METALORE
RESOURCES
LIMITED

2017
Annual Report

Our 74th Year

METALORE RESOURCES LIMITED

Officers and Directors	ARMEN A. CHILIAN, *P.Geo.* *President, CEO and Managing Director ..... London, Ontario* JOHN A. RYAN, *CGA* *Director and CFO ..... Simcoe, Ontario* TIMOTHY J. CRONKWRIGHT, *BA* *Director, Audit Committee Chair ..... Simcoe, Ontario* BRUCE A. DAVIS, *MA* *Director ..... Grand Rapids, Minnesota* MICHAEL A. DEHN, *MSc* *Director ..... Oakville, Ontario* JOHN C. McVICAR, *BA* *Lead Director and Chairman ..... Brantford, Ontario*
Executive Office and Natural Gas Division	*89 Kitchen Road ..... Vittoria, Ontario*
Production Manager	*JONATHAN CHILIAN, BSc ..... Vittoria, Ontario*
Sales and Marketing Manager	*CARL CHILIAN, BA ..... Simcoe, Ontario*
Bankers	*ROYAL BANK OF CANADA ..... Simcoe, Ontario*
Accountant	*BRYSON CHARTERED ACCOUNTANT PROFESSIONAL CORP ..... Simcoe, Ontario*
External Auditors	*MNP, LLP Chartered Accountants ..... Mississauga, Ontario*
Registrar and Transfer Agent	*COMPUTERSHARE TRUST ..... Toronto, Ontario*
Share Listing and Symbol	*TSX VENTURE EXCHANGE "MET" ..... Calgary, Alberta* *(Over the Counter, "MTLRF") ..... United States*
Share Price Range MET/TSX.V	*Fiscal 2017, High $5.16 (CD) ..... Low $1.50 (CD)*
Annual Meeting	*ERIE BEACH HOTEL ..... 19 Walker Street, Port Dover, ON N0A 1N0* *Harbour Hideaway Room (lower ground level), Saturday, September 30, 2017* *Annual Meeting ..... 11:30 a.m.* *Beef and Perch Family Style Dinner ..... 12:30 p.m.*
Website and Email	*www.metaloreresources.com* *info@metaloreresources.com*

METALORE RESOURCES LIMITED

President's Letter to Shareholders:

In Memory of George W. Chilian (1932 – 2017)

What can a son say about losing his dad? When I look at the tribute dad paid to people in the years gone by, I am lost for words at what to say. He seemed to always know what to say and how to say it. He was so thoughtful and articulate throughout his entire 62 year presidential career. And if it took 15 revisions to get it exactly right, he put forth the effort. It was never good enough, until it was his very best. This insistence of putting forth his very best effort is engraved upon the many Metalore Annual Reports from 1964 to 2016. The *President's Letter to Shareholders* captured the essence of his energy - from his greatest achievements (high volume hydraulic fracturing and gold discovery) to the depths of despair (losing a monumental court decision). He will be missed. I still cannot believe he is gone and find the sense of loss forever just beneath the veneer of busy-ness with each passing day.

Doing the Right Thing at the Right Time

When George W. Chilian passed away on April 17, on his desk was the final version of the Charlotteville contract - for 55 miles of 2D seismic, ready for signing. Had it been signed, $250K would have been spent and the survey completed in May. But by no means does a seismic survey guarantee success. West Bay Exploration, the former operator, had difficulty processing their seismic data on the10km east-west line which crosses much of Charlotteville Township. Seismic results were blocked by the thick overburden, and the deep targets were next to impossible to decipher along Hwy #24. Although the best deep targets remain north of the highway, we've decided to reduce the priority of this endeavor for three reasons: 1) The price of natural gas and oil remains low, 2) no nearby competitor has encountered success with deep drilling of Ordovician or Cambrian targets, and 3) protection of Metalore's shares – currently 1,775,035 outstanding, and its shareholder value.

We are committed to doing the right thing at the right time. There will be a better time for wildcat holes when the market improves for junior companies. For now, we will strengthen our gas production system by replacing old bare steel pipelines with durable and long-lasting poly so that we can continue to add field line customers. Gas consumption is on the rise as farmers are looking for higher productivity and profits from greenhouse crops. Our gas pricing and production continues to improve over last year as well. We are exactly where we are suppose to be, and will reap the benefits in due course.

Looking forward to seeing you at our Annual Meeting in September.

On Behalf of the Board,

Armen Chilian
Interim President and CEO
July 24, 2017

METALORE RESOURCES LIMITED

FINANCIAL STATEMENTS

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

METALORE RESOURCES LIMITED

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Independent Auditors' Report

To the Shareholders of Metalore Resources Limited:

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

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

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

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

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

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

MNP LLP

Mississauga, Ontario

July 24, 2017

Chartered Professional Accountants

Licensed Public Accountants

MNP

METALORE RESOURCES LIMITED

STATEMENTS OF FINANCIAL POSITION

AS AT MARCH 31, 2017 AND MARCH 31, 2016

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

Commitments *(Note 12)*

Subsequent event *(Note 17)*

Approved on behalf of the Board:

John A. Ryan
Director and CFO

John C. McVicar
Director

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

METALORE RESOURCES LIMITED

STATEMENTS OF LOSS

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

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

STATEMENTS OF COMPREHENSIVE LOSS

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

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

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

METALORE RESOURCES LIMITED

STATEMENTS OF CHANGES IN EQUITY

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

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

METALORE RESOURCES LIMITED

STATEMENTS OF CASH FLOWS

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

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

1. REPORTING ENTITY

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

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

2. BASIS OF PRESENTATION

(a) Statement of compliance

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

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

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

Critical accounting judgments

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

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2. BASIS OF PRESENTATION *(continued)*

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

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

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

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

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

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

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

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2. BASIS OF PRESENTATION *(continued)*

(i) Reserves – Assumptions that are valid at the time of the reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs, or recovery rates may change the economic status of reserves and may ultimately result in reserves being restated.

(ii) Natural gas prices – Forward price estimates are used in the cash flow model. Commodity prices can fluctuate for a variety of reasons including supply and demand fundamentals, inventory levels, exchange rates, weather, and economic and geopolitical factors.

(iii) Discount rate – The discount rate used to calculate the net present value of cash flows is based on estimates of an approximate industry peer group weighted average cost of capital. Changes in the general economic environment could result in significant changes to this estimate.

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

(d) Property and equipment and exploration and evaluation assets
The Company is involved in the exploration and evaluation of petroleum and natural gas properties and mineral properties.

Recognition and measurement

Exploration and evaluation expenditures
Pre-licence costs are recognized in profit or loss as incurred.

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) Impairment

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

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

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

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than exploration and evaluation assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Exploration and evaluation assets are assessed for impairment when they are transferred to property and equipment or if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

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

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

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

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

(f) Provisions

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

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

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

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

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

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

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

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

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

(continues)

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

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

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

(l) Financial instruments

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

Financial assets

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

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

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

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

(continues)

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:

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

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

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

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

4. MARKETABLE SECURITIES

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

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

5. PROPERTY AND EQUIPMENT

	Natural gas properties	Land	Total
Cost			
Balance, March 31, 2015	$ 16,051,639	$ 130,000	$ 16,181,639
Additions	115,414	-	115,414
Changes to decommissioning obligation estimates	45,805	-	45,805
Balance, March 31, 2016	16,212,858	130,000	16,342,858
Additions	96,183	-	96,183
Changes to decommissioning obligation estimates	280,016	-	280,016
Balance, March 31, 2017	**$ 16,589,057**	**$ 130,000**	**$ 16,719,057**
Accumulated Depletion, Depreciation and Impairment			
Balance, March 31, 2015	$ 6,377,942	$ -	$ 6,377,942
Depletion and depreciation	240,000	-	240,000
Balance, March 31, 2016	6,617,942	-	6,617,942
Depletion and depreciation	316,000	-	316,000
Impairment	3,002,924	-	3,002,924
Balance, March 31, 2017	**$ 9,936,866**	**$ -**	**$ 9,936,866**
Net Book Value			
			$ 9,803,697
March 31, 2016	$ 9,594,916	$ 130,000	$ 9,724,916
March 31, 2017	**$ 6,652,191**	**$ 130,000**	**$ 6,782,191**

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

Depletion and depreciation
The calculation of depletion and depreciation expense for the year ended March 31, 2017 included an estimated $1,473,800 (March 31, 2016 – $1,536,500) for future development costs associated with proved plus probable undeveloped reserves.

Impairments
At March 31, 2017 and March 31, 2016 the Company assessed its natural gas properties for impairment indicators and concluded indicators exist, namely the continued low natural gas prices. As a result, the Company performed an impairment test at March 31, 2017. The recoverable amount of was measured based on the value-in-use of the natural gas properties, determined by the application of a discounted cash flow model, using reserves volumes and forecasted natural gas prices as provided by an independent, third party oil and gas reserves evaluator.

In computing the recoverable amount, expected future cash flows were adjusted for risks specific to the natural gas properties using a pre-tax discount rate of 7.5% (March 31, 2016 - 7.25%). At March 31, 2017 an impairment of $3,002,924 was recorded to reduce the Company's natural gas properties to their recoverable amount. Had the discount rate increased to 10%, the Company's natural gas properties would have been further impaired by $1,399,717.

6. EXPLORATION AND EVALUATION ASSETS

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

Exploration and evaluation assets consist of the Company's exploration projects which are pending the determination of technical feasibility and commercial viability. The Company holds a 1% net smelter return on 18 claims in the Brookbank and Beardmore area of Ontario and a 21-26% participating interest in over 600 contiguous claims in Sandra, Irwin, Walters, Leduc, and LeGault townships in Northwestern Ontario the majority of which are subject to a working option agreement with Greenstone Gold Mines GP Inc., formerly Premier Gold Mines Limited and Centerra Gold Inc. The Company also owns a 100% interest in 306 mining claims in the Sioux Narrows (Cedartree Lake) area of Northwestern Ontario.

Impairments

Exploration and evaluation assets are assessed for impairment when they are transferred to property and equipment or if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Management has reviewed the Cedartree Lake gold property and Brookbank gold property projects and has determined that no impairment existed at March 31, 2017 or March 31, 2016.

At March 31, 2017 an impairment of $611,399 was recorded to write off the balance of costs related to the Company's Norfolk County petroleum project as substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned by the Company.

7. DECOMMISSIONING OBLIGATIONS

The Company's decommissioning obligations result from its ownership interest in petroleum and natural gas assets including well sites and gathering systems. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to abandon and reclaim the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of the estimated cash flows (adjusted for inflation at 2.0% per year) required to settle the decommissioning obligations at March 31, 2017 is approximately $1,772,793 (March 31, 2016 – $1,136,757) which is estimated to be incurred over the next 48 years (March 31, 2016 - 49 years). At March 31, 2017, a risk-free rate of 2.75% (March 31, 2016 – 3.5%) was used to calculate the net present value of the decommissioning obligations.

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

8. SHARE CAPITAL

The Company is authorized to issue 4,000,000 common shares without par or nominal value. At March 31, 2017 and March 31, 2016 there were 1,775,035 common shares issued and outstanding. The Company did not issue, redeem or repurchase any shares during the years ended March 31, 2016 or March 31, 2017.

9. LOSS PER SHARE

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

10. CREDIT FACILITY

The Company has available a revolving credit facility with a Canadian chartered bank in the amount of $500,000 bearing interest at RBC prime plus 0.5%. There was no balance outstanding on this facility at the end of March 31, 2017 or March 31, 2016.

11. INCOME TAXES

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

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

The following table summarizes the components of deferred tax:

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

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

Unrecognized deferred tax assets

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

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

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

12. COMMITMENTS

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

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

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of accounts receivable, and accounts payable and accrued liabilities at March 31, 2017 approximated their carrying value due to their short term to maturity.

The Company classified the fair value of its financial instruments at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – observable inputs, such as quoted market prices in active markets
- Level 2 – inputs, other than the quoted market prices in active markets, which are observable, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability in which little or no market data exists, therefore requiring an entity to develop its own assumptions

The fair values of cash and cash equivalents and marketable securities as shown in the statement of financial position as at March 31, 2017 are measured using level 1. During the year ended March 31, 2017, there were no transfers between level 1, level 2, and level 3 classified assets and liabilities.

14. RELATED PARTY TRANSACTIONS

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

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

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

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

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

15. FINANCIAL RISK MANAGEMENT

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

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

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

(continues)

15. FINANCIAL RISK MANAGEMENT *(continued)*

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

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

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

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

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

16. CAPITAL MANAGEMENT

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

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

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

17. SUBSEQUENT EVENT

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

METALORE RESOURCES LIMITED

MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A")
FOR THE YEAR ENDED MARCH 31, 2017

This Management's Discussion and Analysis ("MD&A") of the financial and operating results of Metalore Resources Limited ("Metalore" or the "Company") should be read in conjunction with the Company's financial statements and related notes for the year ended March 31, 2017. The financial information in this MD&A is prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.

CORPORATE PROFILE

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

The consistent modus operandi of the Company has been to prioritize the allocation of operating income to: (1) sustain financial integrity, (2) drill sufficient new gas wells to sustain production, (3) examine and explore mineral and/or hydrocarbon prospects of especial merit and (4) pay annual cash dividends to Shareholders when financially appropriate. Metalore has achieved these objectives while diligently protecting the Equity of its Shareholders. This unique Company prevailed for many years with the lowest number of shares issued of any resource explorer trading on the Toronto Stock Exchange (TSX). The Company's common shares are listed on the Toronto Stock Exchange, Venture (TSX.V) and trade under the symbol "MET", effective November 14, 2016.

CURRENT DEVELOPMENTS

On April 17, 2017, long time president and CEO George W. Chilian passed away. His son, Armen Chilian P.Geo. was appointed Interim President and CEO on May 3, 2017.

Natural Gas and Oil

Generally depressed operating conditions within the oil and gas development industries have discouraged deep drilling beneath our presently producing land holdings in Southwestern Ontario. The Company continues to strengthen the gathering system in the wake of growing demand for natural gas from Field Line Customers within Charlotteville Township.

Gold and Minerals

Metalore retains various interests in a large number of mining claims, spanning contiguously within five townships in the Beardmore/Geraldton gold belt and another group of claims at Cedartree Lake, all in Northwestern Ontario. Most of the claims in the Beardmore/Geraldton area, previously referred to as the "TransCanada Project" by Premier Gold, are held in Joint Venture with Greenstone Gold Mines G.P. Inc., whereas, the Cedartree group is 100% held by Metalore. We have drilled and identified a total of four, NI 43-101 compliant, above average grade Gold Resources on various claim groups referred to above.

OVERALL PERFORMANCE

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

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Mar 31 2017	Dec 31 2016	Sep 30 2016	Jun 30 2016	Mar 31 2016	Dec 31 2015	Sep 30 2015	Jun 30 2015
Natural gas sales	$219,209	$196,661	$141,713	$146,462	$160,600	$128,363	$221,291	$143,560
Net income (loss)	(2,697,670)	23,210	1,641	15,793	(33,256)	(17,679)	13,982	21,344
Earnings (loss) per share	(1.52)	0.01	0.00	0.01	(0.02)	(0.01)	0.01	0.01
Cash flow from operations per share	0.00	0.05	(0.01)	0.04	0.02	0.06	0.02	0.09
Dividends per share	--	--	--	--	--	--	--	--

RESULTS OF OPERATIONS

The Company had a net loss of $2,657,026 ($1.50 per share) for the year ended March 31, 2017 compared to a net loss of $15,609 ($0.01 per share) for the year ended March 31, 2016. During the year ended March 31, 2017, the Company generated positive cash flow from operations of $148,625 compared to $245,092 for the comparative previous period. Revenue and expenses incurred during the year ended March 31, 2017 consist of:

1. **Natural gas revenues were $704,045** (2016 – $653,814). Production was 196,613 MMBtu (538.67 MMBtu per day) compared to 153,800 MMBtu (421.37 MMBtu per day) for the comparative previous period. The average composite selling price for the year ended March 31, 2017 was $3.58 CAD/MMBtu compared to $4.25 CAD/MMBtu for the comparative previous period. The decrease was due mainly to weakening natural gas commodity prices compared to the comparative previous period.

2. **Royalty expenses of $57,714** (2016 – $60,750). The Company pays royalties to land owners, which may be individuals or companies that own surface or mineral rights. Royalties are calculated based on commodity prices and individual well production rates. Royalty payments can change due to commodity price fluctuations and changes in production volumes on a well-by-well basis.

3. **Production expenses of $310,873** (2016 – $277,668). The increase in production expenses compared to the comparative previous period is mainly due to the increase in natural gas production during the period. The Company continues to focus on opportunities to maintain operational efficiencies.

4. **General and administrative expenses of $211,626** (2016 – $140,699). The increase in general and administrative expenses compared to the comparative previous period is mainly due to legal fees incurred during the current period related to the TSX delisting review, and fees paid to a petroleum engineer for reports and services provided during the current period. The Company continues to implement cost cutting measures, as previously outlined.

5. **Depletion and depreciation of $316,000** (2016 – $240,000). The Company calculates depletion and depreciation on natural gas properties and equipment based on proven plus probable reserves.

6. **Funds from operations[1] of $104,767** (2016 – $173,415). The decrease in funds from operations was mainly due to the increased production costs and general and administrative expenses incurred during the current period, as outlined above. The Company continues to generate sufficient funds from its natural gas operations to maintain and supplement capital resources.

7. **Operating netback[2] of $280,211** (2016 – $253,923). The increase in operating netback was mainly due to a increase in natural gas revenue compared to the comparative previous period. The Company continues to focus on opportunities to increase operating netback.

SELECTED ANNUAL INFORMATION for the years ended:

	March 31, 2017	March 31, 2016	March 31, 2015
Statement of Income			
Net revenue from natural gas sales	$648,362	$594,982	$951,785
Net income (loss)	(2,657,026)	(15,609)	(130,836)
Earnings (loss) per share – basic and diluted	(1.50)	(0.01)	(0.07)
Statement of Cash Flows			
Cash flow from operations	148,625	245,092	413,899
Cash flow from operations per share	0.08	0.14	0.23
Accumulated Comprehensive Income (Loss)	(226,750)	(336,748)	(33,805)
Total Assets	12,121,140	15,496,982	15,790,615
Total Long Term Debt	-	-	-
Cash Dividends per share – basic and diluted	0.00	0.00	0.04

CAPITAL RESOURCES & LIQUIDITY

	March 31, 2017	March 31, 2016	March 31, 2015
Cash	$64,159	$125,198	$211,840
Current Assets (including cash)	818,896	810,641	1,294,481
Current Liabilities	156,190	79,423	136,645
Excess of Current Assets over Current Liabilities	662,706	731,218	1,157,836

FORWARD STRIP CONTRACTS

At July 24, 2017, a portion of the Company's gas production had been sold forward on "Strip" contracts between Metalore (supplier) and the following purchasers:

Contract Period	Daily Volume	Contract Price
June 1, 2017 through October 31, 2017, Energy Source	100 MMBtu	$3.15 USD/MMBtu
May 1, 2017 through May 31, 2017, Energy Source	100 MMBtu	$3.20 USD/MMBtu
April 1, 2017 through October 31, 2017, AltaGas	100 MMBtu	$3.05 USD/MMBtu
April 1, 2017 through June 30, 2017, Energy Source	200 MMBtu	$3.20 USD/MMBtu

Differences between Metalore's forward contract prices and benchmark prices are the result of "basis points" (mainly geographic location), and proprietary contracts, as well as ongoing marketing negotiated by management. The above contracts were negotiated at the NYMEX "Forward Market" price plus "basis points" but do not include proprietary contract premiums.

[1] Calculated as cash flow from operations (GAAP measure), plus decommissioning expenditures, plus change in non-cash working capital. See "Non-GAAP Measures" outlined on page 5 herein.
[2] Calculated as natural gas sales, less royalties paid, production expenses and transmission tariffs. See "Non-GAAP Measures" outlined on page 5 herein.

CONTRACTUAL OBLIGATIONS

The following is a summary of the Company's contractual obligations and commitments at March 31, 2017:

Contractual Obligations	Total	Less than one year	One to three years	After three years
Decommissioning obligations	1,772,793	-	-	1,772,793
Natural gas royalties	320,000	80,000	240,000	
Natural gas leases	36,600	36,600		

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

FINANCINGS

There were no financings during the year ended March 31, 2017.

FINANCIAL INSTRUMENTS

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

DISCLOSURE CONTROLS and PROCEDURES

Management has assessed the effectiveness of the Company's disclosure controls and procedures used for the financial statements and MD&A at March 31, 2017. Although certain weaknesses are inherent with small office operations, management has implemented certain controls such as segregation of duties within critical departments, frequent reviews and regular preparations of reconciliations of transactions to ensure absence of material irregularities. Management has concluded that the disclosure controls are effective in ensuring that all material information required to be filed has been made known to them in a timely manner. The disclosure controls and procedures are designed to ensure effective information required to be disclosed pursuant to applicable securities laws are accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

The Audit Committee of the Board of Directors has reviewed and approved the accompanying financial statements for the year ended March 31, 2017.

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

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

RISKS AND UNCERTAINTIES

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

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

Commodity prices
Even if Metalore's exploration programs are successful, factors beyond the control of the Company will affect the marketability of any resources discovered. Inflation, international economic and political trends, currency fluctuations, interest rates and worldwide production levels all have a bearing on commodity prices. The effect of these factors cannot accurately be predicted. The Company partially mitigates the price risk factor by selling most of its gas production at least several months ahead with forward strip contracts.

AUDITOR, TRANSFER AGENT and REGISTRAR

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada.

Based on regular reviews of its internal control procedures during and at the end of the period covered by this MD&A, management believes its internal controls and procedures are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

There have been no significant changes to the Company's internal control over financial reporting that occurred during the year ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

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

RECENT ACCOUNTING PRONOUNCEMENTS

The adoption of IFRS 15 and IFRS 16 are not expected to have a material impact on the Company's financial statements. For more information on these recent accounting pronouncements, please refer to the notes to the audited financial statements for the year ended March 31, 2017.

NON-GAAP MEASURES

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

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

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

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

EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets include the acquisition costs and deferred exploration and evaluation expenditures of the Company's 'green fields' exploration properties. Acquisition costs related to exploration properties are capitalized at fair value at the time of purchase. The acquisition costs are written off when an exploration and evaluation asset is disposed of through sale or abandonment. Exploration and evaluation expenditures incurred on exploration properties are expensed until such time that a future economic benefit is more likely to be realized than not by the establishment of ore resources. Exploration and evaluation expenditures incurred subsequent to the establishment of commercially viable and technically feasible gold resources on a property are capitalized as an asset. Exploration and evaluation assets are not depreciated until the properties are in commercial production.

CRITICAL ACCOUNTING ESTIMATES

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

Income taxes

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

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

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

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

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

SHARE-BASED COMPENSATION TRANSACTIONS

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

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

Fair value
The carrying values for primary financial instruments, including cash and equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair values due to their short-term maturities.

There have been no major or significant changes that have had an impact on the overall risk assessment of the Company during the period. The objectives and strategy for the exploration and evaluation asset portfolio remains unchanged.

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

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

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

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

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

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

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

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

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

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

CONTINGENT LIABILITY

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

OUTSTANDING SHARE DATA

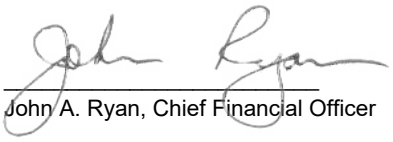
As at the date hereof the Company had 1,775,035 common shares outstanding, and 48,000 stock options outstanding.

FORWARD LOOKING STATEMENTS

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

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

This MD&A is dated as of July 24, 2017



John A. Ryan, Chief Financial Officer