

METALORE RESOURCES LIMITED
FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

METALORE RESOURCES LIMITED
INDEX TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

	Page
INDEPENDENT AUDITOR'S REPORT	3 - 5
FINANCIAL STATEMENTS	
Statements of Financial Position	6
Statements of Income and Loss	7
Statements of Comprehensive Income and Loss	8
Statements of Changes in Equity	9
Statements of Cash Flows	10
Notes to Financial Statements	11 - 24

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, 2023 and 2022 and the statements of income and loss, statements of comprehensive income and loss, statements of changes in equity and statements of cash flows for the year 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, 2023 and 2022 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit 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 audit 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be a key audit matter to be communicated in our report.

Impairment assessment of property and equipment

As described in Notes 3 and 5 of the financial statements, the Company's property and equipment are tested for impairment if there is an indicator of impairment. Impairment assessments are conducted at the cash-generating unit (CGU) level, which is the smallest group of assets that generate cash flows independent of other assets or groups of assets. Management estimated the recoverable amounts of the CGU's as the fair value less costs of disposal, using discounted estimates of future cash flows. Management's estimates included assumptions for reserves, natural gas prices and discount rates.

To test the Company's impairment assessment of property and equipment, our audit procedures included, among others:

- Assessing the competence of the management team that prepared the impairment assessment.
- Evaluated the significant assumptions used by management.
- Reviewed the information compiled by management's expert.
- Assessed the qualifications of management's expert.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion & Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

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 audit 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 audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 IFRS's, 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Kyle Hendin.

Scarrow & Donald LLP

Chartered Professional Accountants
July 20, 2023
Winnipeg, Canada

METALORE RESOURCES LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2023 AND MARCH 31, 2022

	2023	2022
ASSETS		
Current assets		
Cash	\$ 481,821	\$ 1,425,973
Term deposits (Note 4)	4,505,513	3,005,417
Marketable securities	140,539	232,025
Accounts receivable	44,921	105,043
Inventory	34,552	27,510
Prepaid expenses	42,514	41,862
Total current assets	5,249,860	4,837,830
Non-current assets		
Property and equipment (Note 5)	4,138,983	6,700,115
Total assets	\$ 9,388,843	\$ 11,537,945
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 71,852	\$ 68,086
Income taxes payable	68,924	10,000
	140,776	78,086
Non-current liabilities		
Decommissioning obligations (Note 7)	2,007,288	1,582,464
Deferred tax liabilities (Note 13)	52,906	863,341
Total non-current liabilities	2,060,194	2,445,805
Total liabilities	2,200,970	2,523,891
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	2,468,832	2,468,832
Contributed surplus	153,123	153,123
Accumulated other comprehensive loss	(116,462)	(24,976)
Retained earnings	4,682,380	6,417,075
Total shareholders' equity	7,187,873	9,014,054
Total liabilities and shareholders' equity	\$ 9,388,843	\$ 11,537,945

Commitments (Note 12)

Approved on behalf of the Board:



Donald W. Bryson
Director and CFO



Armen A. Chilian
President and CEO

METALORE RESOURCES LIMITED
STATEMENTS OF INCOME AND LOSS
FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

	2023	2022
Revenue		
Natural gas sales	\$ 1,069,643	\$ 812,789
Royalty income	1,906	2,701
Less: Royalties paid	(69,325)	(53,226)
Net revenue from natural gas sales	1,002,224	762,264
Expenses		
Production	414,009	364,654
Depletion and depreciation (Note 5)	320,000	117,000
General and administrative	148,166	116,880
Accretion (Note 7)	74,407	30,909
Transmission tariffs	3,240	7,165
	959,822	636,608
Income from operations	42,402	125,656
Other income (expenses)		
Impairment reversal (loss) of property and equipment (Note 5)	(2,812,699)	2,277,707
Investment income	119,372	28,282
Mineral property exploration expenses (Note 6)	(3,723)	(53,297)
Sale of mineral claims (Note 14)	167,500	-
	(2,529,550)	2,252,692
(Loss) income before income taxes	(2,487,148)	2,378,348
Income taxes (recovered)		
Current	78,514	10,000
Deferred (Note 13)	(810,435)	618,914
	(731,921)	628,914
Net (loss) income	\$ (1,755,227)	\$ 1,749,434
(Loss) earnings per share (Note 9)	\$ (0.99)	\$ 0.99
Weighted average number of shares outstanding (Note 9)	1,775,035	1,775,035

METALORE RESOURCES LIMITED**STATEMENTS OF COMPREHENSIVE INCOME AND LOSS****FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022**

	2023	2022
Net (loss) income	\$ (1,755,227)	\$ 1,749,434
Changes in comprehensive (loss) income		
Reclassification for realized losses to profit and loss	-	89,100
Realized loss on disposal of marketable securities	20,532	(37,587)
Changes in fair value of financial assets at fair value through other comprehensive income	(91,486)	(46,075)
Total other comprehensive (loss) income	(70,954)	5,438
Comprehensive (loss) income	\$ (1,826,181)	\$ 1,754,872

METALORE RESOURCES LIMITED**STATEMENTS OF CHANGES IN EQUITY****FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022**

	2023	2022
Share capital		
Balance, beginning of year	\$ 2,468,832	\$ 2,468,832
Issued (Note 8)	-	-
Balance, end of year	\$ 2,468,832	\$ 2,468,832
Contributed surplus		
Balance, beginning of year	\$ 153,123	\$ 153,123
Share based compensation	-	-
Balance, end of year	\$ 153,123	\$ 153,123
Accumulated other comprehensive loss		
Balance, beginning of year	\$ (24,976)	\$ (68,001)
Total other comprehensive (loss) income	(70,954)	5,438
Equity reserve transfer to retained earnings	(20,532)	37,587
Balance, end of year	\$ (116,462)	\$ (24,976)
Retained earnings		
Balance, beginning of year	\$ 6,417,075	\$ 4,705,228
Net (loss) income	(1,755,227)	1,749,434
Equity reserve transfer from accumulated other comprehensive income	20,532	(37,587)
Balance, end of year	\$ 4,682,380	\$ 6,417,075
Total shareholders' equity	\$ 7,187,873	\$ 9,014,054

METALORE RESOURCES LIMITED**STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022**

	2023	2022
Operating activities		
Net (loss) income	\$ (1,755,227)	\$ 1,749,434
Items not affecting cash:		
Depletion and depreciation (Note 5)	320,000	117,000
Accretion (Note 7)	74,407	30,909
Deferred taxes (Note 13)	(810,435)	618,914
Impairment of property and equipment (Note 5)	2,812,699	(2,277,707)
Sale of mineral claims (Note 14)	(167,500)	-
	473,944	238,550
Changes in non-cash working capital:		
Accounts receivable	60,122	(42,589)
Inventory	(7,042)	(6,217)
Prepaid expenses	(652)	(2,684)
Accounts payable and accrued liabilities	3,766	(36,717)
Income taxes payable	58,924	10,000
	115,118	(78,207)
Cash flow from operating activities	589,062	160,343
Investing activities		
Proceeds on disposal of marketable securities	20,532	853,413
Additions to property and equipment (Note 5)	(53,650)	(146,613)
Term deposits (Note 4)	(1,500,096)	(2,084)
Cash flow from (used by) investing activities	(1,533,214)	704,716
Increase (decrease) in cash and cash equivalents	(944,152)	865,059
Cash and cash equivalents - beginning of year	1,425,973	560,914
Cash and cash equivalents - end of year	\$ 481,821	\$ 1,425,973

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

METALORE RESOURCES LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

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 422-124 Norfolk Street North, Simcoe, Ontario, N3Y 3N8, 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"). 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 20, 2023.

(b) Basis of measurement

The financial statements have been prepared using the historical cost basis of accounting, with the exception of share based payments and financial instruments classified as fair value through other comprehensive income which are measured at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the year. These judgments, estimates, and assumptions are based on current trends and all relevant information available to the Company at the time of preparation of the financial statements. As the effect of future events cannot be determined with certainty, the actual results may differ from the estimated amounts.

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

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

Critical accounting judgments

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

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METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

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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METALORE RESOURCES LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

2. BASIS OF PRESENTATION *(continued)*

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 term deposits 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 using weighted average cost.

(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.

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.

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METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

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

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.

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METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

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.

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METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

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 income 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 income 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 income 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.

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METALORE RESOURCES LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

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) 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.

(k) Financial instruments

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

Financial assets

Debt instruments

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

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

Equity instruments

Investments in equity instruments are subsequently measured at fair value with changes recorded in net income. 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. 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.

(continues)

METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

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

Financial liabilities

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

The Company has classified its financial instruments as follows:

<u>Category</u>	<u>Financial instrument</u>
Financial assets at amortized cost	Cash Term deposits Accounts receivable
Financial assets at fair value through other comprehensive income	Marketable securities
Financial liabilities at amortized cost	Accounts payable and accrued liabilities

(I) 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.

4. TERM DEPOSITS

At March 31, 2023, guaranteed investment certificates valued at \$4,505,513 (March 31, 2022 – \$3,005,417) including accrued interest are held with a Canadian chartered bank and bear interest at 4.90% (March 31, 2022 – 0.65%) with maturity dates of less than one year.

METALORE RESOURCES LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

5. PROPERTY AND EQUIPMENT

	Natural gas properties	Land	Total
Cost			
Balance, March 31, 2021	\$ 17,993,956	\$ 130,000	\$ 18,123,956
Additions	146,613	-	146,613
Changes to decommissioning obligation estimates	7,930	-	7,930
Balance, March 31, 2022	18,148,499	130,000	18,278,499
Additions	221,150	-	221,150
Changes to decommissioning obligation estimates	350,417	-	350,417
Balance, March 31, 2023	\$ 18,720,066	\$ 130,000	\$ 18,850,066
Accumulated Depletion, Depreciation and Impairment			
Balance, March 31, 2021	\$ 13,739,091	\$ -	\$ 13,739,091
Depletion and depreciation	117,000	-	117,000
Impairment reversal	(2,277,707)	-	(2,277,707)
Balance, March 31, 2022	11,578,384	-	11,578,384
Depletion and depreciation	320,000	-	320,000
Impairment	2,812,699	-	2,812,699
Balance, March 31, 2023	\$ 14,711,083	\$ -	\$ 14,711,083
Net Book Value			
March 31, 2022	\$ 6,570,115	\$ 130,000	\$ 6,700,115
March 31, 2023	\$ 4,008,983	\$ 130,000	\$ 4,138,983

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. Additions during the year ended March 31, 2023 include a non-cash transaction of \$167,500 to acquire an interest in four natural gas properties in Houghton Township, Ontario (see note 14).

Depletion and depreciation

The calculation of depletion and depreciation expense for the year ended March 31, 2023 included an estimated \$806,000 (March 31, 2022 – \$717,000) for future development costs associated with proved plus probable undeveloped reserves.

Impairments

At March 31, 2023 and March 31, 2022 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, 2023 and March 31, 2022. 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, 2022 – 7.5%). At March 31, 2023 an impairment loss was recorded of \$2,812,699 (March 31, 2022 – impairment reversal of \$2,277,707). Had a discount rate of 10% been used to measure the recoverable amount at March 31, 2023, the Company's natural gas properties would have been \$773,467 lower than the amount determined using a discount rate of 7.5%.

METALORE RESOURCES LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

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 LP, a 60/40 joint venture partnership between Equinox Gold Corp. and Orion Mine Finance Group. During the year ended March 31, 2023, the Company incurred exploration expenditures related to the Brookbank gold property of \$3,723 (March 31, 2022 – \$48,364). At March 31, 2023, the cumulative exploration expenditures related to the Brookbank gold property were \$1,717,300.

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 4.4% at March 31, 2023 and 6.8% at March 31, 2022) required to settle the decommissioning obligations at March 31, 2023 is approximately \$4,033,471 (March 31, 2022 – \$10,512,386) which is estimated to be incurred over the next 43 years (March 31, 2022 – 44 years). At March 31, 2023, a risk-free rate of 1.75% (March 31, 2022 – 4.7%) was used to calculate the net present value of the decommissioning obligations.

	2023	2022
Balance, beginning of year	\$ 1,582,464	\$ 1,543,625
Accretion	74,407	30,909
Revisions of estimates	350,417	7,930
Balance, end of year	\$ 2,007,288	\$ 1,582,464

8. SHARE CAPITAL

The Company is authorized to issue 4,000,000 common shares without par or nominal value. At March 31, 2023 and March 31, 2022 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, 2022 or March 31, 2023.

9. (LOSS) EARNINGS PER SHARE

	2023	2022
Net (loss) income	\$ (1,755,227)	\$ 1,749,434
Weighted average number of shares outstanding - basic and diluted	1,775,035	1,775,035
(Loss) earnings per share - basic and diluted	\$ (0.99)	\$ 0.99

METALORE RESOURCES LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

10. CREDIT FACILITY

The Company has available a revolving credit facility with a Canadian chartered bank in the amount of \$500,000 bearing interest at RBC prime plus 0.5% that is secured by land and a general security agreement. There was no balance outstanding on this facility at the end of March 31, 2023 or March 31, 2022.

11. CAPITAL MANAGEMENT

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

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

The Company does not have any externally imposed capital requirements. The Company's main objective is to ensure sufficiency of working capital to fund operations and investment activities. Working capital is defined as current assets less current liabilities.

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, 2022 – \$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, 2022 – \$70,000) that is required under the Regulations prescribed by the Ministry of Natural Resources for the future abandonment of gas wells.

METALORE RESOURCES LIMITED**NOTES TO FINANCIAL STATEMENTS****FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022****13. 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, 2022 – 26.50%). The differences were accounted for as follows:

	2023	2022
(Loss) income before income taxes	\$ (2,487,148)	\$ 2,378,348
Expected income tax expense at statutory income tax rate	\$ (659,094)	\$ 630,262
Increase (decrease) in income taxes resulting from:		
Non-capital loss carried forward	-	(1,936)
Other	(72,827)	588
Income tax expense	\$ (731,921)	\$ 628,914

The following table summarizes the components of deferred tax:

	2023	2022
Deferred tax assets		
Resource-related tax pool balances	\$ 310,105	\$ 286,795
Decommissioning obligations	531,931	419,353
Other	22,321	10,199
Deferred tax liabilities		
Property and equipment	(917,263)	(1,579,688)
Net deferred tax liabilities	\$ (52,906)	\$ (863,341)

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:

Capital losses carried forward	\$ 549,932	\$ 570,464
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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.

METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

14. RELATED PARTY TRANSACTIONS

The Company paid \$58,416 to a private company controlled by the Chief Executive Officer for services rendered (March 31, 2022 – \$58,416). The Company paid \$36,250 to a private company related to the Chief Financial Officer for services rendered (March 31, 2022 – \$25,000). The compensation paid to other directors of the Company was \$2,197 (March 31, 2022 – \$1,905).

During the year ended March 31, 2023, the Company acquired an interest in four natural gas properties in Houghton Township, Ontario from Southern Ontario Natural Gas Limited (SONG), an entity controlled by the family of the Chief Executive Officer in exchange for a mineral property located in Greenstone, Ontario. The non-cash transaction was valued at \$167,500, being the fair market value of the mineral claims sold, and resulted in an income inclusion of \$167,500. SONG has agreed to pay the Company \$167,500 for the mineral property should an agreement not be signed by December 31, 2023 to produce one or more of the wells at the Houghton Township, Ontario natural gas properties.

15. FINANCIAL RISK MANAGEMENT

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

Market risk

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

Foreign exchange risk

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

Interest rate risk

The Company is exposed to interest rate risk primarily through its floating interest rate credit facility (note 10). As at March 31, 2023 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.

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METALORE RESOURCES LIMITED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

15. FINANCIAL RISK MANAGEMENT (continued)

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, 2023 was \$44,921 (March 31, 2022 – \$105,043).

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. At March 31, 2023, the Company's working capital was \$5,109,084 (March 31, 2022 – \$4,759,744).

Other price risk

The Company's marketable securities, comprising of investments in Canadian publicly-traded equities, are exposed to other price risk as they are affected by changes in market prices.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of cash, term deposits, marketable securities, accounts receivable, and accounts payable and accrued liabilities at March 31, 2023 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, term deposits, and marketable securities as shown in the statement of financial position as at March 31, 2023 are measured using level 1. During the year ended March 31, 2023, there were no transfers between level 1, level 2, and level 3 classified assets and liabilities.