METALORE

RESOURCES LIMITED

Annual Report 2006

Our 63rd Year

FRONT COVER PHOTO is Metalore's newest gas well, #91, completed in December/05, tied-in for natural production in February/06, and fractured with our "state of the art" technology for maximum production in April/06. The well is located on a regulated 100 acre spacing pattern and required the acquisition and joining (pooling) of four separate parcels of land prior to drilling. The area is ecologically and environmentally sensitive (note proximity to luxury home in background).

This new well was initially licensed as a deep test (4,000 foot Cambrian wildcat) but when we encountered a 24 foot net pay zone in the Silurian, we elected to place it into production as soon as possible. Significantly, this is the third well (along with #53, drilled in 1979, and #46, drilled in 1975, located approximately one and two miles east respectively) that flanks a major, regional fault structure (interpreted by geophysics and geology). Management feels that the slightly uplifted subsurface elevations and the sustained, high deliverability of the existing three wells may be an important indicator of the potential for deep seated hydrocarbons associated with the same geological structure. Metalore's several thousand acres of leaseholdings along this trend will require deep test(s) offsetting the existing shallower wells.

PICTURED ABOVE is nomenclature of a modern compliance wellsite in Ontario (#91).

1. 9 5/8 inch intermediate casing
2. 7 inch production casing
3. 7 x 2 inch wellhead swadge
4. Stuffing Box
5. 3/4 inch brine water syphon
6. 2 inch wellhead piping
7. pressure guage
8. didgital readout compensating meter
9. meter bypass
10. pipeline control valve
11. 3 1/2 inch pipeline
12. high pressure automatic brine separator
13. brine storage tank and burm
14. ➔ gas flow direction

METALORE RESOURCES LIMITED

Officers and Directors	GEORGE W. CHILIAN, *President, CEO and Managing Director ..... Vittoria, Ontario* JOSEPH MAKSYMCHUK, *Secretary, Treasurer and Director ..... Brantford, Ontario* PATRICIA SHELANDER, *Director ..... St. Paul, Minnesota* JOHN C. McVICAR, *Director ..... Brantford, Ontario* DAVID J. SLATER, *Director ..... Lasalle, Ontario* MICHAEL A. DEHN, *Director ..... Oakville, Ontario*
Executive Office and Natural Gas Division	*Rural Route #1 ..... Vittoria, Ontario*
Production Manager and Hydrocarbon Geologist	*JONATHAN CHILIAN, B.Sc. ..... Vittoria, Ontario*
Assistant Production Manager	*CARL CHILIAN ..... Simcoe, Ontario*
Bankers	*ROYAL BANK OF CANADA ..... Simcoe, Ontario*
Accountant	*HOWARD WALTON, CMA ..... Simcoe, Ontario*
Auditors	*PKF HILL CHARTERED ACCOUNTANTS ..... Toronto, Ontario*
Registrar and Transfer Agent	*COMPUTERSHARE TRUST ..... Toronto, Ontario*
Share Listing and Symbol	*TORONTO STOCK EXCHANGE (TSX), "MET" ..... Toronto, Ontario* *(Over the Counter, "MTLRF")..... United States*
Share Price Range	*2005 - 2006 High $9.25 (CD) ..... Low $5.75 (CD)*
Annual Meeting	*WESTIN HARBOUR CASTLE HOTEL ..... Toronto, Ontario* *September 29, 2006, 4:30 p.m., Pier 5 Room*
Website and Email	*www.metaloreresources.com* *info@metaloreresources.com*

METALORE RESOURCES LIMITED

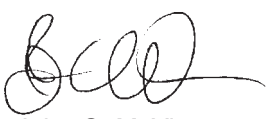
BALANCE SHEET AS AT MARCH 31

	2006	2005 (note 1)
ASSETS		
Current assets		
Cash and cash equivalents	$ 251,200	$ 82,786
Marketable securities (note 2(c))	403,495	381,188
Accounts receivable	177,780	219,779
Inventory (note 2(d))	42,300	36,100
	874,775	719,853
Long-term investment (notes 2(e) and 3)	1,440,000	1,440,000
Mining properties (note 2(f))	2,685,340	2,586,186
Natural gas properties (notes 1, 2(g) and 4)	9,152,431	8,428,508
Land	78,000	78,000
	$ 14,230,546	$ 13,252,547
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued royalties (note 5(a))	$ 310,022	$ 271,983
Corporate minimum taxes payable	50,000	-
Due to shareholder (note 5(b))	13,684	7,124
	373,706	279,107
Future income taxes (notes 1, 2(h))	2,624,000	2,315,000
	2,997,706	2,594,107
Shareholders' equity		
Share capital (note 6)	2,332,982	2,332,982
Stock options (notes 2(i) and 7)	36,484	15,850
Contributed surplus	16,000	16,000
Retained earnings (note 1)	8,847,374	8,293,608
	11,232,840	10,658,440
	$ 14,230,546	$ 13,252,547

See accompanying notes

Approved on behalf of the Board:

Joseph Maksymchuk, CMA,
Director



John C. McVicar,
Director

STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED MARCH 31

	2006	2005 (note 1)
Revenue		
Natural gas production (notes 2(j) and 5(a))	$ 1,911,406	$ 1,737,672
Royalties	7,592	4,641
Gain on sale of marketable securities	71,514	24,736
Interest and dividend income	45,127	32,854
	2,035,639	1,799,903
Expenses		
Natural gas production	373,027	351,857
Royalties	194,840	167,677
Depletion (note 1)	233,088	228,366
Administration	160,814	140,843
Stock based compensation (note 7)	20,634	-
Write down of marketable securities (unrealized)	-	21,870
	982,403	910,613
Income before income taxes	1,053,236	889,290
Provision for income taxes		
Current - corporate minimum taxes	50,000	-
Future (notes 1, 2(h) and 8)	309,000	257,000
	359,000	257,000
Net income	694,236	632,290
Retained earnings, beginning of year as previously stated	8,459,186	7,877,044
Change in accounting policy (note 1)	(165,578)	(82,212)
Retained earnings, beginning of year as restated	8,293,608	7,794,832
Dividends paid	(140,470)	(133,514)
Retained earnings, end of year	$ 8,847,374	$ 8,293,608
Basic and fully diluted earnings per share (note 2(k))	$ 0.40	$ 0.36

See accompanying notes

AUDITOR'S REPORT

We have audited the balance sheets of **Metalore Resources Limited** as at March 31, 2006 and 2005 and the statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PKF Hill LLP
PKF HILL CHARTERED ACCOUNTANTS
Toronto, Ontario
June 15, 2006

METALORE RESOURCES LIMITED

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31

	2006	2005 (note 1)
Operating activities		
Net income	$ 694,236	$ 632,290
Add (deduct) items not involving cash		
Gain on sale of marketable securities	(71,514)	(24,736)
Depletion	233,088	228,366
Stock based compensation	20,634	-
Write down of marketable securities (unrealized)	-	21,870
Future income taxes	309,000	257,000
Cash flows from operations before changes in non-cash working capital	1,185,444	1,114,790
Changes in non-cash working capital items		
Accounts receivable	41,999	26,621
Inventory	(6,200)	44,530
Accounts payable and accrued royalties	38,039	(109,563)
Corporate minimum taxes payable	50,000	-
Net change in non-cash working capital items	123,838	(38,412)
Cash flows from operating activities	1,309,282	1,076,378
Financing activities		
Due to shareholder	6,560	(6,186)
Dividends paid	(140,470)	(133,514)
Cash flows from financing activities	(133,910)	(139,700)
Investing activities		
Marketable securities - proceeds on disposal	394,232	273,553
Marketable securities - purchases	(345,025)	(213,185)
Mining exploration costs - additions (note 2(f))	(99,154)	(306,419)
Natural gas development and exploration costs (note 2(g))	(957,011)	(617,370)
Cash flows from investing activities	(1,006,958)	(863,421)
Net increase in cash and cash equivalents during the year	168,414	73,257
Cash and cash equivalents, beginning of year	82,786	9,529
Cash and cash equivalents, end of year	$ 251,200	$ 82,786

Cash and cash equivalents are comprised of:

Cash	$ 26,337	$ 82,786
Government investment certificates and bankers acceptances	224,863	-
	$ 251,200	$ 82,786

See accompanying notes

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2006 and 2005

1. CHANGE IN ACCOUNTING POLICY

During the year, the company revised its depletion calculation to reflect the natural gas reserves calculated under National Instrument 51-101 Standards for Disclosure for Oil and Gas Activities. The adjustments, which were applied retroactively to 2004, the first year the standard was applicable to the company, increased depletion in the current year by $121,088 (2005 - $126,366; 2004 - $124,212) and decreased the future income tax provision and basic and fully diluted earnings per share by $41,000 (2005 - $43,000; 2004 -$42,000) and $0.05 (2005 - $0.05; 2004 - $0.04), respectively. The net reduction to retained earnings is $80,088 (2005 - $83,366; 2004 - $82,212). The accumulated net reduction to natural gas properties and future income taxes are $371,666 and $126,000 which results in an accumulated net reduction in retained earnings of $245,666.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, the more significant of which are outlined below.

(a) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(b) Cash and cash equivalents

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

(c) Marketable securities

Marketable securities are carried at the lower of cost and market value. At March 31, 2006, the market value of the securities was $422,777 (2005 - $424,821).

(d) Inventory

Inventory, consisting of pipe and fittings of $41,410 (2005 - $21,410) and natural gas in storage of $890 (2005 - $14,690), is stated at the lower of cost and net realizable value, with the cost of pipe and fittings determined on a first-in, first-out basis and cost of gas in storage determined on an average cost basis.

(e) Long-term investments

Long-term investments are accounted for using the cost method. The carrying value is written down only in the event of a decline in value which is considered other than temporary.

(f) Mining properties

The company owns a 1% net smelter return on 18 claims in the Brookbank and Beardmore area of Ontario and a 26% participating interest in approximately 600 contiguous mining claims in Sandra, Irwin, Walters, Leduc and LeGault townships in Northwestern Ontario which are subject to a working option agreement with Ontex Resources Limited (Ontex) (note 3). The company also owns a 100% interest in 134 mining claims in the Sioux Narrows (Cedartree Lake) area of Northwestern Ontario. Acquisition and exploration costs are capitalized. During the year, general and administrative costs of $6,987 (2005
- $15,288) and production costs of $54,834 (2005 - $45,679) were capitalized. Disposals of mining property and equipment is offset against the acquisition costs. If exploration activities are followed by production, capitalized costs will be amortized on the unit of production method based on the estimated reserves in the area. If exploration activities are unsuccessful and the area is abandoned, all capitalized costs relating to the area are written-off. Mining properties are assessed annually, or as economic events dictate, for potential write-down.

(g) Natural gas properties

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, and follows the full cost method of accounting for natural gas properties whereby all acquisition and development costs relating to the properties are capitalized. These costs are depleted by the unit of production method based on estimated proven drilled gas reserves. The ratio of production to proved reserves determines the proportion of depletable costs to be expensed. The natural gas reserves of the company have been determined from time to time.

Total capitalized costs less accumulated depletion and future income taxes is limited to an amount equal to the estimated future net revenue from proven reserves at year end constant average prices and costs, less estimated future production related general and administrative expenses, financing costs and income taxes. At March 31, 2006 and 2005, no write-down was required.

(h) Future income taxes

Income taxes are calculated using the liability method of tax allocation accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheets are used to calculate future income tax liabilities or assets. Future income tax liabilities (or assets) are calculated using the taxrates and lawsthat are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in tax rates is recognized in earnings in the period in which the change occurs.

(i) Stock-based compensation

The company has a stock-based compensation plan, as described in note 7. The company applies the fair value method using the Black-Scholes option pricing model to account for stock options awarded to employees. Accordingly, compensation cost is recognized for stock options granted.

(j) Revenue recognition

Sales of natural gas are recognized when title passes to the customer, normally at the transporter (Union Gas Limited) pipeline delivery point, and collectability is reasonably assured.

(k) Earnings per share

Earnings per share has been calculated using the weighted average common shares outstanding. Fully diluted earnings per share reflects the maximum possible dilution from the potential exercise of stock options and is anti-dilutive for fiscal 2006 and fiscal 2005.

3. LONG-TERM INVESTMENT

In 1999, the company purchased 3,600,000 shares of Ontex at $0.35 per share, for total consideration of $1,260,000. In fiscal 2002, the company purchased an additional 600,000 shares at $0.30 per share on a flow-through basis for $180,000. At year end, the market value of the Ontex shares is $924,000 (2005 $840,000). Management's evaluations of the inherent value of Ontex's assets and the economic prospects of the resource industry are such that a decline in market value is considered temporary. Accordingly, a write down of the carrying value is not deemed appropriate.

4. NATURAL GAS PROPERTIES

Natural gas properties consist of the following:

	2006			2005		
	Cost	Accumulated Depletion	Net	Cost	Accumulated Depletion	Net
Gas wells, transmission lines and leases	$ 12,613,537	3,461,106	$ 9,152,431	$ 11,656,526	3,228,018	$ 8,428,508

A portion of general and administrative costs of $54,239 (2005 - $90,694) and production costs of $352,871 (2005 - $308,561) were capitalized to natural gas properties, the Company's core business.

5. RELATED PARTY TRANSACTIONS

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and are as follows:

(a) The company has an agreement with Southern Ontario Natural Gas Limited (SONG), a private company controlled by the company's president, George W. Chilian, to provide technical services for the gas operations for an annual fee of $78,000 plus 10% of the company's annual gas revenue in excess of $1,000,000. The fiscal 2006 expense charged by SONG amounted to $168,880 (2005 - $156,680). The company and SONG also have a joint ownership (52% and 48% respectively) in a natural gas property. 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. As at March 31, 2006, the company owed SONG $140,717 (2005 - $100,056) which is comprised of accounts payable related to technical services and natural gas production of $46,545 (2005 - $11,770) and $94,172 (2005 - $88,286) respectively. This indebtedness is unsecured, non-interest bearing, and due on demand.

(b) The amount due to shareholder bears interest at current bank prime rates, is due on demand and is unsecured. Interest of $Nil (2005 - $1,803) has been capitalized

(Continued next page)

METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2006 and 2005

(Continued from previous page)

primarily to natural gas properties.

6. SHARE CAPITAL

Share capital consists of the following:

Authorized

4,000,000 Number of common shares

	Number	Amount
Issued		
Shares issued at March 31, 2005 and 2006	1,755,035	$ 2,332,982

7. STOCK OPTION PLAN

The company was authorized to grant 25,000 stock options. On July 15, 2002, the company granted 20,000 stock options, with an exercise price of $6, to the directors of the company. Subsequent to the 2006 fiscal year end, these options were exercised.

On February 6, 2006 an additional 5,000 stock options, with an exercise price of $7.50, were granted to a director. These options were assigned a cost of $20,634 based on the following assumptions:

Dividend yield 1.02%
Expected volatility 76.00%
Risk free interest rate ..... 4.04 %
Expected average life ..... 4 years

The exercise price is determined by the Board of Directors at the time of grant, subject to the conditions that the exercise price will not be less than the market price of the common shares at the time of being granted.Each option granted under the plan may be exercised during a period of four years from the grant date.

8. TAXES

The Company's provision for future income taxes is summarized as follows:	2006	2005
Income before taxes	$ 1,053,236	$ 889,290
Provision for taxes		
Expected taxes payable at statutory rates - 34.12% (2005 - 34.12%)	359,364	303,426
Tax effect of the following		
Resource rate deductions	(32,178)	(45,897)
Non-taxable portion of capital transactions	(9,818)	(529)
Corporate minimum taxes	50,000	– –
Other	(8,368)	– –
Provision for income taxes	$359,000	$ 257,000

Only corporate minimum taxes are payable as the Income Tax Act provides for certain deductions of exploration and development expenses and credits in excess of any current income recorded in the accounts.The tax balances, available in perpetuity to reduce future income taxes, are as follows:

	2006	2005
Cumulative Canadian exploration expenses	$2,787,836	$2,768,423
Investment in flow through shares (note 2)	180,000	180,000
Cumulative Canadian development expenses	271,284	548,381
Cumulative Canadian oil and gas property expenses	452,740	392,707
Foreign exploration and development expenses	3,897	3,507
Undepreciated capital costs - property, plant and equipment	643,071	517,116

9. COMMITMENTS

(a) The company is party to natural gas and mining lease commitments. As the amounts ultimately payable pursuant to these agreements are dependent on production or development respectively, it is not practical to disclose the amount of contractual commitments in each of the next five years.

(b) Guarantees

The company has outstanding letters of guarantees of $70,000 (2005 - $70,000).

10. FORWARD CONTRACTS

The company has entered into the following forward contracts for the sale of natural gas.

Contract Period	Minimum Contract Quantity	Price (in US$) Per MMBTU
April 2006 through October 2006	10,000 MMBTU per month	$ 9.07
April 2006 through July 2006	5,000 MMBTU per month	7.17
November 2006 through March 2007	10,000 MMBTU per month	10.00

11. FINANCIAL INSTRUMENTS

(a) Fair value

The company has various financial instruments including marketable securities, accounts receivable,long-term investments, accounts payable and accrued royalties, and due to shareholder. Except for the long-term investment, book values approximate fair value due to their short-term maturity. Details of the fair market value of the long-term investments are disclosed in note 2.

(b) Credit risk

As the company's accounts receivable are due from one customer, there is increased exposure as a result of this concentration.

12. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2006 financial statements.

Management's Discussion & Analysis of Financial Results For the Fiscal Year ended March 31, 2006

Management's Discussion and Analysis (MD&A) in respect of Metalore Resources Limited ("Metalore" or the "Company") should be read in conjunction with the audited financial statements for the twelve months ended March 31, 2006. The Company's financial statements and financial data set out below have been prepared in accordance with Canadian generally accepted accounting principles. Unless specified otherwise, all dollar amounts are in Canadian dollars. Additional information relating to the Company, including the Annual Report for 2006, is available on SEDAR at www.sedar.com.

This discussion contains certain forward-looking statements. All statements, other than statements of historical fact, that address activities, events or development that the Company believes, expects or anticipates will or may occur in the future are forward-looking statements. These statements are based upon certain assumptions and analyses made by management in light of its experiences and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. However, whether actual results and developments will conform to management's expectations is subject to a number of risks and uncertainties. Forward-looking statements are not guarantees as to the Company's future results since there are inherent difficulties in predicting future results. Accordingly, actual results could differ from those expressed or implied.

Corporate Profile

Metalore is a unique company in the junior resource sector. It has the lowest number of shares outstanding of any resource stock listed on the Toronto Stock Exchange (TSX). It has protected the equity of shareholders for the past thirty years by financing all exploration and development expenses with cash flow from operations. It also pays annual dividends to shareholders from operating profits.

Metalore has been active in natural gas development for over forty years and mining exploration for over sixty years. Natural gas operations are centered in Southwestern Ontario on some 40,000 acres of lease holdings in Charlotteville, Walsingham and Houghton Townships. These natural gas operations continue to represent the "core" business of the Company as well as its principal source of revenue.

Since its incorporation in 1943, Metalore has conducted mining exploration on projects across North America, South America and Southern Africa. During the past thirty years, however, mining endeavors have been concentrated in Northwestern Ontario, where the Company discovered, identified and drill-outlined three small gold deposits. These deposits were subsequently sold, with various minor interests being retained by Metalore. Grass roots mining exploration has been carried out for the past four seasons on the Company's large, new gold prospect at Cedartree Lake in the Sioux Narrows area of Northwestern Ontario.

Current Business Strategy

The Company has strengthened its financial condition during the past three years and resumed natural gas well development in 2005. One above average Silurian well was completed in Houghton Township, as reported during the last fiscal year; however, since this well is located in a relatively unexplored area some two miles from our nearest pipeline, we propose to drill at least two more step-out wells in that sector before designing the appropriate pipeline route. One above average Silurian well was also completed in Charlotteville Township. This step-out well was just 4,500 feet from the extremity of our pipeline system and minimal frost conditions last winter enabled us to tie this well in for production early in 2006 (Pictured on Cover Photo, 2006 Annual Report).

The Company has adopted a policy of cementing in the permanent, large diameter (seven inch) production casings of all new wells to accommodate deeper "wildcat" drilling to the Ordovician and Cambrian formations at an appropriate time in the future.

METALORE RESOURCES LIMITED

MD&A (cont'd)

An additional ground survey (vertical loop) was completed in the easterly sector of the Company's mining property at Cedartree Lake during the summer of 2005, at nominal cost. The locations of four airborne anomalies were verified on the ground with this survey in a geological environment that is prospective for base metals and gold. Additional lines were cut and surveyed in May and June of 2006, further extending these targets. A comprehensive drill program to follow up favourable indications observed in four separate areas of this large property (including deep drilling of the original showing where coarse, visible gold was cut in 12 of our first 17 holes in 2002) is planned for this fall.

Overall Performance

Metalore's comparatively nominal natural gas operation yields a stable base income. The Company has consistently located its gas wells on ultra wide spacing patterns to minimize the year to year decline in deliverability and maximize longevity of production. The Company's revenue, cash flow and financial results have been sustained over recent years as unprecedented high prices for natural gas have more than offset normal decline in production as well as the decline of the United States Dollar. However, production volumes have also been marginally affected by the off-season reduction in demand by the declining local tobacco curing industry.

Results of Operations

During the year, the company revised its depletion calculation to reflect the natural gas reserves calculated under National Instrument 51-101 Standards for Disclosure for Oil and Gas Activities. The adjustments, which were applied retroactively to 2004, the first year the standard was applicable to the company, increased depletion in the current year by $121,088 (2005 - $126,366; 2004 - $124,212) and decreased the future income tax provision and basic and fully diluted earnings per share by $41,000 (2005 - $43,000: 2004 - $42,000) and $0.05 (2005 - $0.05: 2004 - $0.04), respectively. The net reduction to natural gas properties and future income taxes are $371,666 and $126,000 which results in an accumulated nnet reduction in retained earnings of $245,666.

Comparison between fiscal year end results for 2005 and 2006 reflect the above noted restatement.

	March 31/06	March 31/05
Revenue	$ 2,035,639	$ 1,799,903
Net Income	$ 694,236	$ 632,290
Earnings per Share	$ 0.40	$ 0.36
Cash Flow from Operations	$ 1,185,444	$ 1,114,790
Cash Flow per Share	$ 0.68	$ 0.64

The most significant increase in administrative expenses during the past two years has been primarily due to addressing the burgeoning new compliance requirements imposed by Securities Regulators.

The increase in net income of $61,946 in fiscal year 2006 compared to fiscal year 2005 is primarily due to an increase in natural gas revenues and investment income.

Comparative Summary & Financial Data by Quarter									
	Mar 31/06	Dec 31/05	Sept 30/05	June 30/05	Mar 31/05	Dec 31/04	Sept 30/04	June 30/04	Mar 31/04
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr
Revenue	552,515	583,195	433,517	466,412	505,485	471,019	375,920	447,479	513,704
Net Income	166,857	191,985	160,851	174,543	204,689	141,666	119,437	166,498	(508,277)
Earnings per share	0.10	0.11	0.09	0.10	0.12	0.08	0.07	0.09	(0.29)
Cash Flow per share	0.12	0.21	0.17	0.18	0.16	0.16	0.15	0.17	0.21
Dividends per share	0.08	--	--	--	0.075	--	--	--	0.075

The comparability of selected consolidated financial information herein is affected by the same material factors as set out under "Overall Performance" and "Results of Operations".

As of March 31st, 2006, Metalore had sold approximately 70% of its production ahead to November 1, 2006, and approximately 45% of its production ahead to April 1, 2007, at prices significantly above the average price of the previous fiscal year. The following forward contracts are in place:

Contract Period	Minimum Contract Quantity	MMBTU (US$) Price
Apr 06 through Oct 06	10,000 MMBTU per month	$ 9.07
Apr 06 through Jul 06	5,000 MMBTU per month	$ 7.17
Nov 06 through Mar 07	10,000 MMBTU per month	$ 10.00

For a more detailed explanation of the Company's results of operations, please refer to Item 2(f) and 2(g) in the Notes to the Financial Statements for the year ended March 31, 2006.

Capital Resources & Liquidity

	Y/E Mar 31/06	Y/E Mar 31/05
Current Assets	$ 874,775	$ 719,853
Current Liabilities	$ 373,706	$ 279,107
Excess of Current Assets over Current Liabilities	$ 501,069	$ 440,746

There was an increase in cash of $168,414 after capital expenditures of $1,056,165 during fiscal year 2006. The expenditures were mainly comprised of natural gas development. During fiscal year 2005, there was an increase in cash of $73,257 after expenditures of $923,789. The sale of marketable securities decreased investing activities expenditures in fiscal year 2006 by $49,207; during fiscal year 2005, the sale of marketable securities decreased investing activities expenditures by $60,368.

The Company expects to adequately meet its present and future working capital and exploration and development requirements with cash flow from operations.

Contractual Obligations

Report for the upcoming five years

Contractual Obligations	1-3 years	4-5 years	Total
Natural Gas Leases	$ 68,000	$ 68,000	$ 136,000
Natural Gas Royalties*	$400,000	$600,000	$1,000,000
Mining Leases	$ 3,078	$ 6,156	$ 9,234
Total Contractual Obligations	$471,078	$674,156	$1,145,234

* Note: Estimate is based upon expected gas production.

Critical Accounting Estimates

Management is required to make estimates in preparing its financial statements in conformity with generally accepted accounting principles. These estimates affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of net income during the reporting period. The critical accounting estimates made by the Company are used in the determination of natural gas property and mining property costs.

Mining properties and natural gas property costs are assessed annually or as economic events dictate, for potential impairment. Impairment is assessed by comparing the estimated undiscounted future cash flows to the carrying value of the asset. The cash flows used in the impairment assessment required management to make assumptions and estimates about recoverable reserves, future commodity prices and operating costs. Changes in any of the assumptions, such as a downward revision in reserves, a decrease in future commodity prices, or an increase in operating costs could result in an impairment of an asset's carrying value.

Changes in Accounting Policies

In fiscal 2005, the Comapny adopted the fair value method of accounting for stock options (see note 2(i) of Financial Statements). As a result of this change in accounting policy, stock options in shareholders' equity increased by $15,850 in fiscal 2004 and accordingly, the stock 2004 compensation expense increased and retained earnings at March 31, 2004 decreased by $15,850.

The recommendations of Section 3670 (note 2(i) of Financial Statements) are generally applied prospectively to awards granted on or after the date of adoption, except that retroactive application, without restatement, is required for outstanding awards for fiscal years beginning on or after January 1, 2002.

On July 15, 2002, the company was authorized to grant 25,000 stock options to Directors. At that time 20,000 stock options, with an exercise price of $6, were designated. Subsequent to the 2006 fiscal year end, these options were exercised.

On February 6, 2006, the remaining authorized 5,000 stock options, with an exercise price of $7.50, were granted to another director. These options were assigned a cost of $20,634, based on the following Black-Scholes option pricing model assumptions:

Dividend yield 1.02%
Expected volatility 76.00%
Risk free interest rate 4.04%
Expected average life ..... 4 years

The exercise price is determined by the Board of Directors at the time of grant, subject to the conditions that the exercise price will not be less than the market price of the common shares at the time of being granted. Each option granted under the plan may be exercised during a period of four years from the grant date.

Transactions with Related Parties

Metalore has an on-going agreement with Southern Ontario Natural Gas Limited (SONG), a private company controlled by the Company President, George W. Chilian, to provide technical consulting services for the gas operations. Details are included in note 5 of the Financial Statements contained within the Company's Annual report for 2006.

Shareholder Dividend Policy

In the year 2000, Metalore introduced a policy to pay annual dividends to shareholders (subject to applicable law). In December 2005, the Company paid a dividend for the sixth consecutive year. The dividend is converted to US currency for a significant percentage of shareholders registered with United States postal addresses.

During the third quarter of fiscal year ending March 31, 2006, the Company paid an annual dividend of 8 cents per share on the 16th of December, 2005, to all Shareholders of record as of the 28th of November.

Regulation Compliance

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.

MANAGEMENT INFORMATION CIRCULAR
July 7, 2006

MANAGEMENT SOLICITATION OF PROXIES

THIS INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF METALORE RESOURCES LIMITED (THE "CORPORATION") OF PROXIES to be used at the Annual Meeting of Shareholders to be held at the time and place and for the purposes set forth in the foregoing Notice of Annual Meeting. The solicitation will be primarily by mail and the cost of solicitation will be borne by the Corporation.

APPOINTMENT AND REVOCATION OF PROXIES

The persons designated on the form of proxy are officers of the Corporation. ANY SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT THEM AT THE MEETING, MAY DO SO BY INSERTING THAT PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER PROPER FORM OF PROXY.

A Shareholder executing the enclosed form of proxy has the power to revoke it. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing deposited at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof at which the proxy is to be used, or with the chairman of such meeting on the day of the meeting or adjournment thereof.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Corporation has 1,775,035 common shares, without par value outstanding.
A list of the Shareholders will be prepared which shows the number of shares registered in the name of each Shareholder on August 25, 2006, the record date for determining Shareholders entitled to one vote at the Annual Meeting for each share opposite his/her name on such list, except to the extent that such person has transferred any of his/her shares and the transferee produces properly endorsed share certificates or otherwise establishes that he/she owns the shares, and, not later than 10 days before the meeting, requires that his/her name be included in the list of Shareholders, in which case such person is entitled to vote his/her shares at the Annual Meeting.

To the knowledge of the management of the Corporation, the only person or company that beneficially owns more than 10% of the issued shares of the Corporation is George W. Chilian, President and Managing Director who holds 647, 408 shares, representing approximately 36% of the issued voting shares of the Corporation.

EXERCISE OF DISCRETION OF PROXIES

The shares represented by proxy will be voted in accordance with the information set forth therein. THE PROXY PROVIDED CONFERS DISCRETIONARY AUTHORITY UPON THE PERSONS NAMED THEREIN WITH RESPECT TO AMENDMENTS OR VARIATIONS TO MATTERS IDENTIFIED IN THE NOTICE OF MEETING AND WITH RESPECT TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING.

CORPORATE GOVERNANCE

National Instrument 58-101 has established a set of guidelines relating to corporate governance matters. The Guidelines address such matters as the constitution and independence of boards of directors, the functions to be performed by boards and their committees, and the relationship among a corporation's board, management and shareholders. Schedule 'A' of the attached Annual Information Form is the Corporation's response to this required disclosure (page 18-21 of this Annual Report).

ETHICAL BUSINESS CONDUCT

National Instrument 58-101F1, 5. refers to a Code of Ethical Business Conduct. Schedula 'A' paragraph 11 of the attached Annual Information Form (page 17 of this Annual Report) is the Corporation's response to this required disclosure.

STOCK OPTION PLAN

On July 15, 2002 the Company granted 25,000 shares of stock options for the Directors. At that time 20,000 shares of these options at the price of $6.00 per share were assigned to four Directors for a period of four years. Subsequent to the 2006 fiscal year end these options were exercised.

On February 6, 2006 an additional 5,000 stock options, with an exercise price of $7.50, were granted to a director. Further details are available in Note 6 of the March 31, 2006 Financial Statements (page 6 of this Annual Report).

INSIDER TRADING POLICY

The Directors of the Corporation have established a formal Insider Trading Policy to ensure compliance with the Securities Act (Ontario) and the rules and regulations of the TSX. There are two basic precepts: 1. No insider shall trade the Company's shares 10 days prior to and 5 days after release of any Annual or Quarterly Reports; 2. No insider shall trade when there is Material Information pending that may affect the price of the shares, until such information has been generally disclosed to the public by way of press release.

(Continued next page)

METALORE RESOURCES LIMITED

MANAGEMENT INFORMATION CIRCULAR

(Continued from previous page)

INTEREST OF MANAGEMENT & OTHERS IN MATERIAL TRANSACTIONS
The Company has an agreement, subject to periodic review, with Southern Ontario Natural Gas Limited, a corporation controlled by George W. Chilian, President of the Company, to provide technical services for the gas operations of the Company for a fee of $78,000 plus 10% of the revenue in excess of $1,000,000 annually. At the fiscal year end, $140,717 was owed to Southern Ontario Natural Gas for this service.

EXECUTIVE COMPENSATION
During the fiscal year ended March 31, 2006, the Corporation paid its Managing Director the sum of $132,454 for administrative services and paid the Directors $2,200 for meetings and expenses for the fiscal year. The Corporation has two executive officers. The Directors are authorized a remuneration of $100 per meeting, plus expenses and the recording Secretary of the meeting receives an additional $50.00.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation		
		Salary	Bonus	Other Annual Compensation (Directors' Meetings)
George W. Chilian	2006	$132,454	Nil	Nil
President, CEO &	2005	$132,454	Nil	Nil
Managing Director	2004	$132,454	Nil	Nil

INDEBTEDNESS OF OFFICERS AND DIRECTORS
No officer, Director or employee of the Corporation had any outstanding indebtedness to the Corporation during the year ended March 31, 2004 and no such indebtedness is outstanding on the date hereof.

ELECTION OF DIRECTORS
The management of the Corporation proposes to nominate the six persons below for election as Directors of the corporation to serve until the next Annual Meeting or until their successors are elected or appointed. The person named in the enclosed form of proxy for the meeting (unless otherwise instructed) intends to vote for the election of nominees whose names are set forth below.

NAME	PRINCIPAL OCCUPATION	BECAME DIRECTOR	SHARES HELD	OPTIONS HELD
George W. Chilian (President, CEO & Managing Director)	Managing Director of the Corporation	1955	647,408[3]	Nil
Joseph Maksymchuk[1] (Secretary-Treasurer and Director)	Certified Management Accountant, Retired	2000	13,500	Nil
Patricia Shelander[2] (Director)	Registered Medical Technologist	1970	35,000	Nil
John Claire McVicar[1, 2] (Director)	Partner, Meen-McVicar, Insurance Brokers	1982	6,900	Nil
David J. Slater[1, 2] (Director)	Natural Gas Transport & Marketing Manager	2002	5,200	Nil
Michael A. Dehn[2] (Director)	Consulting Geologist,	2005	700	5,000

1 Members of Audit Committee
2 Members of Corporate Governance Committee
3 Southern Ontario Natural Gas Limited, a corporation controlled by George W. Chilian holds 321,008 of these shares

AUDIT COMMITTEE CHARTER
Pursuant to Multilateral Instrument 52-110 the Company approved of an Audit Committee Charter on July 9, 2004 as set forth in Schedule "B" of the attached Annual Information Form (page of this Annual Report). Also, included in Schedule "B" is the required Audit Committee information.

APPOINTMENT OF AUDITORS
The persons named in the enclosed form of proxy intend to vote for the re-appointment of PKF Hill LLP, Chartered Accountants, Toronto Ontario, as Auditors of the Corporation to hold office until the next Annual Meeting of Shareholders and to fix their remuneration.

AUTHORIZATION
The undersigned hereby certifies that the contents of this Information Circular and Proxy Statement and the sending thereof have been approved by the Directors of the Company. The information contained herein is given as of July 7, 2006.

Joseph Maksymchuk, Secretary-Treasurer

Annual Information Form

For the year ended March 31, 2006

Corporate Structure

The Company was incorporated in 1943 as Metalore Mining Company Limited under the laws of the Province of Ontario. The capital structure was reorganized on a one share for three basis by supplementary letters patent in 1950 and the name modified to New Metalore Mining Company Limited. The capital structure was reorganized again on a one share for four basis by supplementary letters patent in 1976 and the name modified to the present Metalore Resources Limited. The Company ("Metalore" or the "Company"), is engaged in hydro-carbon and mining exploration, with headquarters at Rural Route #1 Vittoria, Ontario. Metalore's core business is natural gas production and maintains a substantial portfolio of undrilled leases in proximity to existing production is maintained.

General Development of the Business

Over the past three years the Company has continued to focus its efforts on maintaining its natural gas deliveries. During this period there has been only slight declines in deliveries and slight increases in revenue. The Company produces natural gas from approximately 90 gas wells in three townships within Norfolk County, Ontario and also distributes gas to approximately 75 residential and commercial customers along its gathering pipelines.

The Company acquired a new "grass roots" mining exploration property in the Sioux Narrows area of Ontario in the fall of 2002 and has conducted preliminary investigations into the property's potential. Since there has been no mineral resource identified thus far, the Company does not consider either the acquisition or the preliminary exploration on this property to constitute a material change in its operations at this time.

The Company employs one full time office administrator, three full time gas field employees and one full time supervisor (managing director). Most exploration and development functions (geophysics, drilling, etc.) are by individual contract.

Reserves Data

Metalore has complied with all filing requirements pursuant to National Instrument 51-101 (Standard for Disclosure for Oil and Gas Activities) by filing forms 51-101 F1, F2 and F3 with SEDAR (for more information see page 23 of this Annual Report).

Interests of Experts

Peter Sidey, Professional Petroleum Engineer with Spoule and Associates Limited, Calgary prepared the Reserve Reports of Independent Qualified Reserves Evaluator or Auditor during the past three fiscal years. These reports can be viewed on the SEDAR website at www.sedar.com.

Risk Factors

The Company's gas production is derived from long term reserves. These reserves are subject to nominal annual declines in delivery that can be reasonably estimated. The most significant risk factors would be the possibility or probability of drilling dry holes and fluctuations in the selling price of natural gas. The Company delivers its gas to three main metering stations within Union Gas's transmission system from the natural field pressure of its wells, without the aid of compression equipment. Therefore, deliverability is subject to periodic pressure changes and somewhat vulnerable to pressure increases in Union's system.

METALORE RESOURCES LIMITED

Annual Information Form (cont'd)

Directors and Officers

NAME	PRICIPAL OCCUPATION	BECAME DIRECTOR	SHARES HELD	OPTIONS HELD	PROVINCE / STATE
George W. Chilian (President, CEO & Director)	Managing Director of the Corporation	1955	647,408	NIL	Ontario, Canada
Joseph Maksymchuk [1] (CFO & Director)	Certified Management Accountant, Retired	2000	13,500	NIL	Ontario, Canada
Patricia Shelander [2] (Director)	Registered Medical Technologist	1970	35,000	NIL	Minnesota, USA
John Claire McVicar [1, 2] (Director)	Partner, Meen-McVicar, Insurance Brokers	1982	6,900	NIL	Ontario, Canada
David J. Slater [1, 2] (Director)	Natural Gas Transport & Marketing Manager	2002	5,200	NIL	Ontario, Canada
Michael A. Dehn [2] (Director)	Senior Geologist	2005	700	5,000	Ontario, Canada

[1] Members of Audit Committee

[2] Members of Corporate Governance Committee

Each of the Directors shall serve until the next annual meeting of shareholders or until his/her successor is elected or appointed.

All of the above Directors have been in attendance at all board meetings during the past fiscal year.

All of the above Directors, except Mr. Chilian, are classified as "independent" Directors.

Specialized Skill and Knowledge

Messrs. Slater and Chilian, directors of the Company have a combined total of over 60 years experience in natural gas marketing. Each of the three gas field operators have been with the Company for more than fifteen years. Mr. Dehn has been a senior geologist with a major mining company and is currently employed by two junior mining companies on full and part-time retainers.

Material Contracts

The Company has contracted to sell the majority of its gas production wholesale to Nexen Limited of Calgary, Alberta, and contracts for the delivery of gas to its Field Line Customers with Union Gas Limited on an evergreen basis.

Environmental Policies

The Company's gas well development and mining exploration activities are in compliance with all ecological and environmental preserving regulations. Gas well and pipeline appurtenances are clearly identified in the field with signs posted for emergency contact. Further information regarding compliance is available on www.sedar.com.

Dividends

For the past fiscal year, a dividend of 8.0 cents per share Canadian funds was paid to shareholders, and for the preceding two fiscal years dividends of 7.5 cents per share were paid. The Company intends to continue paying nominal dividends to shareholders with a view to increasing the dividends where practical from a business and legal perspective.

General Description of Capital Structure

1,775,035 common shares in the capital of the Company are currently issued and outstanding.

Market for Securities

The Company's common shares have been listed and traded on the Toronto Stock Exchange (TSX, tier one) for the past 25 years. Metalore has the uniqueness of having the lowest number of shares outstanding of any resource related company listed on the TSX.

Year	Month	High	Low
2005	April	6.80	6.00
	May	6.30	5.75
	June	7.50	5.75
	July	9.00	6.75
	August	9.25	8.10
	September	9.00	7.75
	October	8.50	7.80
	November	8.00	7.35
	December	7.50	7.00
2006	January	8.00	7.10
	February	8.00	7.20
	March	8.50	8.00

Promoters

The Company does not have, and has not had a promoter within the three most recently completed fiscal years.

Transfer Agents and Registrars

The transfer agent for common shares is Computershare Trust Company, located at 100 University Avenue, Toronto.

Additional Information

Additional information relating to Metalore Resource Limited may be found on SEDAR at www.sedar.com

Additional financial information is also provided in Metalore Resource Limited's financial statements and MD&A for the most recently completed financial year.

Schedule 'A'
Disclosure of Coprorate Governance Practices ("National Instrument 58-101")

Guidelines	Comments
1. The Board should explicitly assume responsibility for stewardship of the corporation. Specifically, the Board should assume responsibility for:	The Board of Directors ("Board") acknowledges its responsibility for the stewardship of the Corporation and oversees the development of corporate strategies and the implementation of the Corporation's operational plans. The Board meets on an as required basis to review and discharge its obligations.
(a) adoption of a strategic planning process.	The Board meets at least twice each year to discuss and approve strategic plans. Senior management formulate the strategies and operational plans for the corporation and present such plans and strategies for review and approval by the Board. The Board approves all significant business transactions.
(b) identification of principal risks and the implementation of appropriate risk-management systems.	The Board reviews and discusses the risks associated with the oil and gas business as well as the mining exploration business, and reviews management's assessment and management of these risks. These risks are considered and incorporated into the decisions of the Board.
(c) succession planning and monitoring senior management.	The Board is responsible for appointing and monitoring management. The Corporate Governance Committee of the Board reviews the performance of management and establishes their remuneration.
(d) communications policy.	The Board is responsible for ensuring effective and accurate communication with shareholders, other stakeholders and the public on a timely basis. It is also responsible for ensuring that the Corporation complies with continuous disclosure and reporting obligations. The Board has delegated these communication and reporting responsibilities to the President.
(e) integrity of internal control and management information systems.	The Audit Committee of the Board monitors and assesses the integrity of the Corporation's internal control and management information systems. The Audit Committee has direct access to the external auditors.
2. Majority of Directors are "independent".	The Board is currently composed of six Directors. Of these six Directors, five are non-management "independent Directors."
3. Disclose whether each Director is "independent".	The independent Directors on the Board are: Mrs. Patricia Shelander, Mr. John McVicar, Mr. Joseph Maksymchuk, Mr. Michael Dehn and Mr. David Slater.
4. Appoint a committee responsible for appointment / assessment of Directors, composed of a majority of independent Directors.	The Board does not have a formal process for proposing new nominees to the Board or to assess directors on an ongoing basis. The need for changes or additions to the Board and the assessment of existing directors is considered by the entire Board on a continual basis.
5. Implement a process for assessing the effectiveness of the Board, its committees and individual directors.	Although no formal process has been implemented, the Board has taken on an ongoing responsibility for monitoring and assessing its effectiveness and the effectiveness of its committees and individual Directors.

Annual Information Form (cont'd)

Disclosure of Coprorate Governance Practices (cont'd)

Guidelines	Comments
6. Provide orientation and education programs for new Directors.	The Corporation has no formal orientation or education program for new Directors. All new directors have corporate governance experience and have continued, ready access to management to review the Corporation's operational and financial matters.
7. Consider reducing the size of the Board with a view to improve its effectiveness.	The Board considers the merits of changing the size of the Board when it passes the resolution identifying the Directors to be appointed at the annual meeting of shareholders. The Board considers that its current composition of six Directors is appropriate for the size of the corporation
8. Review compensation of Directors in light of risks and responsibilities.	The corporate Governance Committee shall review the Directors' level of compensation in comparison to Board members of similar corporations. The Corporate Governance Committee shall recommend changes to such compensation to the Board for approval when and if it deems it to be appropriate.
9. Committees should generally be composed of non-management directors and the majority of committee members should be independent.	The Board reviews the composition of each of its committees annually
10. Appoint a committee responsible for determining the Corporation's approach to corporate governance issues.	The Corporate Governance Committee shall review such matters on a periodic basis.
11. Define limits to management's responsibilities by developing mandates for: (a) the Board (b) the Chief Executive	The Board and President have not developed position descriptions for the Board and President. The Board has not adopted a written code of "Ethical Business Conduct" as in section F1, 5. The Board expects the President, together with management, to manage the business of the Corporation in a manner that enhances shareholder value and is consistent with the highest level of **integrity**. Responsibilities which are not delegated to senior management or a Board committee remain the responsibility of the full Board. The Board annually approves the key business and financial objectives of the corporation as presented by management.
12. Establish procedures to enable the Board to function independently of management.	Five of the six Directors are independent. The Board has the ability to meet independently of management if required.
13. Establish an audit committee with a specifically defined mandate, with majority of members being independent Directors.	The Audit Committee is responsible for reviewing the Corporation's financial reporting procedures, internal control systems, the scope and extent of the annual audit and the performance of external auditors. The Audit committee reviews and recommends for approval the annual statements of the Corporation. The Audit Committee has a direct communication channel with the external auditors and may meet with them independently of management. All three members of the Audit Committee are comprised of independent Directors.
14. Implement a system to enable individual Directors to engage outside advisors, at the corporation's expense.	The Board has not implemented a formal system for an individual Director to engage outside advisors at the expense of the Corporation. Approval to engage outside advisers at the expense of the Corporation is subject to approval of the Board.

METALORE RESOURCES LIMITED

Annual Information Form (cont'd)

Schedule 'B'
Audit Committee (Multilateral Instrument 52-110)

AUDIT COMMITTEE CHARTER
Approved by Board of Directors July 9, 2004

A. Purpose
B. Composition of Committee, Constitution and Frequency of Meetings
C. Responsibilities
D. Audit Committee Members

A. Purpose

The purpose of the Audit Committee, as delegated by the Board, is to provide oversight and make recommendations to the Board with respect to the Company's compliance with all financial disclosure and legal and regulatory requirements relating thereto and provide oversight of accounting systems and internal controls, the quality and integrity of the financial reports and the independence, qualification and performance of the Company's external auditors ("External Auditors").

In exercise of its oversight, it is not the duty or responsibility of the Audit Committee or its members to: (1) plan or conduct audits; or (2) determine that the financial statements are complete and accurate and are in accordance with generally accepted accounting principles.

Management of the Company ("Management") is responsible for: (1) the preparation, presentation and integrity of the Company's financial statements; (2) maintaining appropriate accounting and financial reporting principles and policies and systems of risk assessment and internal controls and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, recorded and reported in accordance with accounting standards and applicable laws and regulations.

B. Composition of Committee, Constitution and Frequency of Meetings

The Audit Committee will consist of 3 members, one of whom is the Chair, all as determined by the Board. At an Audit Committee meeting a quorum will be not less than a majority of its members. New Audit Committee members will participate in such training and orientation as may be deemed by the Board or the Corporate Governance and Nominating Committee to be necessary or appropriate in the circumstances.

The Audit Committee members will satisfy the independence[1] and financial literacy[2] requirements of applicable legislation and stock exchange rules.

The Audit Committee will meet at least quarterly and more frequently as the Audit Committee, in its discretion, deems desirable. The Audit Committee can, in its discretion, invite others to attend its meetings. The Audit Committee will meet separately with Management, those persons responsible for the internal audit function (the "Internal Auditors") and the External Auditors periodically, as it deems necessary, but not less than annually.

The Audit Committee will have the authority to: (1) engage independent counsel and other advisors, as it determines necessary to carry out its duties; and (2) set and pay the compensation for any advisors employed by the Audit Committee.

The Chair of the Audit Committee will, on behalf of the Audit Committee, report to the Board on matters considered by the Audit Committee, its activities and compliance with this Charter.

At least annually the Audit Committee will perform a self-evaluation to: (1) determine the Committee's effectiveness; (2) evaluate Committee succession plans related to Committee membership; and (3) review and assess the adequacy of this Charter and, if required, recommend changes to the Board.

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[1] *Pursuant to National Instrument 52-110 (Audit Committees) of the Canadian Securities Administrators, a member of the Audit Committee is independent if the member has no direct or indirect material relationship with the Company. A "material relationship" means a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgement. NI 52-110 also identifies persons that are deemed to have a material relationship with an issuer. In addition, all members of the Audit Committee should be independent directors. An "independent director" is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding.*

[2] *According to NI 52-110, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.*

C. Responsibilities

1. Duties with Respect to the Appointment and Work of the External Auditors

- The External Auditors will both report to, and be ultimately accountable to, the Audit Committee and the Board as the representatives of the shareholders and be responsible for planning and carrying out the audit of the annual financial statements of the Company.
- The Audit Committee will recommend to the Board: (1) the External Auditors to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company; and (2) the compensation of the External Auditor.
- The Audit Committee will be directly responsible for the oversight of the work of the External Auditors which will include the following:
  - (i) review of the mandate of the External Auditors;
  - (ii) review of the independence of the External Auditors including the rotation of the partners assigned in accordance with applicable laws and professional standards, the internal quality control findings of the External Auditors' firm and peer reviews, and both the nature of and amount of non-audit fees;
  - (iii) review of the performance of the External Auditors including the relationship between the External Auditors and Management and the evaluation of the lead partner of the External Auditors, taking into account the opinions of Management and the Internal Auditors;
  - (iv) removal of the External Auditors if circumstances warrant, after due inquiry and discussion with the External Auditor;
  - (v) review analyses prepared by Management or the External Auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements;
  - (vi) resolution of any disagreements with Management; and
  - (vii) review of any audit problems or difficulties with Management's response.
- The Audit Committee will discuss with the External Auditors the critical accounting policies and practices and be advised of alternative accounting treatments of financial information and the treatment preferred by the External Auditor.
- The Audit Committee will also receive all material written communications between the External Auditors and Management including the Management letter and schedule of unadjusted differences.
- The Audit Committee will discuss with the External Auditors and then approve the audit plan, scope, responsibilities, budget, staffing, the objectives, coordination, reliance upon Management and the Internal Auditors, general audit approach, audit and related fees, the responsibilities of Management, the Internal Auditors and the External Auditors and timing.
- The Audit Committee will pre-approve all review or attest engagements and non-audit services, which the External Auditors may perform for the Company or its subsidiaries in each case including fees. The Audit Committee may delegate to one of its members the approval of such services. In such instances, the items approved will be reported to the Audit Committee at its next scheduled meeting following such pre-approval.
- The Audit Committee will review the practices related to the hiring of partners, employees or former partners and employees of the present and former External Auditors to ensure compliance with the rules of any applicable regulatory authority or stock exchange.

2. Financial Reporting and Compliance

- The Audit Committee will review and discuss with Management and the External Auditors where appropriate, the following financial documents and reports prior to public disclosure:
  - (i) annual audited financial statements including the report of the External Auditors to shareholders of the Company and quarterly financial statements, including disclosures made in Management's Discussion and Analysis of Financial Condition and Results of Operations;
  - (ii) all press releases discussing earning results or prospective earnings results, including pro forma or adjusted non-GAAP information;
  - (iii) all certifications that may be made by the President, CEO and Managing Director on the annual or quarterly financial results, disclosure controls and procedures and internal controls over financial reporting;
  - (iv) any legal, tax or regulatory matters that may have a material impact on the Company's operations and financial statements; and
  - (v) any financial information contained in any prospectus, information circular or other disclosure documents or regulatory filings containing financial information of the Company.

- The Audit Committee will ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and will periodically assess the adequacy of those procedures.
- The Audit Committee will oversee any auditing or accounting reviews or similar procedures or investigations.
- The Audit Committee will review, as appropriate, any report required by the appropriate regulatory authority to be included in the annual management information circular related to the matters covered by this Charter including the disclosure of the External Auditors' services and fees, Audit Committee members and their qualifications and activities of the Audit Committee.
- The Audit Committee will, if necessary launch special investigations with full access to books, records, facilities and personnel of the Company.
- The Audit Committee will review and approve any report to shareholders and others required by applicable laws or regulations or stock exchange requirements stating whether it has:

  (vi) reviewed and discussed the audited financial statements with Management and the External Auditors, as appropriate;

  (vii) received from the public accountants all reports and disclosures required under legal, listing and regulatory requirements and this Charter and have discussed such reports with the External Auditors, including reports with respect to the independence of the External Auditors; and

  (viii) based on the reviews and discussions referred to in clauses (i) and (ii) above, recommend to the Board that the audited financial statements be included in the annual report.

3. Financial Reporting Processes, Accounting Policies and Standards

- The Audit Committee will review with Management major issues regarding accounting principles and financial statement presentations, including any significant changes in the selection or application of accounting principles and use of material estimates and judgement in preparing the financial statements. This will also include a review of analyses prepared by Management setting forth the impact of alternative GAAP methods and their impact on the financial statements.
- The Audit Committee will review all related party transactions entered into by the Company.

4. Internal Controls and Internal Audit

- Management is responsible for designing an effective system of internal control. The Audit Committee will oversee the activities of Management in implementing policies and procedures that ensure the risks are identified and that controls are adequate, in place and functioning properly.
- The Audit Committee will review any major issues regarding the adequacy of the internal controls and the actions being taken in light of any material control deficiencies. This will include a review of internal control findings made by Management, and the External Auditors. The Audit Committee will also discuss with the External Auditors the major accounting risk exposures and the steps Management has undertaken to control them.
- The Audit Committee will endeavour to ensure that the Company maintains an appropriate internal audit function. Management is responsible for reviewing, subject to Audit Committee oversight, the adequacy and effectiveness of the system of internal controls.

5. Other

- The Audit Committee will have procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Management will report to the Audit Committee on a timely basis all discovered incidents of fraud within the Company, regardless of monetary value.
- The Audit Committee will at least annually provide oversight of the Company's risk management policies including environmental risks, disaster recovery and business continuity plans, investment policies and insurance coverage.

Annual Information Form (cont'd)

D. AUDIT COMMITTEE MEMBERS

The following table sets forth each Audit Committee Member's name and education and experience relevant to the performance of his responsibilities as an Audit Committee member. All members of the Audit Committee are independent and financially literate.

Name	Education and Experience
Joseph Maksymchuk	Certified Management Accountant, C.M.A. Various Management Courses in Financial Analysis and Management Over 20 years as Comptroller in diversified industry Experience in preparation and analysis of Financial Statements, Forecasts, Budgets and Business.
John Clair McVicar	Bachelor of Arts 1965 in Economics at the University of Western Ontario Many seminars on Financial Statements and Financial Management including Annual Updates.
David J. Slater	Bachelor of Commerce Masters of Business Administration at the University of Windsor Currently with Nexen Marketing - Managing Director, Marketing Responsible for Natural Gas Wholesale marketing in Eastern Canada and U.S.A.

EXTERNAL AUDITOR SERVICE FEES BY CATEGORY

The following table sets out the fees paid to PKF Hill LLP, the Corporation's external auditor, for the fiscal years 2006 and 2005:

Fee Category	2006	2005
Audit, Related & Taxation Fees	$30,000	$ 26,875
All Other Fees	7,000	Nil
Total	$37,000	$ 26,875

"Audit Fees" include the aggregate professional fees paid to PKF Hill LLP for the audit of the consolidated annual financial statements and other regulatory audits and filings.

"Audit Related Fees" include the aggregate fees paid to PKF Hill LLP for services related to the Audit Services, including namely pension plans audits, consultations regarding financial reporting and accounting standards and translation of the annual report.

"Taxation Fees" include the aggregate fees paid to PKF Hill LLP for tax compliance, tax advice, tax planning and advisory services relating to the preparation of corporate tax, capital tax and sales tax returns.

"All Other Fees" include the aggregate fees paid to PKF Hill LLP for all services other than those reported under Audit Fees, Audit Related Fees and Tax Fees, including namely consultation services for municipal taxation and due diligence review in the context of acquisitions.

METALORE RESOURCES LIMITED

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the Annual Meeting of Shareholders of Metalore Resources Limited will be held at Westin Harbour Castle Hotel, Toronto, Ontario in the Pier 5 Room on Friday, September 29, 2006, at 4:30 p.m. to:

1. Receive and consider the Annual Financial Statements for the year ended March 31, 2006, the Auditor's Report thereon, and the Report of the President;
2. Elect Directors;
3. Appoint Auditors and authorize the Directors to fix the remuneration therefor;
4. Transact such other business as may properly come before the meeting.

Shareholders desiring to be represented thereat by a proxyholder must deposit their proxies with the Company before the commencement of the Meeting.

DATED at the Town of Simcoe, this 07th day of July, 2006.

By Order of the Board,
Joseph Maksymchuk, Secretary-Treasurer and Director

Requests from Metalore, on behalf of individual shareholders, for address changes are no longer accepted by the trust company. Therefore, shareholders who wish to register an address change must notify the trust company directly with a signed request to:

Attn: Mr. Sohail Tahir
Client Service Dept.

Computershare Trust
100 University Ave.,
Toronto, Ontario,
Canada M5J 2Y1

SHAREHOLDERS WHO ARE UNABLE TO ATTEND THE MEETING IN PERSON ARE REQUESTED TO DATE, SIGN AND RETURN THE ATTACHED FORM OF PROXY

Please tear along perforation.

METALORE RESOURCES LIMITED
Proxy Solicited by Management

The undersigned Shareholder of Metalore Resources Limited hereby appoints George W. Chilian, or failing him, Patricia Shelander, or

_____

as proxy with power of substitution, to attend, act and vote for the undersigned at the Annual Meeting of Shareholders of the Corporation to be held on Friday, September 29, 2006, in the Pier 5 Room at Westin Harbour Castle Hotel, Toronto, Ontario and at any adjournments thereof, to:

(a) vote for _____ or withhold _____ on the election of the Directors;

(b) vote for _____ or withhold _____ on the appointment of Auditors and the authorization of the Directors to fix the remuneration of the Auditors;

(c) grant discretionary authority to vote on amendments or variations identified in the Notice of Meeting and on such other business as may properly come before the meeting.

THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS SPECIFIED. IF NO CHOICE IS SPECIFIED, THE PROXY WILL BE VOTED "FOR" THE PROPOSED (a) DIRECTORS, (b) AUDITORS AND (c) SUCH OTHER BUSINESS AS MAY BE PROPOSED.

DATED this _____ day of _____ 2006 Signature: _____

NOTES:

1. This proxy must be signed by the shareholder or his attorney duly authorized in writing, or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney duly authorized. If the date is not inserted in the space above provided, the proxy shall be deemed to be dated on the day which it was mailed by Corporation to the shareholder.
2. THE SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON, WHO NEED NOT BE A SHAREHOLDER, OTHER THAN THE PERSONS NAMED, AS THE NOMINEE TO ATTEND AND ACT AT THE MEETING OF SHAREHOLDERS AND SUCH RIGHT MAY BE EXERCISED BY INSERTING THE NAME OF SUCH PERSON IN THE BLANK SPACE ABOVE ON THE PROXY FORM.

Please tear along perforation.

SELECTED EXCERPTS FROM FORM 51-101F1 (Pages 3 and 8)

from page 3

NET PRESENT VALUE OF FUTURE NET REVENUE (CONSTANT CASE)

The following table sets forth the net present value of the future net revenue attributable to the Company's reserves, all calculated with constant prices and costs.

Summary of Net Present Values of Future Net Revenue as of March 31, 2006 Constant Prices and Costs

	Net Present Values of Future Net Revenue									
	Before Income Taxes Discounted at (%/Year)					After Income Taxes Discounted at (%/Year)				
Reserves Category	0 (M$)	5 (M$)	10 (M$)	15 (M$)	20 (M$)	0 (M$)	5 (M$)	10 (M$)	15 (M$)	20 (M$)
Proved										
Developed Producing	46,706	24,954	16,922	12,982	10,667	34,346	18,943	13,177	10,323	8,631
Developed Non-Producing	0	0	0	0	0	0	0	0	0	0
Undeveloped	48,137	25,865	15,128	9,509	6,342	34,176	18,262	10,613	6,615	4,367
Total Proved	**94,843**	**50,819**	**32,050**	**22,491**	**17,009**	**68,521**	**37,205**	**23,790**	**16,938**	**12,998**
Probable	33,247	13,098	6,112	3,231	1,873	23,633	9,280	4,313	2,268	1,306
Total Proved Plus Probable	**128,090**	**63,917**	**38,163**	**25,723**	**18,882**	**92,155**	**46,486**	**28,103**	**19,206**	**14,304**

from page 8

PRICING ASSUMPTIONS

Constant Pricing

The natural gas constant prices used in the evaluation of the Company's reserves, as of March 31, 2006, were:

- for 2006, 11.04 CAD/MMBtu
- for 2007, 9.68 CAD/MMBtu
- for 2008 and subsequent years, 9.02 CAD/MMBtu

These prices are based on the Company's contractual obligations to sell natural gas over the next year and for periods after March 31, 2007, the spot price of natural gas at Dawn, Ontario, on March 31, 2006, which spot price was 7.7268 USD/MMBtu.

CIBC
Wood Gundy

CIBC World Markets
Inc.
255 King Street North
Suite 400
Waterloo ON
N2J 4V2

519 888-6688
519 888-6887

The following speech was read by Mr. Jim Brophey, at the Annual Meeting of Metalore Resources Limited, held on September 16, 2005.

Ladies and Gentlemen,

As many of you may know, this is George Chilian's 50th year as President of Metalore Resources.

And, as I glanced through the past annual reports of Metalore in my office, a couple of recurring themes played over and over again:

1) ***Metalore has had an operating profit every year since commencing operations, which is "no easy feat."***

2) ***As you know, George is a "Hands-On" president, I had the opportunity a few years back watching him bring in a gas well and fracturing it And I can tell you, they didn't teach that expertise in any university I know of. And whether it is completing Geophysics or Diamond Drilling, George is usually there directing operations… "Hands On."***

You all know the "public" side of George Chilian, but many of you do not see what goes on behind the scenes of the "private" George Chilian,

He is a man of vision, integrity, and great generosity. And so, George, on behalf of the shareholders, your friends and family, I would like to present you with Our "Thank-you" for Your 50 years of dedication.

CIBC Wood Gundy is a division of CIBC World Markets Inc., a subsidiary of CIBC and Member CIPF.

"CONTEMPLATING"

Blazer and George pause on rocky slope above Purewater Lake (note, Blazer has been in for a dip).

METALORE

Exploring and Developing

Canada's Natural Resource Frontiers