

# METALORE RESOURCES LIMITED



## CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND SIX MONTHS ENDED  
SEPTEMBER 30, 2019

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### MANAGEMENT'S COMMENTS ON THE CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of Metalore Resources Limited for the three and six months ended September 30, 2019 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed interim financial statements have not been reviewed by the Company's external auditors.

# METALORE RESOURCES LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT SEPTEMBER 30, 2019 AND MARCH 31, 2019

	(Unaudited) As at September 30 2019	(Audited) As at March 31 2019
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 384,673	\$ 318,821
Marketable securities	188,000	277,530
Accounts receivable	69,462	61,362
Inventory	26,200	27,878
Prepaid expenses	20,355	20,355
<b>Total current assets</b>	<b>688,690</b>	<b>705,946</b>
<b>Non-current assets</b>		
Property and equipment (Note 4)	7,641,201	7,710,397
<b>Total assets</b>	<b>\$ 8,329,891</b>	<b>\$ 8,416,343</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 91,642	\$ 62,921
<b>Non-current liabilities</b>		
Decommissioning obligations (Note 6)	528,596	526,745
Deferred tax liabilities	383,480	429,480
<b>Total non-current liabilities</b>	<b>912,076</b>	<b>956,225</b>
<b>Total liabilities</b>	<b>1,003,718</b>	<b>1,019,146</b>
<b>Shareholders' Equity</b>		
Share capital (Note 7)	2,468,832	2,468,832
Contributed surplus	153,123	153,123
Accumulated other comprehensive loss	(176,266)	(232,993)
Retained earnings	4,880,484	5,008,235
<b>Total shareholders' equity</b>	<b>7,326,173</b>	<b>7,397,197</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 8,329,891</b>	<b>\$ 8,416,343</b>

Approved by the Board on November 14, 2019:



Donald W. Bryson  
Director and CFO



Armen A. Chilian  
Director and CEO

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

# METALORE RESOURCES LIMITED

## CONDENSED INTERIM STATEMENT OF INCOME AND LOSS (UNAUDITED)

	Three Months Ended September 30		Six Months Ended September 30	
	2019	2018	2019	2018
<b>Revenue</b>				
Natural gas sales	\$ 133,150	\$ 198,599	\$ 249,233	\$ 332,489
Royalty income	547	517	547	517
Less: Royalties paid	(8,000)	(18,000)	(18,000)	(30,341)
<b>Net natural gas revenue</b>	<b>125,697</b>	<b>181,116</b>	<b>231,780</b>	<b>302,665</b>
<b>Expenses</b>				
Production	78,311	89,335	168,565	185,076
Depletion and depreciation	62,000	78,000	112,000	135,000
General and administrative	28,517	36,137	51,205	59,504
Accretion	935	954	1,851	1,948
	169,763	204,426	333,621	381,528
<b>Loss from operations</b>	<b>(44,066)</b>	<b>(23,310)</b>	<b>(101,841)</b>	<b>(78,863)</b>
<b>Other expenses (income)</b>				
Loss on disposal of investments	84,817	-	84,817	-
Investment income	(5,162)	(5,469)	(12,907)	(11,431)
Mineral property exploration expenses (Note 5)	-	3,174	-	17,541
	79,655	(2,295)	71,910	6,110
<b>Loss before taxes</b>	<b>(123,721)</b>	<b>(21,015)</b>	<b>(173,751)</b>	<b>(84,973)</b>
<b>Deferred taxes (recovered)</b>	<b>(32,000)</b>	<b>(5,000)</b>	<b>(46,000)</b>	<b>(18,000)</b>
<b>Net loss</b>	<b>\$ (91,721)</b>	<b>\$ (16,015)</b>	<b>\$ (127,751)</b>	<b>\$ (66,973)</b>
<b>Basic and diluted earnings</b>				
<b>(loss) per share (Note 8)</b>	<b>\$ (0.05)</b>	<b>\$ (0.01)</b>	<b>\$ (0.07)</b>	<b>\$ (0.04)</b>
<b>Weighted average number of</b>				
<b>shares outstanding</b>	<b>1,775,035</b>	<b>1,775,035</b>	<b>1,775,035</b>	<b>1,775,035</b>

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

# METALORE RESOURCES LIMITED

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME AND LOSS (UNAUDITED)

	Three Months Ended September 30		Six Months Ended September 30	
	2019	2018	2019	2018
<b>Net loss</b>	\$ (91,721)	\$ (16,015)	\$ (127,751)	\$ (66,973)
<b>Changes in comprehensive income (loss)</b>				
Changes in fair value of financial assets at fair value through other comprehensive income	(24,230)	(41,580)	(22,250)	(39,930)
<b>Comprehensive loss</b>	\$ (115,951)	\$ (57,595)	\$ (150,001)	\$ (106,903)

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Six Months Ended September 30	
	2019	2018
<b>Share capital</b>		
Balance, beginning of period	\$ 2,468,832	\$ 2,468,832
Issued	-	-
Balance, end of period	\$ 2,468,832	\$ 2,468,832
<b>Contributed surplus</b>		
Balance, beginning of period	\$ 153,123	\$ 153,123
Stock based compensation	-	-
Balance, end of period	\$ 153,123	\$ 153,123
<b>Accumulated other comprehensive income (loss)</b>		
Balance, beginning of period	\$ (232,993)	\$ (102,973)
Reclassification for realized losses	78,977	-
Changes in fair value of financial assets at fair value through other comprehensive income	(22,250)	(39,930)
Balance, end of period	\$ (176,266)	\$ (142,903)
<b>Retained earnings</b>		
Balance, beginning of period	\$ 5,008,235	\$ 4,612,619
Net loss	(127,751)	(66,973)
Balance, end of period	\$ 4,880,484	\$ 4,545,646
<b>Total shareholders' equity</b>	\$ 7,326,173	\$ 7,024,698

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

# METALORE RESOURCES LIMITED

## CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

	Three Months Ended September 30		Six Months Ended September 30	
	2019	2018	2019	2018
<b>Operating activities</b>				
Net loss	\$ (91,721)	\$ (16,015)	\$ (127,751)	\$ (66,973)
Items not affecting cash:				
Depletion and depreciation	62,000	78,000	112,000	135,000
Accretion	935	954	1,851	1,948
Deferred taxes	(32,000)	(5,000)	(46,000)	(18,000)
Loss on disposal of marketable securities	84,817	-	84,817	-
	<b>24,031</b>	<b>57,939</b>	<b>24,917</b>	<b>51,975</b>
Changes in non-cash working capital:				
Accounts receivable	(34,224)	(59,637)	(8,100)	(30,936)
Inventory	-	5,500	1,678	8,400
Prepaid expenses	(10,110)	5,806	-	14,306
Accounts payable and accrued liabilities	19,763	(22,883)	28,721	23,857
	<b>(24,571)</b>	<b>(71,214)</b>	<b>22,299</b>	<b>15,627</b>
Cash flow from (used by) operating activities	<b>(540)</b>	<b>(13,275)</b>	<b>47,216</b>	<b>67,602</b>
<b>Investing activities</b>				
Net proceeds from sale of marketable securities	61,440	-	61,440	-
Additions to property and equipment	(25,335)	(15,073)	(42,804)	(58,867)
Cash flow from (used by) investing activities	<b>36,105</b>	<b>(15,073)</b>	<b>18,636</b>	<b>(58,867)</b>
<b>Increase (decrease) in cash</b>	<b>35,565</b>	<b>(28,348)</b>	<b>65,852</b>	<b>8,735</b>
<b>Cash - beginning of period</b>	<b>349,108</b>	<b>185,975</b>	<b>318,821</b>	<b>148,892</b>
<b>Cash - end of period</b>	<b>\$ 384,673</b>	<b>\$ 157,627</b>	<b>\$ 384,673</b>	<b>\$ 157,627</b>

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

# METALORE RESOURCES LIMITED

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2019

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### 1. Reporting entity

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

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

### 2. Basis of presentation

#### (a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting and accordingly do not include all of the information required in the preparation of annual financial statements. The condensed interim financial statements should be read in conjunction with the audited financial statements and related notes for the year ended March 31, 2019.

These condensed interim financial statements were authorized for issue by the Board of Directors on November 14, 2019.

#### (b) Basis of measurement

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

#### (c) Functional and presentation currency

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

#### (d) Use of estimates and judgments

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities as at the date of the condensed interim financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the condensed interim financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. The significant estimates and judgments made by management in the preparation of these condensed interim financial statements were consistent with those applied to the financial statements as at and for the year ended March 31, 2019.

### 3. Summary of significant accounting policies

The condensed interim financial statements have been prepared following the same accounting policies as the audited financial statements for the year ended March 31, 2019. The accounting policies have been applied consistently by the Company to all periods presented in these condensed interim financial statements.

# METALORE RESOURCES LIMITED

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2019

### 4. Property and equipment

	Natural gas properties	Land	Total
<b>Cost</b>			
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
Additions	42,804	-	42,804
<b>Balance, September 30, 2019</b>	<b>\$ 16,836,468</b>	<b>\$ 130,000</b>	<b>\$ 16,966,468</b>
<b>Accumulated Depletion, Depreciation and Impairment</b>			
Balance, March 31, 2018	\$ 9,535,972	\$ -	\$ 9,535,972
Depletion and depreciation	250,000	-	250,000
Impairment reversal	(572,705)	-	(572,705)
Balance, March 31, 2019	9,213,267	-	9,213,267
Depletion and depreciation	112,000	-	112,000
<b>Balance, September 30, 2019</b>	<b>\$ 9,325,267</b>	<b>\$ -</b>	<b>\$ 9,325,267</b>
<b>Net Book Value</b>			
March 31, 2019	\$ 7,580,397	\$ 130,000	\$ 7,710,397
<b>September 30, 2019</b>	<b>7,511,201</b>	<b>130,000</b>	<b>7,641,201</b>

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

#### Depletion and depreciation

The calculation of depletion and depreciation expense for the three months ended September 30, 2019 included an estimated \$1,065,000 (September 30, 2018 – \$1,050,000) for future development costs associated with proved plus probable undeveloped reserves.

### 5. 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.

#### Cedartree Lake

The Company owns a 100% interest in 306 mining claims in the Sioux Narrows (Cedartree Lake) area of Northwestern Ontario.

# METALORE RESOURCES LIMITED

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2019

### 6. Decommissioning obligations

The Company's decommissioning obligations result from its ownership interest in petroleum and natural gas assets including well sites and gathering systems. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to abandon and reclaim the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of the estimated cash flows (adjusted for inflation at 2.00% per year) required to settle the decommissioning obligations at September 30, 2019 is approximately \$1,685,292 (March 31, 2019 – \$1,701,975) which is estimated to be incurred over the next 46 years (March 31, 2019 - 46 years). At September 30, 2019, a risk-free rate of 2.75% (March 31, 2019 – 2.75%) was used to calculate the net present value of the decommissioning obligations.

	Six Months Ended September 30 2019	Year Ended March 31 2019
Balance, beginning of period	\$ 526,745	\$ 522,854
Accretion	1,851	3,891
Balance, end of period	\$ 528,596	\$ 526,745

### 7. Share capital

The Company is authorized to issue 4,000,000 common shares without par or nominal value. At September 30, 2019, 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 three and six months ended September 30, 2019 or the years ended March 31, 2019 or March 31, 2018.

### 8. Earnings (loss) per share

For the three and six months ended September 30, 2019, 48,000 stock options outstanding were anti-dilutive and were not included in the diluted earnings (loss) per share calculation.

### 9. Credit facility

The Company has available a revolving credit facility with a Canadian chartered bank in the amount of \$500,000 bearing interest at RBC prime plus 0.5%. There was no balance outstanding on this facility at September 30, 2019 or March 31, 2019.

# METALORE RESOURCES LIMITED

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2019

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### 10. Fair value of financial instruments

#### **Cash and cash equivalents, marketable securities, accounts receivable, accounts payable and accrued liabilities**

The fair value of accounts receivable, marketable securities, and accounts payable and accrued liabilities at September 30, 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 September 30, 2019 are measured using level 1. During the three and six months ended September 30, 2019, there were no transfers between level 1, level 2, and level 3 classified assets and liabilities.

### 11. Comparative figures

Certain of the comparative figures have been reclassified to conform to the current interim period's presentation, and have been adjusted to reflect the effect of the change in accounting policy adopted on January 1, 2019 that has been applied retrospectively. For details of the effect of the change in accounting policy, refer to the audited financial statements and related notes for the year ended March 31, 2019.