METALORE
RESOURCES
LIMITED

2019

Annual Report

Our 76th Year

METALORE RESOURCES LIMITED

Officers and Directors	ARMEN A. CHILIAN, *P.Geo.* *President, CEO and Managing Director* .... *London, Ontario*
	DONALD W. BRYSON *Director and CFO* .... *Simcoe, Ontario*
	TIMOTHY J. CRONKWRIGHT, *BA* *Director, Audit Committee Chair* .... *Simcoe, Ontario*
	BRUCE A. DAVIS, *MA* *Director* .... *Cohoes, New York*
	JOHN C. McVICAR, *BA* *Lead Director and Chairman* .... *Brantford, Ontario*

Executive Office and Natural Gas Division	*89 Kitchen Road* .... *Vittoria, Ontario*
Production Manager	*JONATHAN CHILIAN, BSc* .... *Vittoria, Ontario*
Sales and Marketing Manager	*CARL CHILIAN, BA* .... *Simcoe, Ontario*
Bankers	*ROYAL BANK OF CANADA* .... *Simcoe, Ontario*
Accountant	*BRYSON CHARTERED ACCOUNTANT PROFESSIONAL CORP* .... *Simcoe, Ontario*
External Auditors	*MNP, LLP Chartered Accountants* .... *Mississauga, Ontario*
Registrar and Transfer Agent	*COMPUTERSHARE TRUST* .... *Toronto, Ontario*
Share Listing and Symbol	*TSX VENTURE EXCHANGE* .... *Calgary, Alberta*
Share Price Range MET/TSX.V	*Fiscal 2019, High $2.85 (CAD) .... Low $1.42 (CAD)*
Annual Meeting	*SIMCOE LIBRARY .... 46 Colborne Str. S, Simcoe, ON N3Y 4H3* *The Meeting Room (lower level),........................ Saturday, September 28, 2019* *Annual Meeting* .... *11:30 a.m.*
Website and Email	*www.metaloreresources.com* *info@metaloreresources.com*

METALORE RESOURCES LIMITED

President's Letter to Shareholders:

Last year your management expected to return Metalore to corporate growth through Houghton Twp gas sales, a new gold discovery at Cedartree and a change in management. Developments within the past year, however, have favored growth to come from within our Charlotteville Twp gas field, and Metalore now awaits a decision from the Ontario Energy Board (OEB) for the right to sell gas directly to a large consumer.

On October 17, 2018, Metalore made an informal inquiry to the OEB asking about the possibility of selling gas directly to an end user for a higher price than currently offered by Union Gas Limited (now Enbridge Gas Inc.). The OEB encouraged us to apply for a Certificate of Public Convenience and Necessity (CPCN). We learned that although Enbridge currently holds the CPCN for the area, it was possible to by-pass Enbridge, if the OEB decided it would significantly benefit the community while not harming natural gas distributors. Following discussions with a potential large gas consumer, we proceeded to file an application that was accepted by the OEB on February 11, 2019.

By March 20, 2019 however, New Leaf Canada Inc., the company who needed the gas service, indicated that their investors were growing impatient and felt that they could not wait for Metalore to achieve the right to sell gas directly to them. As a possible solution to the timing problem, Enbridge was asked to add New Leaf as a Field Line Customer. But Enbridge indicated that for New Leaf to be given gas service, they would now have to pay $2.3 million, not the $260,000 they were initially quoted - which implied an upgrade to the local infrastructure of Enbridge, solely at the expense of New Leaf. With that, New Leaf was more than willing to wait for the outcome of the OEB hearing.

On May 29, 2019 New Leaf signed an evergreen agreement with Metalore to guarantee 1) New Leaf pays all costs associated with obtaining and maintaining gas service to its facility, and 2) New Leaf pays the Enbridge M2 rate, minus 10% for gas. At today's rates this equates to $6.40/Mcf, and will vary each quarter.

Your Company remains committed to growth as opportunity presents itself. Although our northern Ontario gold discovery of 2018 awaits a drill program, and our Houghton Twp battery of gas wells is ripe for production, both will happen in good time. For now, we look forward to the decision from the OEB.

On Behalf of the Board,

Armen Chilian
President and CEO
July 26, 2019

METALORE RESOURCES LIMITED

FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2019 AND MARCH 31, 2018

METALORE RESOURCES LIMITED
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FOR THE YEARS ENDED MARCH 31, 2019 AND MARCH 31, 2018

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Independent Auditor's Report

To the Shareholders of Metalore Resources Limited:

Opinion

We have audited the financial statements of Metalore Resources Limited (the "Company"), which comprise the statements of financial position as at March 31, 2019 and March 31, 2018, and the statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2019 and March 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sandra Alison Solecki.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

July 26, 2019 — Licensed Public Accountants

MNP LLP

METALORE RESOURCES LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2019, MARCH 31, 2018 AND APRIL 1, 2017

	March 31 2019	*(Note 18)* **(Restated) March 31 2018**	*(Note 18)* **(Restated) April 1 2017**
ASSETS			
Current assets			
Cash and cash equivalents	**$ 318,821**	$ 148,892	$ 64,159
Marketable securities *(Note 4)*	**277,530**	407,550	623,910
Accounts receivable	**61,362**	73,484	93,404
Inventory	**27,878**	43,500	23,000
Prepaid expenses	**20,355**	14,382	14,423
Total current assets	**705,946**	687,808	818,896
Non-current assets			
Property and equipment *(Note 5)*	**7,710,398**	7,317,655	6,782,191
Total assets	**$ 8,416,344**	$ 8,005,463	$ 7,601,087
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	**$ 62,921**	$ 72,708	$ 156,190
Non-current liabilities			
Decommissioning obligations *(Note 7)*	**526,745**	522,854	509,172
Deferred tax liabilities *(Note 14)*	**429,480**	278,300	182,000
Total non-current liabilities	**956,225**	801,154	691,172
Total liabilities	**1,019,146**	873,862	847,362
SHAREHOLDERS' EQUITY			
Share capital *(Note 8)*	**2,468,832**	2,468,832	2,468,832
Contributed surplus	**153,123**	153,123	90,430
Accumulated other comprehensive loss	**(232,992)**	(102,973)	(226,750)
Retained earnings	**5,008,235**	4,612,619	4,421,213
Total shareholders' equity	**7,397,198**	7,131,601	6,753,725
Total liabilities and shareholders' equity	**$ 8,416,344**	$ 8,005,463	$ 7,601,087

Commitments *(Note 12)*

Approved on behalf of the Board:

D. Bryson.

Donald W. Bryson
Director and CFO

Armen A. Chilian
President and CEO

METALORE RESOURCES LIMITED
STATEMENTS OF INCOME
FOR THE YEARS ENDED MARCH 31, 2019 AND MARCH 31, 2018

	2019	*(Note 18)* **(Restated)** 2018
Revenue		
Natural gas sales	**$ 776,803**	$ 771,741
Royalty income	**3,134**	2,376
Less: Royalties paid	**(54,063)**	(73,230)
Net revenue from natural gas sales	**725,874**	700,887
Expenses		
Production	**336,295**	377,822
Depletion and depreciation *(Note 5)*	**250,000**	217,324
General and administrative	**113,845**	127,389
Transmission tariffs	**42,517**	53,610
Accretion *(Note 7)*	**3,891**	3,698
Share based compensation *(Note 9)*	**-**	62,693
	746,548	842,536
Loss from operations	**(20,674)**	(141,649)
Other expenses (income)		
Investment income	**(22,884)**	(20,596)
Loss on disposal of marketable securities *(Note 4)*	**-**	133,668
Impairment (reversal) of property and equipment *(Note 5)*	**(572,705)**	(618,217)
Mineral property exploration expenses *(Note 6)*	**28,119**	35,005
	(567,470)	(470,140)
Income before taxes	**546,796**	328,491
Deferred taxes *(Note 14)*	**151,180**	96,300
Net income	**$ 395,616**	$ 232,191
Earnings per share *(Note 10)*	**$ 0.22**	$ 0.13
Weighted average number of shares outstanding *(Note 10)*	**1,775,035**	1,775,035

METALORE RESOURCES LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED MARCH 31, 2019 AND MARCH 31, 2018

	2019	(Note 18) (Restated) 2018
Net income	**$ 395,616**	$ 232,191
Changes in comprehensive income (loss)		
Reclassification for realized losses to profit and loss	**-**	120,282
Changes in fair value of financial assets at fair value through other comprehensive income	**(130,020)**	(37,290)
Comprehensive income	**$ 265,596**	$ 315,183

METALORE RESOURCES LIMITED

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED MARCH 31, 2019 AND MARCH 31, 2018

	2019	*(Note 18)* **(Restated)** **2018**
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	**$ 153,123**	$ 90,430
Share based compensation *(Note 9)*	**-**	62,693
Balance, end of year	**$ 153,123**	$ 153,123
Accumulated other comprehensive loss		
Balance, beginning of year	**$ (102,973)**	$ (226,750)
Reclassification for realized losses to profit and loss	**-**	120,282
Changes in fair value of financial assets at fair value through other comprehensive income	**(130,020)**	(37,290)
Equity reserve transfer to retained earnings	**-**	40,785
Balance, end of year	**$ (232,993)**	$ (102,973)
Retained earnings		
Balance, beginning of year	**$ 4,612,619**	$ 4,421,213
Net income	**395,616**	232,191
Equity reserve transfer from accumulated other comprehensive income	**-**	(40,785)
Balance, end of year	**$ 5,008,235**	$ 4,612,619
Total shareholders' equity	**$ 7,397,197**	$ 7,131,601

METALORE RESOURCES LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2019 AND MARCH 31, 2018

	2019	*(Note 18)* **(Restated)** 2018
Operating activities		
Net income	**$ 395,616**	$ 232,191
Items not affecting cash:		
Depletion and depreciation *(Note 5)*	**250,000**	217,324
Accretion *(Note 7)*	**3,891**	3,698
Loss on disposal of marketable securities *(Note 4)*	**-**	133,668
Deferred taxes *(Note 14)*	**151,180**	96,300
Share based compensation *(Note 9)*	**-**	62,693
Impairment (reversal) of property and equipment *(Note 5)*	**(572,705)**	(618,217)
	227,982	127,657
Changes in non-cash working capital:		
Accounts receivable	**12,122**	19,920
Inventory	**15,622**	(20,500)
Prepaid expenses	**(5,973)**	41
Accounts payable and accrued liabilities	**(9,786)**	(83,484)
	11,985	(84,023)
Cash flow from operating activities	**239,967**	43,634
Investing activities		
Proceeds from sale of marketable securities *(Note 4)*	**-**	165,684
Additions to property and equipment *(Note 5)*	**(70,038)**	(124,585)
Cash flow from (used by) investing activities	**(70,038)**	41,099
Increase in cash and cash equivalents	**169,929**	84,733
Cash and cash equivalents - beginning of year	**148,892**	64,159
Cash and cash equivalents - end of year	**$ 318,821**	$ 148,892

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, including comparatives, 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, 2018. The Company has applied the same accounting policies for all periods reported in these financial statements.

These financial statements were authorized for issue by the Board of Directors on July 26, 2019.

(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.

(continues)

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.

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:

(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.

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2. BASIS OF PRESENTATION *(continued)*

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.

Income taxes
The measurement of income taxes payable and deferred tax assets and liabilities require management to make judgements in the interpretations and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax returns by the relevant authorities which occur subsequent to the issuance of the financial statements.

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 is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

Revenue from the sale of natural gas is recognized when title to the product passes to the purchasers based on volumes delivered at contracted delivery points and prices and are recorded gross of transportation charges incurred by the Company. The costs associated with the delivery, including transportation and production-based royalty expenses, are recognized in the same period in which the related revenue is earned and recorded.

(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
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 the cost of acquiring mining rights and expenses directly related to the exploration and evaluation of the mining properties are expensed in the year they are incurred.

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

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.

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.

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.

(continues)

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

(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.

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.

(continues)

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

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.

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

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statements of income and comprehensive income except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous year.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the consumption of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net income and comprehensive income or in equity depending on the item to which the adjustment relates.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits 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.

(continues)

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

(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.

(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.

(continues)

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

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).

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:

Category	Financial instrument
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.

(continues)

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

(n) New standards and interpretations not yet adopted
IFRS 16 – Leases (“IFRS 16”) was issued in January 2016, and replaces *IAS 17 – Leases*, as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied. Management is currently assessing the impact on the financial statements.

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If any entity concludes it is probably that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistent with the tax treatment used or planned to be used in its income tax filings. If any entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 will be effective for annual periods beginning on or after January 1, 2019. The Company does not expect IFRS 23 to have a material impact on its financial statements.

4. MARKETABLE SECURITIES

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

Balance, March 31, 2017	$	**623,910**
Cost of purchases		**124,585**
Proceeds on disposals		**(165,684)**
Loss on disposal		**(133,668)**
Fair value adjustment		**(41,593)**
Balance, March 31, 2018		**407,550**
Fair value adjustment		**(130,020)**
Balance, March 31, 2019	**$**	**277,530**

5. PROPERTY AND EQUIPMENT

	Natural gas properties	Land	Total
Cost			
Balance, March 31, 2017	$ 16,589,057	$ 130,000	$ 16,719,057
Additions	124,585	-	124,585
Changes to decommissioning obligation estimates	9,984	-	9,984
Balance, March 31, 2018	16,723,626	130,000	16,853,626
Additions	70,038	-	70,038
Balance, March 31, 2019	**$ 16,793,664**	**$ 130,000**	**$ 16,923,664**
Accumulated Depletion, Depreciation and Impairment			
Balance, March 31, 2017	$ 9,936,866	$ -	$ 9,936,866
Depletion and depreciation	217,324	-	217,324
Impairment reversal	(618,217)	-	(618,217)
Balance, March 31, 2018	9,535,973	-	9,535,973
Depletion and depreciation	250,000	-	250,000
Impairment reversal	(572,705)	-	(572,705)
Balance, March 31, 2019	**$ 9,213,268**	**$ -**	**$ 9,213,268**
Net Book Value			
March 31, 2018	$ 7,187,653	$ 130,000	$ 7,317,653
March 31, 2019	**$ 7,580,396**	**$ 130,000**	**$ 7,710,396**

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, 2019 included an estimated $1,065,000 (March 31, 2018 – $1,050,000) for future development costs associated with proved plus probable undeveloped reserves.

Impairments
At March 31, 2019 and March 31, 2018 the Company assessed its natural gas properties for impairment indicators and concluded indicators exist. As a result, the Company performed an impairment test at March 31, 2019. The recoverable amount was measured based on the fair value less costs of disposal 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, 2018 - 7.5%). At March 31, 2019 a reversal of impairment of $572,705 (March 31, 2018 - $618,217). Had a discount rate of 10% been used to measure the recoverable amount, the Company's natural gas properties would have been $1,690,304 lower than the amount determined using a discount rate of 7.5%.

6. MINERAL PROPERTIES

Brookbank

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. During the year ended March 31, 2019, the Company incurred exploration expenditures related to the Brookbank gold property of $150 (March 31, 2018 - $775). At March 31, 2019, the cumulative exploration expenditures related to the Brookbank gold property were $1,613,811.

Cedartree Lake

The Company owns a 100% interest in 306 mining claims in the Sioux Narrows (Cedartree Lake) area of Northwestern Ontario. During the year ended March 31, 2019, the Company incurred exploration expenditures related to the Cedartree Lake gold property of $27,969 (March 31, 2018 - $34,230). At March 31, 2019, the cumulative exploration expenditures related to the Cedartree Lake gold property were $2,969,366.

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, 2019 is approximately $1,701,975 (March 31, 2018 – $1,735,971) which is estimated to be incurred over the next 46 years (March 31, 2018 - 47 years). At March 31, 2019, a risk-free rate of 2.75% (March 31, 2018 – 2.75%) was used to calculate the net present value of the decommissioning obligations.

	2019	*(Note 18)* **(Restated) 2018**
Balance, beginning of year	**$ 522,854**	$ 509,172
Accretion	**3,891**	3,698
Revisions of estimates	**-**	9,984
Balance, end of year	**$ 526,745**	$ 522,854

8. SHARE CAPITAL

The Company is authorized to issue 4,000,000 common shares without par or nominal value. At March 31, 2019 and March 31, 2018 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, 2018 or March 31, 2019.

9. SHARE BASED COMPENSATION

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

(continues)

9. SHARE BASED COMPENSATION *(continued)*

The Company used 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 March 31, 2019, all 48,000 options were outstanding (March 31, 2018 - 48,000).

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

10. EARNINGS PER SHARE

	2019	*(Note 18)* **(Restated)** 2018
Net income	**$ 395,616**	$ 232,191
Weighted average number of shares outstanding - basic and diluted	**1,775,035**	1,775,035
Earnings per share - basic and diluted	**$ 0.22**	$ 0.13

For the years ended March 31, 2019 and March 31, 2018, 48,000 stock options outstanding were anti-dilutive and were not included in the diluted earnings per share calculation.

11. 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% that is secured by land and a general security agreement. There was no balance outstanding on this facility at the end of March 31, 2019 or March 31, 2018.

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, 2018 – $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, 2018 – $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, marketable securities, accounts receivable, accounts payable and accrued liabilities

The fair value of cash and cash equivalents, marketable securities, accounts receivable, and accounts payable and accrued liabilities at March 31, 2019 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, 2019 are measured using level 1. During the year ended March 31, 2019, there were no transfers between level 1, level 2, and level 3 classified assets and liabilities.

14. 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, 2018 – 26.50%). The differences were accounted for as follows:

	2019	*(Note 18)* **(Restated) 2018**
Income before income taxes	**$ 546,796**	$ 328,491
Expected income tax expense at statutory income tax rate	**$ 144,900**	$ 87,050
Increase (decrease) in income taxes resulting from:		
Change in tax benefits not recognized	**18,260**	-
Prior year true-ups	**(13,930)**	9,250
Non-deductible expenses	**1,950**	-
Deferred tax expense	**$ 151,180**	$ 96,300

The following table summarizes the components of deferred tax:

	2019	*(Note 18)* **(Restated) 2018**
Deferred tax assets		
Non-capital losses carried forward	**$ 105,520**	$ 152,450
Resource-related tax pool balances	**1,262,080**	-
Deferred tax liabilities		
Property and equipment	**(1,797,080)**	(430,750)
Net deferred tax liabilities	**$ (429,480)**	$ (278,300)

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	**$ 327,580**	$ 197,560
Decommissioning obligations	**526,750**	522,850
Capital losses carried forward	**151,120**	151,120
	$ 1,005,450	$ 871,530

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: 2033 - $4,330; 2034 - $169,560; 2035 - $15,100; 2036 - $209,200.

15. RELATED PARTY TRANSACTIONS

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

The Company and Southern Ontario Natural Gas Limited ("SONG"), a private company controlled by the family of the Company's Chief Executive Officer 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 eleven years due to a lack of market demand. As at March 31, 2019, the Company owed SONG $nil (March 31, 2018 - $nil) for Houghton Township well site leases paid by SONG on behalf of the Company.

The compensation paid to directors of the Company was $2,190 (March 31, 2018 – $4,469).

16. 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.

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16. FINANCIAL RISK MANAGEMENT *(continued)*

Interest rate risk
The Company is exposed to interest rate risk primarily through its floating interest rate credit facility (note 11). As at March 31, 2019 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.

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, 2019 was $61,362 (March 31, 2018 – $73,484).

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.

17. 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 11). 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, 2019, the Company's working capital was $643,025 (March 31, 2018 – $615,100).

18. CHANGE IN ACCOUNTING POLICY

On January 1, 2019, the Company retrospectively changed its accounting policy for exploration and evaluation expenditures. Previously, the Company capitalized acquisition costs and exploration and evaluation expenditures to the specific mineral properties, net of recoveries received.

Under the new policy, acquisition costs and deferred exploration and evaluation expenditures incurred prior to the establishment of technical feasibility and commercial viability of extracting mineral resources, and prior to a decision by the board of directors to proceed with mine development, are expensed as incurred. As required by *IAS 8 – Accounting policies, changes in accounting estimates and errors*, the Company included the restated statement of financial position as at April 1, 2017. Management considers this accounting policy to provide more reliable and relevant information and more clearly represents the Company's activities.

	As previously reported	Effect of change in accounting policy	As restated
The effect of this change on the statement of financial position as at April 1, 2017 is as follows:			
Exploration and evaluation assets	$ 4,520,053	$ (4,520,053)	**$ -**
Total assets	12,121,140	(4,520,053)	**7,601,087**
Deferred tax liabilities	1,380,000	(1,198,000)	**182,000**
Total liabilities	2,045,362	(1,198,000)	**847,362**
Retained earnings	7,743,266	(3,322,053)	**4,421,213**
Total shareholders' equity	10,075,778	(3,322,053)	**6,753,725**
Total liabilities and shareholders' equity	12,121,140	(4,520,053)	**7,601,087**
The effect of this change on the statement of financial position as at March 31, 2018 is as follows:			
Exploration and evaluation assets	4,555,058	(4,555,058)	**-**
Total assets	12,560,519	(4,555,058)	**8,005,461**
Deferred tax liabilities	1,476,300	(1,198,000)	**278,300**
Total liabilities	2,071,860	(1,198,000)	**873,860**
Retained earnings	7,969,677	(3,357,058)	**4,612,619**
Total shareholders' equity	10,488,659	(3,357,058)	**7,131,601**
Total liabilities and shareholders' equity	12,560,519	(4,555,058)	**8,005,461**

(continues)

18. CHANGE IN ACCOUNTING POLICY *(continued)*

The effect of this change on the statement of income for the year ended March 31, 2018 is as follows:

	As previously reported	Effect of change in accounting policy	As restated
Revenue			
Natural gas sales	$ 771,741	$ -	**$ 771,741**
Royalty income	2,376	-	**2,376**
Less: Royalties paid	(73,230)	-	**(73,230)**
Net revenue from natural gas sales	700,887	-	**700,887**
Expenses			
Production	377,822	-	**377,822**
Depletion and depreciation	217,324	-	**217,324**
General and administrative	127,389	-	**127,389**
Share based compensation	62,693	-	**62,693**
Transmission tariffs	53,610	-	**53,610**
Accretion	3,698	-	**3,698**
Total expenses	842,536	-	**842,536**
Loss from operations	(141,649)	-	**(141,649)**
Other expenses (income)			
Investment income	(20,596)	-	**(20,596)**
Loss on disposal of marketable securities	133,668	-	**133,668**
Impairment (reversal) of property and equipment	(618,217)	-	**(618,217)**
Mineral property exploration expenses	-	35,005	**35,005**
	(505,145)	35,005	**(470,140)**
Income before taxes	$ 363,496	$ (35,005)	**$ 328,491**
Deferred taxes	96,300	-	**96,300**
Net income	$ 267,196	$ (35,005)	**$ 232,191**
Weighted average number of shares outstanding - basic and diluted	1,775,035		**1,775,035**
Earnings per share - basic and diluted	$ 0.15		**$ 0.13**

The effect of this change on the statement of cash flows for the year ended March 31, 2018 is as follows:

	As previously reported	Effect of change in accounting policy	As restated
Net income	$ 267,196	$ (35,005)	**$ 232,191**
Cash flow from operating activities	78,639	(35,005)	**43,634**
Additions to exploration and evaluation assets	(35,005)	35,005	**-**
Cash flow from investing activities	6,094	35,005	**41,099**

METALORE RESOURCES LIMITED

MANAGEMENT'S DISCUSSION ANALYSIS ("MD&A")

FOR THE YEAR ENDED MARCH 31, 2019

This Management's Discussion and Analysis ("MD&A") of the financial and operating results of Metalore Resources Limited ("Metalore" or the "Company") should be read in conjunction with the Company's financial statements and related notes for the year ended March 31, 2019. The financial information in this MD&A is prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.

CORPORATE PROFILE

Metalore has been active in Mining Exploration for over seventy years and in Natural Gas Development for over fifty-five years. The Company participated in early development of the Provost gas field in Alberta from 1956 through 1961 and is the major player in developing the Norfolk gas field in Southwestern Ontario since 1964. Metalore pioneered state-of-the-art completion and fracturing technology in Ontario and this operation constitutes its core business and principal source of revenue.

The objectives of the Company are to: (1) sustain financial integrity, (2) sustain natural gas production, and (3) examine and explore mineral and/or hydrocarbon prospects of merit. Metalore has achieved these objectives while diligently protecting the Equity of its Shareholders. This unique Company prevailed for many years with the lowest number of shares issued of any resource explorer trading on the Toronto Stock Exchange (TSX). The Company's common shares are listed on the Toronto Stock Exchange, Venture (TSX.V) and trade under the symbol "MET", effective November 14, 2016.

CURRENT DEVELOPMENTS

On February 7, 2019 Metalore submitted an application to the Ontario Energy Board (OEB) for the right to supply natural gas to a proposed 31,000 sq ft facility (owned by New Leaf Canada Inc.) near Walsh, Ontario. In the application, New Leaf agreed to pay upfront for absolutely everything relating to Metalore supplying natural gas to their facility.

OVERALL PERFORMANCE

The Company has consistently drilled its new wells on ultra wide spacing patterns to minimize the year to year decline and maximize longevity of its "non-renewable" resource commodity. Although gas prices have been depressed in recent years, the Company continues to maintain a high-level capacity of production and the highest financial margins of any publicly-traded, actively developing gas producer in Ontario.

SELECTED QUARTERLY INFORMATION

The table below summarizes selected information reported for the most recent eight quarterly periods:

	31-Mar-2019	31-Dec-2018	30-Sep-2018	30-Jun-2018	31-Mar-2018	31-Dec-2017	30-Sep-2017	30-Jun-2017
Total assets	$ 8,416,344	$ 7,890,153	$ 7,906,363	$ 7,990,887	$ 8,005,461	$ 7,525,938	$ 7,545,820	$ 7,538,084
Total liabilities	$ 1,019,146	$ 925,634	$ 881,665	$ 908,593	$ 873,860	$ 821,591	$ 823,387	$ 827,639
Natural gas sales	$ 192,860	$ 251,453	$ 198,599	$ 133,891	$ 193,129	$ 238,886	$ 178,929	$ 160,797
Net income (loss)	$ 403,127	$ 41,921	$ (12,841)	$ (36,591)	$ 364,152	$ (16,647)	$ (36,846)	$ (78,468)
Weighted average common shares outstanding	1,775,035	1,775,035	1,775,035	1,775,035	1,775,035	1,775,035	1,775,035	1,775,035
Earnings (loss) per share	$ 0.23	$ 0.02	$ (0.01)	$ (0.02)	$ 0.21	$ (0.01)	$ (0.02)	$ (0.04)

RESULTS OF OPERATIONS

The Company posted net income of $395,616 ($0.22 per share) for the year ended March 31, 2019 compared to net income of $232,191 ($0.13 per share) for the comparative previous period. During the year ended March 31, 2019, the Company generated positive cash flow from operations of $239,967 compared to positive cash flow from operations of $43,634 for the comparative previous period. Revenue and expenses incurred during the year ended March 31, 2019 consist of:

Natural gas revenues were $776,803 (March 31, 2018 – $771,741). Production was 161,145 MMBtu (441.5 MMBtu per day) for the year ended March 31, 2019 compared to 172,952 MMBtu (473.8 MMBtu per day) for the comparative previous period. The average composite selling price for the year ended March 31, 2019 was $4.82 CAD/MMBtu compared to $4.46 CAD/MMBtu for the comparative previous period. The increase was due mainly to higher natural gas commodity prices compared to the comparative previous period.

Royalty expenses of $54,063 (March 31, 2018 – $73,230). The Company pays royalties to land owners, which may be individuals or companies that own surface or mineral rights. Royalties are calculated based on commodity prices and individual well production rates. Royalty payments can change due to commodity price fluctuations and changes in production volumes on a well-by-well basis.

Production expenses of $336,295 (March 31, 2018 – $377,822). The decrease in production expenses compared to the comparative previous period is mainly due to a higher percentage of production expenditures that were reallocated to other functions in the current period, including development of natural gas assets, and exploration and evaluation activities, in addition to certain cost reduction measures implemented by management. The Company continues to focus on opportunities to maintain operational efficiencies.

General and administrative expenses of $113,845 (March 31, 2018 – $127,389). The decrease in general and administrative expenses compared to the comparative previous period is mainly due to a higher percentage of management's time and resources devoted to other functions in the current period, including development of natural gas assets, and exploration and evaluation activities, in addition to certain cost reduction measures implemented by management. The Company continues to evaluate and implement cost reduction measures on an ongoing basis, as previously outlined.

Depletion and depreciation of $250,000 (March 31, 2018 – $217,324). The Company calculates depletion and depreciation on natural gas properties and equipment based on proven plus probable reserves.

Positive funds from operation of $227,982 (March 31, 2018 – positive funds from operation of $127,657). The increase in funds from operations compared to the comparative previous period is mainly due to increased revenue from natural gas during the current period, as outlined above and changes in non-cash working capital items during the period. Funds from operations is calculated as cash flow from operations (GAAP measure), plus decommissioning expenditures, plus change in non-cash working capital. See “Non-GAAP Measures” outlined herein.

Operating netback of $386,445 (March 31, 2018 – $320,689). The increase in operating netback compared to the comparative previous period is mainly due to increased revenue from natural gas during the current period, as noted above. The Company continues to focus on opportunities to increase operating netback. Operating netback is calculated as natural gas sales, less royalties paid, less production expenses. See “Non-GAAP Measures” outlined herein.

SELECTED ANNUAL INFORMATION

For the years ended:	March 31, 2019	March 31, 2018
Statement of Income and Loss		
Revenue from natural gas sales	$776,803	$771,741
Net income (loss)	395,616	232,191
Earnings (loss) per share – basic and diluted	0.22	0.13
Statement of Financial Position		
Total Assets	nil	nil
Total Liabilities	nil	1,019,146
Total Shareholders' Equity	nil	(1,019,146)

CAPITAL RESOURCES & LIQUIDITY

	March 31, 2019	March 31, 2018
Cash	$nil	$nil
Current Assets (including cash)	nil	705,946
Current Liabilities	nil	62,921
Excess of Current Assets over Current Liabilities	nil	643,025

CONTRACTUAL OBLIGATIONS

The following is a summary of the Company's contractual obligations and commitments at March 31, 2019:

Contractual Obligations	Total	Less than one year	One to three years	After three years
Decommissioning obligations	$1,701,975	$nil	$nil	$1,701,975
Natural gas royalties	320,000	80,000	240,000	nil
Natural gas leases	36,600	36,600	nil	nil

Natural gas royalties are based upon minimum estimated natural gas production. Natural gas leases are based upon estimated leases necessary to maintain core production areas. Estimates of these costs have not been made beyond three years.

FINANCINGS

There were no financings during the year ended March 31, 2019.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, cash equivalents, marketable securities, accounts receivable, an available credit facility in the amount of $500,000, accounts payable and accrued liabilities. It is the management's opinion that the Company is not exposed to abnormal interest, currency or credit risk arising from these financial instruments. Management expects to adequately meet its present and future working capital and exploration and development requirements with cash flow from operations.

DISCLOSURE CONTROLS and PROCEDURES

Management has assessed the effectiveness of the Company's disclosure controls and procedures used for the audited financial statements and MD&A at March 31, 2019. Although certain weaknesses are inherent with small office operations, management has implemented certain controls such as segregation of duties within critical departments, frequent reviews and regular preparations of reconciliations of transactions to ensure absence of material irregularities. Management has concluded that the disclosure controls are effective in ensuring that all material information required to be filed has been made known to them in a timely manner. The disclosure controls and procedures are designed to ensure effective information required to be disclosed pursuant to applicable securities laws are accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

The Audit Committee of the Board of Directors has reviewed and approved the accompanying financial statements for the year ended March 31, 2019.

NATIONAL INSTRUMENT 51-101 STANDARDS OF DISCLOSURE FOR OIL AND GAS ACTIVITIES

Metalore has complied with all filing requirements pursuant to National Instrument 51-101 (Standards for Disclosure for Oil and Gas Activities) by filing forms 51-101 F1, F2 and F3 with SEDAR.

RISKS AND UNCERTAINTIES

Mining exploration risks
The business of exploration for minerals involves a high degree of risk. Very few properties that are explored are ultimately developed into producing mines. Both mining exploration properties, in the Beardmore area and Cedartree Lake are being maintained in good standing for further development when financing becomes available.

Hydrocarbon risks
The hunt for and development of non-renewable hydrocarbons is dependent upon technical expertise, price variations, dry holes and ultimately depleted reservoirs. All the hydrocarbon properties are in Southwestern Ontario.

Commodity prices
Even if Metalore's exploration programs are successful, factors beyond the control of the Company will affect the marketability of any resources discovered. Inflation, international economic and political trends, currency fluctuations, interest rates and worldwide production levels all have a bearing on commodity prices. The effect of these factors cannot accurately be predicted. The Company currently mitigates the price risk factor by selling its gas production to Enbridge Gas Inc. through the Gas Purchase Agreement and Field Line Customer Agreement.

AUDITOR, TRANSFER AGENT and REGISTRAR

The auditors of the Company are MNP LLP. The Transfer Agent and Registrar for the common shares of the Company is Computershare Trust Company of Toronto, Canada.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. Based on regular reviews of its internal control procedures during and at the end of the period covered by this MD&A, management believes its internal controls and procedures are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

There have been no significant changes to the Company's internal control over financial reporting that occurred during the year ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

The Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") of the Company are responsible for establishing and maintaining the Company's disclosure controls and procedures ("**DC&P**") and the design of internal controls over financial reporting ("**ICFR**"). The objective is to ensure that all transactions are properly authorized, identified and entered into the accounting system on a timely basis to minimize risk of inaccuracy, failure to fairly reflect transactions, failure to fairly record transactions necessary to present financial statements in accordance with IFRS, unauthorized receipts and expenditures, or the inability to provide assurance that unauthorized acquisitions or dispositions of assets can be detected. The Company's system of internal controls provides for the separation of duties for receiving, approving, coding and handling of invoices and entering transactions into the accounts.

RECENT ACCOUNTING PRONOUNCEMENTS

The adoption of IFRS 16 and IFRS 23 is not expected to have a material impact on the Company's financial statements. For more information on these recent accounting pronouncements, please refer to the notes to the audited financial statements for the year ended March 31, 2019.

On January 1, 2019, the Company retrospectively changed its accounting policy for exploration and evaluation expenditures. Previously, the Company capitalized acquisition costs and exploration and evaluation expenditures to the specific mineral properties, net of recoveries received.

Under the new policy, acquisition costs and deferred exploration and evaluation expenditures incurred prior to the establishment of technical feasibility and commercial viability of extracting mineral resources, and prior to a decision by the board of directors to proceed with mine development, are expensed as incurred. As required by IAS 8 – Accounting policies, changes in accounting estimates and errors, the Company included the restated statement of financial position as at April 1, 2017. Management considers this accounting policy to provide more reliable and relevant information and more clearly represents the Company's activities.

NON-GAAP MEASURES

This MD&A refers to certain financial measures that are not determined in accordance with IFRS (or "GAAP"). This MD&A contains the terms "funds from operations", "funds from operations per share", "working capital", and "operating netback" which do not have any standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures used by other companies. The Company uses these measures to help evaluate its performance.

Management uses funds from operations to analyze performance and considers it a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments. Funds from operations is a non-GAAP measure and has been defined by the Company as net income (loss) plus non-cash items (depletion and depreciation, asset impairments, share based compensation, non-cash finance expenses, realized gains and losses on the disposal of assets, and deferred income taxes) and excludes the change in non-cash working capital related to operating activities and expenditures on decommissioning obligations. The Company also presents funds from operations per share whereby amounts per share are calculated using weighted average shares outstanding, consistent with the calculation of earnings per share. Funds from operations is reconciled from cash flow from operating activities under the heading "Funds from Operations".

Management uses working capital as a measure to assess the Company's financial position. Working capital is calculated as current assets less current liabilities.

Management considers operating netback an important measure as it demonstrates its profitability relative to current commodity prices. Operating netback, which is calculated as average unit sales price less royalties paid, production expenses, and transportation expenses, represents the cash margin for every MMBtu of natural gas sold. Operating netback per MMBtu is reconciled to net income (loss) per MMBtu under the heading "Operating Netback".

CRITICAL ACCOUNTING ESTIMATES

The financial statements, including comparatives, have been prepared using IFRS. The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Significant areas requiring the use of management estimates include, but are not limited to, the determination of carrying value of exploration and evaluation assets, the valuation of share-based compensation transactions, deferred tax assets and liabilities, and accrued liabilities and contingencies.

Income taxes
The *Income Tax Act (Canada)* has many special provisions that pertain to the mining and oil and gas industries. For income tax purposes, the Company's mineral and petroleum and natural gas exploration and development expenditures qualify for various resource related tax credits. These tax credits are accumulated in "pools" and can be deducted in the calculation of taxable income. In general, any remaining balance in these pools not deducted are carried forward indefinitely for deduction in future years. Consequently, the Company will not be subject to current income taxes until income from other sources exceeds the remaining balances in these tax pools.

Provisions
Provisions are recognized for liabilities of uncertain timing when the Company has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized and treated as a separate asset when it is virtually certain that reimbursement will be received if the Company settles the obligation.

Contingencies
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves exercise of significant judgment and estimates of the outcome of future events.

Recording of depletion
The amount of depletion recorded is dependent upon the amount of recoverable reserves that are in place by the Company. The estimate of these reserve balances is prepared on an annual basis by an independent petroleum engineer. In the course of estimating these reserves and their value, assumptions are made about future commodity prices, decline rates, remediation costs, future capital costs, future operating costs and operations up-time.

Impairment testing
The key areas where impairment tests are conducted are with the petroleum and natural gas ("P&NG") assets. In determining whether an impairment has occurred, or a previously recorded impairment loss can be reversed, a review of estimated future cash flows is required. The future cash flows contain many measures of uncertainty including future reserves, operating costs and production rates. These estimates are subject to change as new information becomes available or as changes in technology or regulations dictate.

SHARE-BASED COMPENSATION TRANSACTIONS

Stock options
The fair value of stock options granted to directors, officers, employees and consultants is measured at grant date based on the Black-Scholes valuation model and applying assumptions of risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares, expected forfeitures and expected life of the options.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company’s financial risk management goals are to ensure that the outcome of activities involving elements of risk are consistent with the Company’s objectives and risk tolerance, while maintaining an appropriate risk/reward balance and protecting the Company’s statement of financial position from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through identifying risk appropriately, aligning risk with overall exploration and development strategy, diversifying risk, mitigation through preventive controls, and transferring risk to third parties.

Fair value
The carrying values for primary financial instruments, including cash and equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair values due to their short-term maturities. There have been no major or significant changes that have had an impact on the overall risk assessment of the Company during the period. The objectives and strategy for the exploration and evaluation asset portfolio remains unchanged.

The Company’s exploration and development activities expose it to the following financial risks:

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's exposure to credit risk is concentrated in two specific areas: the credit risk on operating balances including accounts receivable and cash and equivalents held with Canadian financial institutions. The maximum exposure to credit risk is equal to the carrying values of these financial assets.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign currency exchange rates, commodity prices, interest rates and liquidity. A discussion of the Company’s primary market risk exposures, and how those exposures are currently managed, follows:

Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company’s financial assets and liabilities and operating costs are principally denominated in Canadian dollars. The Company has historically had insignificant operations in United States (“US”) dollars. The Company has no US dollar hedging program due to its minimal exposure to financial gain or loss as a result of foreign exchange movements against the Canadian dollar.

Commodity price risk
Commodity prices, and in particular gold spot prices, fluctuate and are affected by factors outside the Company’s control. Current and expected future spot prices have a significant impact on the market sentiment for investment in mineral exploration companies and may impact the Company's ability to raise equity financing for ongoing working capital requirements.

Interest rate risk
This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company’s interest rate risk is minimal as there are no outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time.

Liquidity risk
This is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The purpose of liquidity management is to ensure sufficient cash will be available to meet all financial commitments and working capital obligations as they become due.

Wildcat Hydrocarbon risk
Possibly the highest risk business venture known worldwide would be drilling for deep hydrocarbon pools in a virgin, unproven sedimentary basin. The historically accepted record of successful, virgin, wildcat wells is one out of eight drilled.

Sensitivity analysis
The Company believes that movements in investments in equity securities that are reasonably possible over the next twelve-month period will not have a significant impact on the Company. Management believes that the Company's cash position and short-term investments provide adequate liquidity to meet all the Company’s near-term obligations.

CONTINGENT LIABILITY

The Company maintains a surety bond in the amount of $70,000, which is the maximum required by the Ministry of Natural Resources as assurance for the abandonment of dry holes and or depleted wells.

OUTSTANDING SHARE DATA

As at March 31, 2019 and the date hereof the Company had 1,775,035 common shares outstanding, and 48,000 stock options outstanding.

FORWARD LOOKING STATEMENTS

This management discussion and analysis contains certain forward-looking statements relating but not limited to the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events may not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information as a result of new information, future events or other such factors which affect this information, except as required by law.

ADDITIONAL INFORMATION RELATED TO THE COMPANY IS AVAILABLE FOR VIEW ON SEDAR at http://www.sedar.com/.

This MD&A is dated as of July 26, 2019

D. Bryson.

Donald W. Bryson
Director and Chief Financial Officer