

METALORE RESOURCES LIMITED
FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016

METALORE RESOURCES LIMITED

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FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016

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Independent Auditors' Report

To the Shareholders of Metalore Resources Limited:

We have audited the accompanying financial statements of Metalore Resources Limited, which comprise the statements of financial position as at March 31, 2017 and 2016, and the statements of loss, comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Metalore Resources Limited as at March 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Mississauga, Ontario

July 24, 2017

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

METALORE RESOURCES LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2017 AND MARCH 31, 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 64,159	\$ 125,198
Marketable securities (<i>Market value \$) (Note 4)</i>)	623,910	587,525
Accounts receivable	93,404	52,122
Inventory	23,000	28,000
Prepaid expenses	14,423	17,796
Total current assets	818,896	810,641
Non-current assets		
Property and equipment (<i>Note 5</i>)	6,782,191	9,724,916
Exploration and evaluation assets (<i>Note 6</i>)	4,520,053	4,961,425
Total non-current assets	11,302,244	14,686,341
Total assets	\$ 12,121,140	\$ 15,496,982
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 156,190	\$ 79,423
Non-current liabilities		
Decommissioning obligations (<i>Note 7</i>)	509,172	225,853
Deferred tax liabilities (<i>Note 11</i>)	1,380,000	2,568,900
Total non-current liabilities	1,889,172	2,794,753
Total liabilities	2,045,362	2,874,176
SHAREHOLDERS' EQUITY		
Share capital (<i>Note 8</i>)	2,468,832	2,468,832
Contributed surplus	90,430	90,430
Accumulated other comprehensive loss	(226,750)	(336,748)
Retained earnings	7,743,266	10,400,292
Total shareholders' equity	10,075,778	12,622,806
Total liabilities and shareholders' equity	\$ 12,121,140	\$ 15,496,982

Commitments (*Note 12*)

Subsequent event (*Note 17*)

Approved on behalf of the Board:


John A. Ryan
 Director and CFO


John C. McVicar
 Director

METALORE RESOURCES LIMITED**STATEMENTS OF LOSS****FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016**

	2017	2016
Revenue		
Natural gas sales	\$ 704,045	\$ 653,814
Royalty income	2,031	1,918
Less: Royalties paid	(57,714)	(60,750)
Net revenue from natural gas sales	648,362	594,982
Expenses		
Production	310,873	277,668
Depletion and depreciation (Note 5)	316,000	240,000
General and administrative	211,626	140,699
Transmission tariffs	57,278	63,391
Accretion (Note 7)	3,303	5,979
	899,080	727,737
Loss from operations	(250,718)	(132,755)
Other expenses (income)		
Investment income	(36,182)	(60,191)
Loss (gain) on disposal of marketable securities (Note 4)	17,067	(51,955)
Impairment of property and equipment (Note 5)	3,002,924	-
Impairment of exploration and evaluation assets (Note 6)	611,399	-
	3,595,208	(112,146)
Loss before taxes	(3,845,926)	(20,609)
Deferred taxes (Note 11)	(1,188,900)	(5,000)
Net loss	\$ (2,657,026)	\$ (15,609)
Loss per share (Note 9)	\$ (1.50)	\$ (0.01)
Weighted average number of shares outstanding	1,775,035	1,775,035

STATEMENTS OF COMPREHENSIVE LOSS**FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016**

	2017	2016
Net loss	\$ (2,657,026)	\$ (15,609)
Changes in comprehensive loss		
Reclassification for realized losses (gains) - to profit and loss	30,968	(7,160)
Unrealized gain on equity securities - subsequently reclassified to profit and loss	-	-
Changes in fair value of financial assets at fair value through other comprehensive income	79,030	(295,783)
Comprehensive loss	\$ (2,547,028)	\$ (318,552)

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

METALORE RESOURCES LIMITED**STATEMENTS OF CHANGES IN EQUITY****FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016**

	2017	2016
Share capital		
Balance, beginning of year	\$ 2,468,832	\$ 2,468,832
Issued	-	-
Balance, end of year	\$ 2,468,832	\$ 2,468,832
Contributed surplus		
Balance, beginning of year	\$ 90,430	\$ 55,073
Unclaimed dividends returned	-	35,357
Balance, end of year	\$ 90,430	\$ 90,430
Accumulated other comprehensive loss		
Balance, beginning of year	\$ (336,748)	\$ (33,805)
Reclassification for realized losses (gains) - to profit and loss	30,968	(7,160)
Changes in fair value of financial assets at fair value through other comprehensive income	79,030	(295,783)
Balance, end of year	\$ (226,750)	\$ (336,748)
Retained earnings		
Balance, beginning of year	\$ 10,400,292	\$ 10,415,901
Net loss	(2,657,026)	(15,609)
Balance, end of year	\$ 7,743,266	\$ 10,400,292
Total shareholders' equity	\$ 10,075,778	\$ 12,622,806

METALORE RESOURCES LIMITED**STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016**

	2017	2016
Operating activities		
Net loss	\$ (2,657,026)	\$ (15,609)
Items not affecting cash:		
Loss (gain) on disposal of marketable securities <i>(Note 4)</i>	17,067	(51,955)
Depletion and depreciation <i>(Note 5)</i>	316,000	240,000
Impairment of property and equipment <i>(Note 5)</i>	3,002,924	-
Impairment of exploration and evaluation assets <i>(Note 6)</i>	611,399	-
Accretion <i>(Note 7)</i>	3,303	5,979
Deferred taxes (recovered) <i>(Note 11)</i>	(1,188,900)	(5,000)
	104,767	173,415
Changes in non-cash working capital:		
Accounts receivable	(41,282)	125,655
Inventory	5,000	2,000
Prepaid expenses	3,373	1,243
Accounts payable and accrued liabilities	76,767	(57,221)
	43,858	71,677
Cash flow from operating activities	148,625	245,092
Investing activities		
Proceeds from sale of marketable securities <i>(Note 4)</i>	56,546	185,535
Purchase of marketable securities <i>(Note 4)</i>	-	(168,223)
Additions to property and equipment <i>(Note 5)</i>	(96,183)	(115,414)
Additions to exploration and evaluation assets <i>(Note 6)</i>	(170,027)	(268,989)
Cash flow used by investing activities	(209,664)	(367,091)
Financing activity		
Unclaimed dividends returned	-	35,357
Decrease in cash and cash equivalents	(61,039)	(86,642)
Cash and cash equivalents - beginning of year	125,198	211,840
Cash and cash equivalents - end of year	\$ 64,159	\$ 125,198

METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016

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

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and in effect as at April 1, 2016.

These financial statements were authorized for issue by the Board of Directors on July 24, 2017.

(b) Basis of measurement

The 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 other comprehensive income which are measured at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of the 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 financial statements and the reported amounts of revenues and expenses during the year. These judgments, estimates, and assumptions are based on current trends and all relevant information available to the Company at the time of preparation of the financial statements. As the effect of future events cannot be determined with certainty, the actual results may differ from the estimated amounts.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Significant areas of estimation and assumptions made by management affecting the measurement of balances and transactions in the financial statements include:

Critical accounting judgments

The following are critical judgments and significant estimates management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

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METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016

2. BASIS OF PRESENTATION *(continued)*

Cash-generating units ("CGU")

The Company's assets are aggregated into CGUs for the purposes of calculating depletion and depreciation and impairment. CGUs are determined based on the smallest group of assets that generate cash flows independent of other assets or groups of assets. Determination of the CGUs is subject to the Company's judgment and is based on geographical proximity, shared infrastructure, similar exposure to market risk, and materiality.

Impairment

Judgments are required to assess when impairment indicators exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future natural gas prices, future costs, discount rates, market value of land, and other relevant assumptions.

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires the Company to make certain judgments as to future events and circumstances as to whether economic quantities of reserves will be found so as to assess if technical feasibility and commercial viability has been achieved. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Exploration and evaluation asset are reviewed for changes in facts and circumstances suggesting the carrying amount exceeds the recoverable amount of each consolidated statement of financial position date. This determination requires significant judgement. Factors which could trigger an impairment review include, but are not limited to significant negative industry or economic trends, interruptions in exploration and evaluation activities and significant drop in commodity prices. The Company's review considers the following:

- The period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific areas is neither budgeted nor planned;
- Exploration for an evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources, and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Significant estimates

The following are key estimates and assumptions made by the Company affecting the measurement of balances and transactions in the financial statements.

Recoverability of asset carrying values

The recoverability of natural gas property carrying values is assessed at the CGU level. The key estimates used in the determination of cash flows from natural gas reserves include the following:

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METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016

2. BASIS OF PRESENTATION *(continued)*

- (i) Reserves – Assumptions that are valid at the time of the reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs, or recovery rates may change the economic status of reserves and may ultimately result in reserves being restated.
- (ii) Natural gas prices – Forward price estimates are used in the cash flow model. Commodity prices can fluctuate for a variety of reasons including supply and demand fundamentals, inventory levels, exchange rates, weather, and economic and geopolitical factors.
- (iii) Discount rate – The discount rate used to calculate the net present value of cash flows is based on estimates of an approximate industry peer group weighted average cost of capital. Changes in the general economic environment could result in significant changes to this estimate.

The key assumptions used in the impairment tests are described in note 5.

Depletion and depreciation

Amounts recorded for depletion and depreciation are based on estimates of total proved and probable natural gas reserves and future development capital. By their nature, the estimates of reserves, including the estimates of future prices, costs, and future cash flows, are subject to measurement uncertainty. Accordingly, the impact on the financial statements in future periods could be material.

Decommissioning obligations

Amounts recorded for decommissioning obligations and the related accretion expense requires the use of estimates with respect to the amount and timing of decommissioning expenditures. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, market conditions, discovery and analysis of site conditions, and changes in technology. Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow.

Share based compensation

Compensation costs recognized for share based compensation plans are subject to the estimation of what the ultimate value will be using pricing models such as the Black-Scholes pricing model, which is based on significant assumptions such as volatility, expected term, and forfeiture rate.

Deferred taxes

Deferred taxes are based on estimates as to the timing of the reversal of temporary differences, substantively enacted tax rates, and the likelihood of assets being realized. Tax interpretations, regulations, and legislation in the jurisdiction in which the Company operates are subject to change. As such, deferred taxes are subject to measurement uncertainty.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Company to all periods presented in these financial statements.

(a) Revenue

Revenue from the sale of natural gas is recorded when the significant risk and rewards of ownership of the product are transferred to the buyer which is usually when legal title passes to the external party, the amount can be estimated reliably, and collection is reasonably assured. Investment income is recognized when earned.

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METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(b) Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short-term investments that have a fixed maturity date of less than three months from the date of acquisition.

(c) Inventory

Inventory consists of pipe, fittings and processing supplies and is stated at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

(d) Property and equipment and exploration and evaluation assets

The Company is involved in the exploration and evaluation of petroleum and natural gas properties and mineral properties.

Recognition and measurement

Exploration and evaluation expenditures

Pre-licence costs are recognized in profit or loss as incurred.

Exploration and evaluation costs of natural gas properties, including the costs of acquiring undeveloped land and drilling costs, are initially capitalized until the drilling of the well is complete and the results have been evaluated. The costs are accumulated in cost centers by well, field, or exploration area pending determination of technical feasibility and commercial viability.

Exploration and evaluation costs of mineral properties, including licence acquisition costs and all costs associated with mineral property exploration and evaluation activities relating to specific properties, are initially capitalized until those properties are determined to be commercially viable for mineral production. The commercial viability of the Company's mineral property exploration and evaluation assets has not yet been determined.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proved or probable reserves are determined to exist. If proved or probable reserves are found, the accumulated exploration and evaluation costs and associated undeveloped land are transferred to natural gas properties or mineral property interests as applicable. The exploration and evaluation costs are reviewed for impairment prior to any such transfer.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to CGUs. The Company has grouped its mineral exploration and evaluation assets into two CGUs: (i) Cedartree Lake, ON; and (ii) Brookbank, ON and its petroleum and natural gas exploration and evaluation assets into one CGU: (i) Norfolk, ON.

Development and production costs

Items of property and equipment, which include natural gas properties, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. The cost of development and production assets includes: transfers from exploration and evaluation assets, which generally include the cost to drill the well and the cost of the associated land upon determination of technical feasibility and commercial viability; the cost to complete and tie-in the well; facility costs; the cost of recognizing provisions for future restoration and decommissioning obligations; geological and geophysical costs; and directly attributable overhead.

Development and production assets are grouped into CGUs for impairment testing. The Company has grouped its development and production assets into one CGU: (i) Norfolk, ON.

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METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

When significant parts of an item of property and equipment, including natural gas properties, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of property and equipment, including natural gas properties, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in profit or loss. The carrying amount of any replaced or disposed item of property and equipment is derecognized.

Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of natural gas properties are recognized as property and equipment only when they increase the future economic benefits embodied in the specific asset to which they relate. Capitalized property and equipment generally represent costs incurred in developing proved or probable reserves and bringing in or enhancing production from such reserves and are accumulated on a field or geotechnical area basis. The costs of the day-to-day servicing of property and equipment are recognized in production expenses as incurred.

Depletion and depreciation

The net carrying value of natural gas properties is depleted using the unit of production method by reference to the ratio of production in the period to the related proved plus probable reserves, taking into account the estimated future development costs necessary to bring those reserves into production and the estimated salvage value of the assets at the end of their useful lives. Future development costs are estimated taking into account the level of development required to produce the reserves.

Proved plus probable reserves are estimated at least annually by independent qualified reserve evaluators and represent the estimated quantities of natural gas which geological, geophysical, and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

The Company has determined the estimated useful lives for gas pipelines and compression facilities to be consistent with the reserve lives of the areas for which they serve. As such, the Company includes the cost of these assets within their associated CGU for the purpose of depletion using the unit of production method.

(e) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis, with the exception of equity instruments where an election has been made to irrevocably designate as fair value through other comprehensive income without subsequent reclassification to net loss. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

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METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than exploration and evaluation assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. 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.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGU). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal.

Fair value less costs of disposal is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. The fair value less costs of disposal of natural gas properties is generally determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU, including any expansion projects and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted using an appropriate discount rate which would be applied by such a market participant to arrive at a net present value of the CGU. Consideration is given to acquisition metrics of recent transactions completed on similar assets to those contained within the relevant CGU.

Value in use is determined as the net present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and can only take into account approved future development costs. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of commodity prices and expected production volumes. The latter takes into account assessments of field reservoir performance and includes expectations about proved and unproved volumes, which are risk-weighted using geological, production, recovery, and economic projections.

An impairment loss is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the CGUs on a pro rata basis. Impairment losses recognized in prior periods are assessed each reporting date if facts or circumstances indicate that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

(f) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

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METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Decommissioning obligations

The Company's activities give rise to dismantling, decommissioning, and site disturbance remediation activities. A provision is made for the estimated cost of abandonment and site restoration and capitalized in the relevant asset category. The capitalized amount is depreciated on a unit of production basis over the life of the associated proved plus probable reserves. Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time, changes in the estimated future cash flows underlying the obligation, and changes in the risk-free rate. The increase in the provision due to the passage of time is recognized as accretion whereas increases or decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

(g) Current and deferred taxes

Tax expense is comprised of current and deferred tax. Current tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, they relate to income taxes levied by the same tax authority or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(h) Share based compensation

The Company has a share based compensation plan. The Company uses the fair value method for valuing share based compensation. Under this method, the compensation cost attributed to stock options is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the settlement of the stock options, the previously recognized value in contributed surplus is recorded as an increase to share capital.

(i) Earnings per share

Basic earnings per common share is calculated by dividing the net income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per common share reflects the maximum possible dilution from the potential exercise of stock options, if dilutive.

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METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(j) Jointly controlled operations

Certain of the Company's natural gas activities involve jointly controlled operations. The financial statements include the Company's share of these jointly controlled operations and a proportionate share of the relevant assets, liabilities, revenue and related costs.

(k) General and administrative costs

General and administrative overhead directly associated with the exploration or development of the property is capitalized to the related property in the period incurred. Overhead costs that do not qualify for capitalization are expensed to operations in the period incurred.

(l) Financial instruments

Measurement after initial recognition depends on the classification of the financial instrument. The Company has classified its financial instruments in the following categories depending on the purpose for which the instruments were acquired and their characteristics.

Financial assets

Debt instruments

Investments in debt instruments are subsequently measured at amortized cost when the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments are subsequently measured at fair value when they do not qualify for measurement at amortized cost. Financial instruments subsequently measured at fair value can be carried at fair value with changes in fair value recorded in net income or loss unless they are held within a business model whose objective is to hold assets in order to collect contractual cash flows or sell the assets and when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, in which case unrealized gains and losses are initially recognized in other comprehensive income for subsequent reclassification to net income or loss through amortization of premiums and discounts, impairment or derecognition.

Equity instruments

Investments in equity instruments are subsequently measured at fair value with changes recorded in net income (loss). Equity instruments that are not held for trading can be irrevocably designated as fair value through other comprehensive income on initial recognition without subsequent reclassification to net income (loss). Cumulative gains and losses are transferred from accumulated other comprehensive income to retained earnings upon derecognition of the investment.

Dividend income on equity instruments measured at fair value through other comprehensive income is recognized in the statement of income (loss).

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METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

The Company has classified its financial instruments as follows:

<u>Category</u>	<u>Financial instrument</u>
Financial assets at amortized cost	Cash and cash equivalents Accounts receivable Interest and dividends receivable
Financial assets at fair value through other comprehensive income	Investments in equity instruments
Financial liabilities at amortized cost	Accounts payable and accrued liabilities

(m) Comprehensive income

Comprehensive income is defined as the change in equity from transactions, events, and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are not included in net income, such as unrealized gains or losses on equity instruments.

(n) New standards and interpretations not yet adopted

IFRS 15, Revenue from Contracts with Customers replaces IAS 11, IAS 18 and IFRIC 13. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. IFRS 15 becomes effective for annual reporting periods beginning on or after January 1, 2018 with early adoption permitted. Management is examining the impact of the implementation of this new standard, but at this time, it is not expected that this standard will have any impact on the Company's results other than some possible additional disclosure in the notes to the financial statements.

IFRS 16, Leases was issued by the IASB in January 2016 and brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance lease is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019 with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers has also been applied. The Company is currently assessing the effects of these new standards and intends to adopt them on their effective dates.

METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016

4. MARKETABLE SECURITIES

A continuity schedule of the fair value of the Company's marketable securities is as follows:

Balance, March 31, 2015	\$ 855,825
Cost of purchases	168,223
Proceeds on disposals	(185,535)
Gain on disposal	51,955
Fair value adjustment	(302,943)
Balance, March 31, 2016	587,525
Proceeds on disposals	(56,546)
Loss on disposal	(17,067)
Fair value adjustment	109,998
Balance, March 31, 2017	\$ 623,910

METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016

5. PROPERTY AND EQUIPMENT

	Natural gas properties	Land	Total
Cost			
Balance, March 31, 2015	\$ 16,051,639	\$ 130,000	\$ 16,181,639
Additions	115,414	-	115,414
Changes to decommissioning obligation estimates	45,805	-	45,805
Balance, March 31, 2016	16,212,858	130,000	16,342,858
Additions	96,183	-	96,183
Changes to decommissioning obligation estimates	280,016	-	280,016
Balance, March 31, 2017	\$ 16,589,057	\$ 130,000	\$ 16,719,057
Accumulated Depletion, Depreciation and Impairment			
Balance, March 31, 2015	\$ 6,377,942	\$ -	\$ 6,377,942
Depletion and depreciation	240,000	-	240,000
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
Net Book Value			
March 31, 2016	\$ 9,594,916	\$ 130,000	\$ 9,724,916
March 31, 2017	\$ 6,652,191	\$ 130,000	\$ 6,782,191

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 year ended March 31, 2017 included an estimated \$1,473,800 (March 31, 2016 – \$1,536,500) for future development costs associated with proved plus probable undeveloped reserves.

Impairments

At March 31, 2017 and March 31, 2016 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 March 31, 2017. The recoverable amount of 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, 2016 - 7.25%). At March 31, 2017 an impairment of \$3,002,924 was recorded to reduce the Company's natural gas properties to their recoverable amount. Had the discount rate increased to 10%, the Company's natural gas properties would have been further impaired by \$1,399,717.

METALORE RESOURCES LIMITED**NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016****6. EXPLORATION AND EVALUATION ASSETS**

	Cedartree Lake Gold Property	Brookbank Gold Property	Norfolk County Petroleum Project	Total
Balance, March 31, 2015	\$ 2,902,780	\$ 1,612,886	\$ 176,770	\$ 4,692,436
Additions	-	-	268,989	268,989
Balance, March 31, 2016	2,902,780	1,612,886	445,759	4,961,425
Additions	4,387	-	165,640	170,027
Impairment	-	-	(611,399)	(611,399)
Balance, March 31, 2017	\$ 2,907,167	\$ 1,612,886	\$ -	\$ 4,520,053

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 March 31, 2017 or March 31, 2016.

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 is neither budgeted nor planned by the Company.

METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016

7. 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 2.0% per year) required to settle the decommissioning obligations at March 31, 2017 is approximately \$1,772,793 (March 31, 2016 – \$1,136,757) which is estimated to be incurred over the next 48 years (March 31, 2016 - 49 years). At March 31, 2017, a risk-free rate of 2.75% (March 31, 2016 – 3.5%) was used to calculate the net present value of the decommissioning obligations.

	2017	2016
Balance, beginning of year	\$ 225,853	\$ 174,069
Accretion	3,303	5,979
Revisions of estimates	280,016	45,805
Balance, end of year	\$ 509,172	\$ 225,853

8. SHARE CAPITAL

The Company is authorized to issue 4,000,000 common shares without par or nominal value. At 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 years ended March 31, 2016 or March 31, 2017.

9. LOSS PER SHARE

	2017	2016
Net loss	\$ (2,657,026)	\$ (15,609)
Weighted average number of shares outstanding	1,775,035	1,775,035
Loss per share - basic and diluted	\$ (1.50)	\$ (0.01)

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 the end of March 31, 2017 or March 31, 2016.

METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016

11. INCOME TAXES

The provision for income taxes recorded in the financial statements reflects an effective tax rate which differs from the expected statutory tax rate of 26.50% (March 31, 2016 – 26.50%). The differences were accounted for as follows:

	2017	2016
Loss before income taxes	\$ (3,845,926)	\$ (20,609)
Expected income tax expense (recovery) at statutory income tax rate	\$ (1,019,170)	\$ (5,461)
Increase (decrease) in income taxes resulting from:		
Change in deferred tax asset not recognized	(172,100)	-
Non-deductible expenses	2,370	461
Deferred tax (recovery) expense	\$ (1,188,900)	\$ (5,000)

The following table summarizes the components of deferred tax:

	2017	2016
Deferred tax assets		
Non-capital losses carried forward	\$ 183,176	\$ 142,017
Exploration and evaluation assets	3,982	-
Total deferred tax assets	187,158	142,017
Deferred tax liabilities		
Property and equipment	(1,567,158)	(2,353,630)
Exploration and evaluation assets	-	(357,287)
Total deferred tax liabilities	(1,567,158)	(2,710,917)
Net deferred tax liabilities	\$ (1,380,000)	\$ (2,568,900)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

Marketable securities	\$ 278,752	\$ 390,939
Decommissioning obligations	509,172	225,853
Capital losses carried forward	17,067	-
	\$ 804,991	\$ 616,792

The deductible temporary differences resulting from the sale of marketable securities can only be applied against capital gains income. Deferred tax assets have not been recognized in respect of these items because it is not probable that they will be available in the future to be utilized against future taxable profit. The Canadian non-capital loss carry forwards expire as follows: 2031 - \$779; 2032 - \$49,257; 2033 - \$92,023; 2034 - \$169,558; 2035 - \$15,098; 2036 - \$209,199; 2037 - \$155,315.

METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016

12. COMMITMENTS

The Company is party to natural gas and mining lease commitments requiring ongoing annual compensation payments in the amount of \$10,000 (March 31, 2016 – \$10,000). The leases allow for the surrender of the agreement and termination of payment at the option of the lessee. In addition to the lease commitments there are royalty amounts ultimately payable pursuant to these agreements which are dependent on production and development, making it impracticable to disclose the amount of contractual commitments.

The Company has an outstanding letter of guarantee in the amount of \$70,000 (March 31, 2016 – \$70,000) that is required under the Regulations prescribed by the Ministry of Natural Resources for the future abandonment of gas wells.

13. 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 March 31, 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 March 31, 2017 are measured using level 1. During the year ended March 31, 2017, there were no transfers between level 1, level 2, and level 3 classified assets and liabilities.

METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016

14. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and have been initially recorded at fair value.

The Company has an agreement with Southern Ontario Natural Gas Limited ("SONG"), a private company controlled by the Company's former president, George W. Chilian, to provide technical services for the gas operations for an annual fee of \$78,000 plus 10% of the Company's annual gas revenue in excess of \$1,000,000. Effective October 1, 2011 through March 31, 2017, this annual fee has been waived.

The Company and SONG also have joint ownership (52% and 48% respectively) in natural gas properties in Houghton Township, Ontario. The Company collects the proceeds for all of the gas produced from this natural gas property and provides SONG with its proportionate share of the revenue. The Houghton battery has been shut in for the past nine years due to a lack of market demand. As at March 31, 2017, the Company owed SONG \$9,067 (March 31, 2016 - \$2,567) for Houghton Township well site leases paid by SONG on behalf of the Company.

The Company purchased accounting and consulting services in the amount of \$5,351 (March 31, 2016 - \$1,981) from a business owned by an officer of the Company.

The compensation paid to directors of the Company was \$6,409 (March 31, 2016 - \$6,512) and the compensation paid to the President and Chief Executive Officer was \$135,600 (March 31, 2016 - \$135,600).

15. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities. The Company employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Company's business objectives and risk tolerance levels. Risk management is ultimately established by the Board of Directors and is implemented by management. There have been no significant changes in the nature or concentration of the risk exposure from the prior year unless otherwise noted.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of foreign currency risk, interest rate risk, and other price risk, such as commodity price risk. The objective of market risk management is to manage and control market price exposures within acceptable limits, while maximizing returns. The Company may use physical delivery sales contracts to manage market risks. All such transactions are conducted within risk management tolerances that are reviewed by the Board of Directors.

Foreign exchange risk

The prices received by the Company for the production of natural gas are primarily determined in reference to US dollars, but are settled with the Company in Canadian dollars. The Company's cash flow from commodity sales will therefore be impacted by fluctuations in foreign exchange rates.

(continues)

METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016

15. FINANCIAL RISK MANAGEMENT (*continued*)

Interest rate risk

The Company is exposed to interest rate risk primarily through its floating interest rate credit facility (note 10). As at March 31, 2017 the Company has not drawn on this credit facility and therefore the Company is not exposed to interest rate risk.

Commodity price risk

Natural gas prices are impacted by not only the relationship between the Canadian and US dollar but also by world economic events that dictate the levels of supply and demand. The Company's cash flow from natural gas sales will therefore be impacted by fluctuations in commodity prices. In order to mitigate commodity price risk, the Company enters into forward strip contracts for a certain number of months in advance. An increase or decrease of \$1.00/MMBtu in the average composite natural gas selling price would have resulted in an increase or decrease of \$196,600 in natural gas sales during the year ended March 31, 2017.

Credit risk

Credit risk represents the financial loss that the Company would suffer if the Company's counterparties to a financial asset fail to meet or discharge their obligation to the Company. Substantially all of the Company's accounts receivable are with customers in the natural gas industry and are subject to normal industry credit risks. The Company generally grants unsecured credit but routinely assesses the financial strength of its customers. The amount of accounts receivable subject to this risk at March 31, 2017 was \$93,404 (March 31, 2016 – \$52,122).

The Company sells the majority of its production to three petroleum and natural gas marketers and therefore is subject to concentration risk. Historically, the Company has not experienced any collection issues with its petroleum and natural gas marketers. The Company does not typically obtain collateral from petroleum and natural gas marketers.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's processes for managing liquidity risk include ensuring, to the extent possible, that it will have sufficient liquidity to meet its liabilities when they become due. The Company prepares annual, quarterly, and monthly capital expenditure budgets, which are monitored and updated as required, and requires authorizations for expenditures on projects to assist with the management of capital. In managing liquidity risk, the Company ensures that it maintains sufficient levels of working capital.

16. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to protect the Company's ability to continue as a going concern so that it can continue to provide an appropriate return to shareholders relative to the risk of the Company's mineral exploration and evaluation assets, natural gas properties and marketable securities.

The Company considers its capital structure to include shareholders' equity and its revolving credit facility (note 10). The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets noted above. In order to maintain or adjust the capital structure, the Company may issue new shares, seek external financing or adjust its capital expenditures and other investment programs.

The Company does not have any externally imposed capital requirements. The Company's main objective is to ensure sufficiency of working capital to fund operations and investment activities. Working capital is defined as current assets less current liabilities. At March 31, 2017, the Company's working capital was \$662,706 (March 31, 2016 – \$731,218).

METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND MARCH 31, 2016

17. SUBSEQUENT EVENT

On June 15, 2017, the Company granted 48,000 stock options to officers and directors exercisable at \$3.00 for 3 years.