Venture Exchange and trade under the symbol "MET".

The head office, principal address, registered address and records office of the Company are located at P.O. Box 422, Simcoe, Ontario, N3Y 4L5, Canada.

2. Basis of presentation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting and accordingly do not include all of the information required in the preparation of annual financial statements. The condensed interim financial statements should be read in conjunction with the audited financial statements and related notes for the year ended March 31, 2017.

These condensed interim financial statements were authorized for issue by the Board of Directors on November 28, 2017.

(b) Basis of measurement

The condensed interim financial statements have been prepared using the historical cost basis of accounting, with the exception of share based payments and financial instruments classified as fair value through profit and loss or available for sale which are measured at fair value.

(c) Functional and presentation currency

These condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of estimates and judgments

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities as at the date of the condensed interim financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the condensed interim financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. The significant estimates and judgments made by management in the preparation of these condensed interim financial statements were consistent with those applied to the financial statements as at and for the year ended March 31, 2017.

3. Summary of significant accounting policies

The condensed interim financial statements have been prepared following the same accounting policies as the audited financial statements for the year ended March 31, 2017. The accounting policies have been applied consistently by the Company to all periods presented in these condensed interim financial statements.

METALORE RESOURCES LIMITED

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2017

4. Property and equipment

	Natural gas properties	Land	Total
Cost			
Balance, March 31, 2016	\$ 16,212,859	\$ 130,000	\$ 16,342,859
Additions	96,183	-	96,183
Changes to decommissioning obligation estimates	280,016	-	280,016
Balance, March 31, 2017	16,589,058	130,000	16,719,058
Additions	36,576	-	36,576
Balance, September 30, 2017	\$ 16,625,634	\$ 130,000	\$ 16,755,634
Accumulated Depletion, Depreciation and Impairment			
Balance, March 31, 2016	\$ 6,617,942	\$ -	\$ 6,617,942
Depletion and depreciation	316,000	-	316,000
Impairment	3,002,924	-	3,002,924
Balance, March 31, 2017	9,936,866	-	9,936,866
Depletion and depreciation	95,000	-	95,000
Balance, September 30, 2017	\$ 10,031,866	\$ -	\$ 10,031,866
Net Book Value			
March 31, 2017	\$ 6,652,192	\$ 130,000	\$ 6,782,192
September 30, 2017	6,593,768	130,000	6,723,768

The Company owns and/or controls approximately 40,000 acres of petroleum, natural gas and mineral leases in Charlotteville, Walsingham and Houghton townships in Norfolk County, Ontario.

Depletion and depreciation

The calculation of depletion and depreciation expense for the three months ended September 30, 2017 included an estimated \$1,473,800 (September 30, 2016 – \$1,536,500) for future development costs associated with proved plus probable undeveloped reserves.

Impairments

At September 30, 2017 and March 31, 2017 the Company assessed its natural gas properties for impairment indicators and concluded indicators exist, namely the continued low natural gas prices. As a result, the Company performed an impairment test at September 30, 2017 and March 31, 2017. The recoverable amount was measured based on the value-in-use of the natural gas properties, determined by the application of a discounted cash flow model, using reserves volumes and forecasted natural gas prices as provided by an independent, third party oil and gas reserves evaluator.

In computing the recoverable amount, expected future cash flows were adjusted for risks specific to the natural gas properties using a pre-tax discount rate of 7.5% (March 31, 2017 - 7.5%). At September 30, 2017, the value-in-use approximated the recoverable amount and no impairment was recorded. At March 31, 2017 an impairment of \$3,002,924 was recorded to reduce the Company's natural gas properties to their recoverable amount.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2017

5. Exploration and evaluation assets

	Cedartree Lake Gold Property	Brookbank Gold Property	Norfolk County Petroleum Project	Total
Balance, March 31, 2016	\$ 2,902,780	\$ 1,612,886	\$ 445,758	\$ 4,961,424
Additions	4,387	-	165,641	170,028
Impairment	-	-	(611,399)	(611,399)
Balance, March 31, 2017	2,907,167	1,612,886	-	4,520,053
Additions	19,110	775	-	19,885
Balance, September 30, 2017	\$ 2,926,277	\$ 1,613,661	\$ -	\$ 4,539,938

Exploration and evaluation assets consist of the Company's exploration projects which are pending the determination of technical feasibility and commercial viability. The Company holds a 1% net smelter return on 18 claims in the Brookbank and Beardmore area of Ontario and a 21-26% participating interest in over 600 contiguous claims in Sandra, Irwin, Walters, Leduc, and LeGault townships in Northwestern Ontario the majority of which are subject to a working option agreement with Greenstone Gold Mines GP Inc., formerly Premier Gold Mines Limited and Centerra Gold Inc. The Company also owns a 100% interest in 306 mining claims in the Sioux Narrows (Cedartree Lake) area of Northwestern Ontario.

Impairments

Exploration and evaluation assets are assessed for impairment when they are transferred to property and equipment or if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Management has reviewed the Cedartree Lake gold property and Brookbank gold property projects and has determined that no impairment existed at September 30, 2017 or March 31, 2017.

At March 31, 2017 an impairment of \$611,399 was recorded to write off the balance of costs related to the Company's Norfolk County petroleum project as substantive expenditure on further exploration for and evaluation of mineral resources in the specific area was neither budgeted nor planned by the Company.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2017

6. Decommissioning obligations

The Company's decommissioning obligations result from its ownership interest in petroleum and natural gas assets including well sites and gathering systems. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to abandon and reclaim the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of the estimated cash flows (adjusted for inflation at 2.00% per year) required to settle the decommissioning obligations at September 30, 2017 is approximately \$1,755,304 (March 31, 2017 – \$1,772,793) which is estimated to be incurred over the next 48 years (March 31, 2017 - 48 years). At September 30, 2017, a risk-free rate of 2.75% (March 31, 2017 – 2.75%) was used to calculate the net present value of the decommissioning obligations.

	Six Months Ended September 30 2017	Year Ended March 31 2017
Balance, beginning of period	\$ 509,172	\$ 225,853
Accretion	1,870	3,303
Revisions	-	280,016
Balance, end of period	\$ 511,042	\$ 509,172

7. Share capital

The Company is authorized to issue 4,000,000 common shares without par or nominal value. At September 30, 2017, March 31, 2017 and March 31, 2016 there were 1,775,035 common shares issued and outstanding. The Company did not issue, redeem or repurchase any shares during the three and six months ended September 30, 2017 or the years ended March 31, 2017 or March 31, 2016.

8. Share based compensation

The Company granted 48,000 stock options to all officers and directors on June 15, 2017.

The Company uses the fair value method to account for all stock-based awards. The estimated fair value of the stock options granted was determined using the Black-Scholes option pricing model estimated at the date of the grant using the following assumptions: market value share price \$2.80, exercise price \$3.00, expected volatility 73.01%, option life 3 years, risk free interest rate 1.50%, expected dividend yield 0.00%. At September 30, 2017, all 48,000 options were outstanding.

	Number	Exercise Price	Grant Date	Expiry Date
Stock options	48,000	\$ 3.00	Jun 15, 2017	Jun 16, 2020

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2017

9. Earnings per share

	Three Months Ended September 30 2017	Six Months Ended September 30 2017
Net income (loss)	\$ (36,846)	\$ (115,314)
Weighted average number of shares outstanding	1,775,035	1,775,035
Earnings (loss) per share - basic and diluted	\$ (0.02)	\$ (0.06)

For the three and six months ended September 30, 2017, 48,000 stock options outstanding were anti-dilutive and were not included in the diluted earnings per share calculation.

10. Credit facility

The Company has available a revolving credit facility with a Canadian chartered bank in the amount of \$500,000 bearing interest at RBC prime plus 0.5%. There was no balance outstanding on this facility at September 30, 2017 or March 31, 2017.

11. Fair value of financial instruments

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities

The fair value of accounts receivable, and accounts payable and accrued liabilities at September 30, 2017 approximated their carrying value due to their short term to maturity.

The Company classified the fair value of its financial instruments at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – observable inputs, such as quoted market prices in active markets
- Level 2 – inputs, other than the quoted market prices in active markets, which are observable, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability in which little or no market data exists, therefore requiring an entity to develop its own assumptions

The fair values of cash and cash equivalents and marketable securities as shown in the statement of financial position as at September 30, 2017 are measured using level 1. During the three and six months ended September 30, 2017, there were no transfers between level 1, level 2, and level 3 classified assets and liabilities.