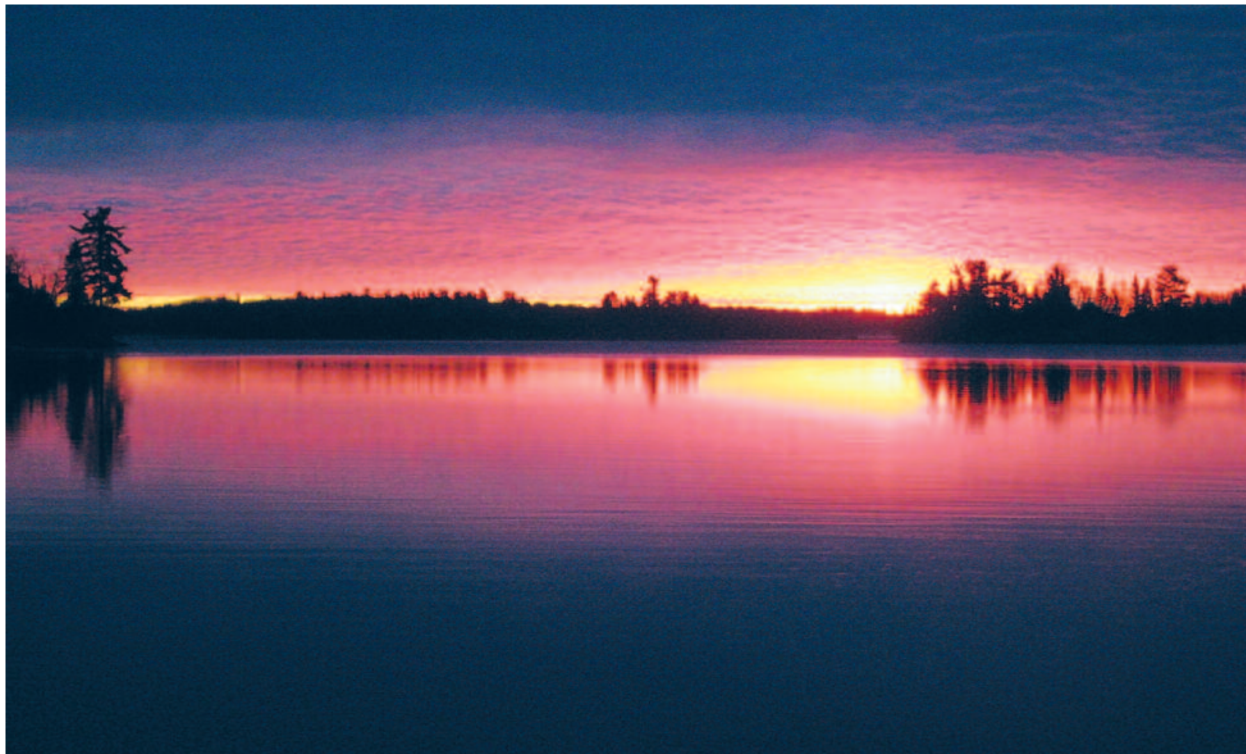
METALORE RESOURCES LIMITED

Our 68th Year

2011 Annual Report

"Sunrise at Paradise Point"

This cover (front and back) photo captures the awe of early morning pristine wilderness from our base camp at Paradise Point, Lake of the Woods, Northwestern Ontario. It was taken by Armen Chilian, P.Geo., last October (2010), during drilling operations at our Cedartree Lake Gold Project.



Metalore sells the bulk of its Natural Gas production by negotiating guaranteed delivery, multimonth, Forward "Strip" Contracts with major marketers. Superimposed on the lower part of the cover photo is the most recent Real-time, five year summary graph, showing the PREMIUM composite[1] PRICES obtained by Metalore from these contracts compared to the North American "Benchmark" (NYMEX)[2] prices.

A classic example of this PREMIUM is the five month (November, 2008 through March, 2009) Winter Strip, when Metalore contracted and sold 65.2 Million British Thermal Units at a composite price of $13.41 (per MMBtu) for a gross revenue of $874,332. During this same five month period the average, calculated, closing weekly NYMEX price was $5.24 per MMBtu, which would have yielded a gross revenue of $341,648 for the 65.2 MMBtu. Metalore realized a PREMIUM of $532,684 from this five month strip alone.

It should be noted that only one of our 21 forward contracts (during the five year period) resulted in a strip being sold at a lower average price than the NYMEX Benchmark.

Metalore did not enter into any multimonth strips for the first six months of the 2011 calendar year because there was no economic advantage to lock in contracts during a period of sustained low prices. We have resumed negotiating strip contracts as the market conditions improved.

[1] *Includes adjustments for location, foreign exchange and unique proprietary contracts.*

[2] *New York Mercantile Exchange (candle chart from TD Ameritrade IP Company Inc.)*

METALORE RESOURCES LIMITED

Officers and Directors

GEORGE W. CHILIAN, *BA*
President, CEO and Managing Director .... *Vittoria, Ontario*

JOHN A. RYAN, *CGA*
Director and CFO .... *Simcoe, Ontario*

BRUCE A. DAVIS, *MA*
Director .... *Grand Rapids, Minnesota*

TIMOTHY J. CRONKWRIGHT, *BA*
Director .... *Simcoe, Ontario*

MICHAEL A. DEHN, *MSc*
Director .... *Oakville, Ontario*

JOHN C. McVICAR, *BA*
Director .... *Brantford, Ontario*

DAVID J. SLATER, *MA*
Director .... *Lasalle, Ontario*

Executive Office and Natural Gas Division	*Rural Route #1* .... *Vittoria, Ontario*
Production Manager and Hydrocarbon Geologist	*JONATHAN CHILIAN, BSc* .... *Vittoria, Ontario*
Assistant Production Manager	*CARL CHILIAN, BA* .... *Simcoe, Ontario*
Bankers	*ROYAL BANK OF CANADA* .... *Simcoe, Ontario*
Accountant	*HOWARD WALTON, BSc, CMA* .... *Simcoe, Ontario*
Auditors	*NPT, LLP Chartered Accountants*.. *London, Ontario* *(Formerly Neal, Pallett and Townsend, LLP)*
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	*2010 High $8.10 (CD) .... 2011 Low $6.25 (CD)*
Annual Meeting	*BEST WESTERN LITTLE RIVER INN* .... *Simcoe, Ontario* *Atrium Room* *Saturday, September 17, 2011, 12:30 p.m.*
Website and Email	*www.metaloreresources.com* *info@metaloreresources.com*

METALORE RESOURCES LIMITED

2011 Fiscal Year End Financial Statements

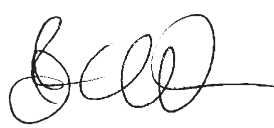
BALANCE SHEET AS AT MARCH 31

		2011		2010
ASSETS				
CURRENT				
Cash and cash equivalents	**$**	**170,229**	$	248,040
Marketable securities *(Note 3)*		**1,396,231**		1,289,297
Accounts receivable		**125,319**		144,799
Inventory		**57,260**		48,240
Income taxes recoverable		**-**		7,004
Prepaid expenses		**5,000**		-
		1,754,039		1,737,380
Natural gas properties *(Note 4)*		**10,860,225**		10,861,142
Land		**78,000**		78,000
Mining properties		**4,091,002**		3,683,781
	$	**16,783,266**	$	16,360,303
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT				
Accounts payable and accrued liabilities	**$**	**109,876**	$	164,879
Income taxes payable		**3,131**		-
Current portion of long term debt *(Note 5)*		**14,306**		16,008
		127,313		180,887
Long term debt *(Note 5)*		**-**		30,515
Future income taxes		**2,425,500**		2,752,000
Asset retirement obligation *(Note 11)*		**261,413**		187,500
		2,814,226		3,150,902
SHAREHOLDERS' EQUITY				
Share capital *(Note 7)*		**2,468,832**		2,468,832
Contributed surplus *(Note 8)*		**36,634**		36,634
Accumulated comprehensive income *(Note 15)*		**481,174**		110,489
Retained earnings		**10,982,400**		10,593,446
		13,969,040		13,209,401
	$	**16,783,266**	$	16,360,303

CONTINGENT LIABILITY *(Note 12)*

See accompanying notes

Approved on behalf of the Board:



John A. Ryan,
Director and CFO

John C. McVicar,
Director

METALORE RESOURCES LIMITED

STATEMENT OF INCOME
AS AT MARCH 31

		2011		2010
REVENUE				
Natural gas production	$	1,131,580	$	1,000,651
Investment income		69,058		62,877
Royalties		3,955		3,592
		1,204,593		1,067,120
ROYALTIES PAID		82,532		57,841
NET REVENUE		1,122,061		1,009,279
EXPENSES				
Natural gas production		476,960		450,262
Amortization of natural gas assets		276,485		219,000
Administration		177,603		141,590
Accretion		15,913		11,142
		946,961		821,994
INCOME FROM OPERATIONS		175,100		187,285
OTHER INCOME (EXPENSES)		(5,845)		24,480
INCOME BEFORE INCOME TAXES		169,255		211,765
INCOME TAXES (RECOVERED)				
Current		-		9,000
Future		(326,500)		(216,000)
		(326,500)		(207,000)
NET INCOME FOR THE YEAR	$	495,755	$	418,765
EARNINGS PER SHARE	$	0.28	$	0.24
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		1,775,035		1,775,035

See accompanying notes

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MARCH 31

		2011		2010
NET INCOME	$	495,755	$	418,765
CHANGES IN COMPREHENSIVE INCOME				
Unrealized gain on available for sale securities		364,673		399,708
Reclassification for realized gains (losses)		6,012		(102,585)
OTHER COMPREHENSIVE INCOME		370,685		297,123
COMPREHENSIVE INCOME FOR THE YEAR	$	866,440	$	715,888

See accompanying notes

METALORE RESOURCES LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2011	2010
OPERATING ACTIVITIES		
Net income for the year	**$ 495,755**	$ 418,765
Items not affecting cash:		
Amortization of property, plant and equipment	**276,485**	219,000
Loss (gain) on disposal of investments	**5,845**	(24,480)
Future income taxes	**(326,500)**	(216,000)
Accretion	**15,913**	11,142
	467,498	408,427
Changes in non-cash working capital:		
Accounts receivable	**19,480**	113,251
Inventory	**(9,020)**	(9,090)
Accounts payable and accrued liabilities	**(55,001)**	(82,829)
Income taxes payable	**10,135**	(56,560)
Prepaid expenses	**(5,000)**	-
	(39,406)	(35,228)
Cash flow from operating activities	**428,092**	373,199
INVESTING ACTIVITIES		
Proceeds on disposal of marketable securities	**588,494**	739,530
Purchase of marketable securities	**(330,093)**	(213,760)
Natural gas development and exploration costs	**(218,065)**	(717,739)
Mining exploration costs	**(407,221)**	(235,331)
Cash flow used by investing activities	**(366,885)**	(427,300)
FINANCING ACTIVITIES		
Dividends paid	**(106,801)**	(45,454)
Proceeds from long term financing	**-**	48,000
Repayment of long term debt	**(32,217)**	(1,477)
Cash flow from (used by) financing activities	**(139,018)**	1,069
DECREASE IN CASH AND CASH EQUIVALENTS	**(77,811)**	(53,032)
Cash and cash equivalents - beginning of year	**248,040**	301,072
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 170,229**	$ 248,040
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	**$ 26,003**	$ 3,110
Interest paid	**$ 27**	$ 254
Corporate taxes paid (received)	**$ (10,135)**	$ 65,560

See accompanying notes

METALORE RESOURCES LIMITED

STATEMENT OF RETAINED EARNINGS
YEAR ENDED MARCH 31

	2011	2010
RETAINED EARNINGS - BEGINNING OF YEAR	**$ 10,593,446**	$ 10,220,136
Net income for the year	**495,755**	418,765
	11,089,201	10,638,901
Dividends	**(106,801)**	(106,766)
Unclaimed dividends refunded *(Note 9)*	**-**	61,311
RETAINED EARNINGS - END OF YEAR	**$ 10,982,400**	$ 10,593,446

See accompanying notes

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Metalore Resources Limited

We have audited the accompanying financial statements of Metalore Resources Limited, which comprise the balance sheets as at March 31, 2011 and 2010, and the statements of income, retained earnings, comprehensive income 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 Canadian generally accepted accounting principles, 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.

Auditor's 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 auditor's 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 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, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

NPT LLP
Chartered Accountants, Licensed Public Accountants
London, Canada
June 23, 2011

METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011

1. NATURE OF OPERATIONS

Metalore Resources Limited is a junior resource company dedicated to natural gas production and gold exploration in Ontario.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are summarized below.

Revenue recognition

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

Investment income is recognized when earned.

Cash and cash equivalents

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

Inventory

Inventory consists of pipe, fittings and processing supplies and 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.

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 before royalties determines the proportion of depletable costs to be expensed. The natural gas reserves of the Company are assessed annually.

Total capitalized costs net of accumulated depletion and future income taxes is limited to an amount equal to the estimated future net revenue from proven reserves at year end, less estimated future production related general and administrative expenses, financing costs and income taxes. At March 31, 2011 and 2010, no writedown was required. The prices used to estimate future cash flows are based on published forecasted prices for the NYMEX adjusted for the historical price differential between Metalore's gas sales and the benchmark.

Forecasted prices, in Canadian dollars, for the following next six calendar years are:

Remainder of 2011	6.10	per Mcf		2014	8.21	per Mcf
2012	6.92	per Mcf		2015	8.75	per Mcf
2013	7.47	per Mcf		2016	9.14	per Mcf

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 Goldstone Resources Inc., formerly Ontex Resources Limited. The Company also owns a 100% interest in 306 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 $1,537 (2010 - $1,785) and exploration costs of $119,257 (2010 - $11,572) were capitalized. Disposals of mining property and equipment are 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 will be written off. Mining properties are assessed annually or as economic events dictate, for potential write-down.

Financial instruments

Financial instruments - recognition and measurement

The Company has classified its marketable securities as available for sale assets. Accounts receivable is classified as loans and receivables. Cash and cash equivalents is classified as held for trading while accounts payable and accrued liabilities, and due to shareholders are classified as other financial liabilities.

Purchase and sale of securities are accounted for on a trade date basis.

Fair value hierarchy

The Company follows the recommendations of CICA Handbook Sections 3862 and 3863 for the disclosure and presentation of its financial instruments. Under Section 3862, the Company is required to classify their financial instruments within a hierarchy that prioritizes the inputs to fair market value. The three levels of the fair value hierarchy are:

Level 1 - unadjusted quoted prices in an active market for identical assets or liabilities

Level 2 - inputs other than quoted market prices that are observable for the asset or liability either directly or indirectly

Level 3 - inputs that are not based on observable market data.

Cash and cash equivalents, marketable securities are measured at fair value using Level 1 inputs and accounts receivable, accounts payable and accrued liabilities and due to shareholders are measured at fair value using Level 2 inputs.

Section 3863 establishes the standards for presentation of financial assets and liabilities from the perspective of the issuer as well as the classification of interest, dividends, gains and losses as well as the circumstances in which financial assets and liabilities can be offset.

Impairment Test

The Company performs an impairment test annually to determine the recoverability of capitalized costs associated with reserves. Should the amount of the capitalized costs exceed the amount of the reserves, the resulting impairment loss will be recognized in earnings. The amount of the impairment loss is determined by making assumptions about future reserves, the price of natural gas and future costs all of which are subject to uncertainty. By their nature, these estimates are subject to measurement uncertainty and changes in these estimates may have a material impact on the financial statements of future periods.

Asset retirement obligation

The Company recognizes the fair value of the estimated asset retirement obligations on the balance sheet when a reasonable estimate of fair value can be made. The fair value of the estimated obligation associated with the retirement and reclamation of tangible long-lived assets is recorded in the period the related assets are put into use with a corresponding increase to the carrying amount of the related assets. This increase in capitalized costs is depleted to income on a basis consistent with the underlying assets. Subsequent changes in the estimated fair value of the asset retirement obligation are capitalized and depleted over the remaining useful life of the underlying asset.

The asset retirement obligation liabilities are carried on the balance sheet at their discounted present value and are accreted over time for the change in their present value.

METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011

(Continued from previous page)

Future income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Stock options

The Company uses the fair value method using the Black-Scholes option pricing model to account for stock options granted to employees. Under the fair value method, the Company recognizes estimated compensation expense related to stock options over the vesting period of the options granted, with the related credit being charged to contributed surplus. Upon exercise of any stock options, amounts previously credited to contributed surplus are reversed and credited to share capital. There were no stock options issued during the year or in the prior year.

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 2011 and fiscal 2010.

Future changes in significant accounting policies

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) effective for all interim and annual financial statements for fiscal years beginning on or after January 1, 2011, with early adoption permitted. As a result these changes will be effective for the Company's fiscal period ended March 31, 2012. The transition date of April 1, 2010 will require the restatement of comparative balances for the year ended March 31, 2011. The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal control over financial reporting and disclosure controls and procedures. The transition date of April 1, 2010 will require the restatement of comparative balances for the year ended March 31, 2011.

IFRS transition plan

The Company has established a comprehensive IFRS transition plan to assist with the planning and implementation of its transition to IFRS. The following summarizes the Company's progress and expectations with respect to the IFRS transition plan:

1. Scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.
    - In progress, completion during Q1 Fiscal 2012
2. Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 First Time Adoption of International Financial Reporting Standards
    - In progress, completion during Q1 Fiscal 2012
3. Resolution of the accounting policy change implications on information technology, business processes and contractual arrangements.
    - In progress, completion during Q1 Fiscal 2012
4. Quantification of the financial statement impact of changes in accounting policies.
    - In progress, completion during Q1 Fiscal 2012
5. Management and employee education and training.
    - Throughout the transition process and on-going as needed

Impact of adopting IFRS on the Company's business

As part of the analysis of potential changes to significant accounting policies, the Company is assessing what changes may be required to its accounting systems and business processes. The Company believes that the changes identified to date are minimal and the systems and processes can accommodate the necessary changes.

To date the Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies. The Company's staff and advisors involved in the preparation of financial statements are being trained on the relevant aspects of IFRS and the anticipated changes to accounting policies. Employees of the Company that will be affected by a change to business processes as a result of the conversion to IFRS will also be trained as necessary. The Board of Directors and Audit Committee have been regularly updated on the progress of the IFRS conversion plan and made aware of the evaluation to date of the key aspects of IFRS affecting the Company.

First time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 "First Time Adoption of International Financial Reporting Standards" (IFRS 1), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment. The Company expects to identify the optional exemptions that it expects will apply in
its preparation of an opening IFRS statement of financial position as at April 1, 2010, the Company's "Transition Date". Prior to reporting interim financial statements in accordance with IFRS for the quarter ended June 30, 2011, the Company may decide to apply other optional exemptions contained in IFRS 1.

IFRS does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

Impact of adopting IFRS on the Company's financial statements

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements. The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas the Company has identified as having the most potential for significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies on adoption of IFRS. At the present time however, the Company is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below:

METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011

(Continued from previous page)

1. Exploration and Evaluation Expenditures

   IFRS currently allows an entity to retain its existing accounting policies related to the exploration for and evaluation of mineral properties, subject to some restrictions. The Company expects to retain its current policy of expensing exploration and evaluation expenditures are incurred. Therefore, the Company does not expect that the adoption of IFRS will result in any significant change to the related line items within its financial statements.

2. Impairment of (Non-Financial) Assets

   IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined to be the greater of the fair value less costs to sell and the discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value. The Company's accounting policies related to impairment of assets will be

   changed to reflect these differences, however the Company does not expect this change will have an immediate impact to the carrying value of its assets. The Company will perform impairment assessments as at the Transition Date in accordance with IFRS.

3. Share-based Payments

   In certain circumstances IFRS requires a different measured of stock-based compensation related to stock options than current Canadian GAAP. The Company does not expect any changes to its accounting policies related to share-based payments that would result in a significant change to line items within its financial statements.

4. Asset Retirement Obligations (Decommissioning Liabilities)

   IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that will take certain actions. The Company's accounting policies related to decommissioing liabilities will be changed to reflect these differences, however the Company does not expect this change will have an immediate impact to the carrying value of its assets.

5. Property and Equipment

   IFRS contains different guidance related to recognition and measurement of property and equipment than current Canadian GAAP. The Company does not expect any changes to its accounting policies related to property and equipment that would result in a significant change to line items within its financial statements.

6. Income Taxes

   In certain circumstances IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes. The Company does not expect any changes to its accounting policies related to income taxes that would result in a significant change to line items within its financial statements.

Subsequent disclosure

Further disclosure of the IFRS transition process is expected on the Company's first financial statements prepared in accordance with IFRS, the interim financial statements for the three months ending June 30, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ended June 30, 2011 will also include 2011 financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition position (as at April 1, 2010).

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. MARKETABLE SECURITIES

	2011		2010	
	Cost	**FMV**	Cost	FMV
Income trust units	**$ 230,313**	**$ 318,500**	$ 133,492	$ 149,072
Partnership units	**337,728**	**597,800**	326,439	412,032
Common shares	**347,016**	**479,931**	718,877	728,193
	$ 915,057	**$ 1,396,231**	$ 1,178,808	$ 1,289,297

4. NATURAL GAS PROPERTIES

	Cost	Accumulated amortization	**2011 Net book value**	2010 Net book value
Gas wells, transmission lines and leases	$ 15,463,410	$ 4,603,185	**$ 10,860,225**	$ 10,861,142

A portion of general and administrative costs of $12,296 (2010 - $14,280) and production costs of $136,819 (2010 - $188,097) were capitalized to natural gas properties, the Company’s core business.

5. LONG TERM DEBT

	2011	2010
Royal Bank of Canada term loan repayable in monthly principal payments of $1,334, bearing interest at prime plus 1.25%, secured by a general security agreement and a collateral mortgage on the land owned by the Company.	**$ 14,306**	$ 46,523
Amounts payable within one year	**(14,306)**	(16,008)
	$ – – –	$ 30,515

METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011

(Continued from previous page)

6. 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.

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 2011 expense charged by SONG amounted to $87,773 (2010 - $78,000). The Company and SONG also have a 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 three years due to a lack of market demand.

As at March 31, 2011, the Company owed SONG $17,023 (2010 - $55,900) which is comprised of amounts payable related to technical services and natural gas production of $17,023 (2010 - $55,900) and $Nil (2010 - $Nil) respectively. This indebtedness is unsecured, non-interest bearing, due on demand and included with accounts payable and accrued liabilities.

7. SHARE CAPITAL

Authorized: 4,000,000 Common shares

	2011	2010
Issued: 1,775,035 Common shares	**$ 2,468,832**	$ 2,468,832

8. STOCK OPTIONS

There were no stock options outstanding at the end of the fiscal years 2011 or 2010.

9. UNCLAIMED DIVIDENDS REFUNDED

The unclaimed dividends refunded represent dividends declared in past years for which the shareholders could not be located. These dividends have not been claimed and have accumulated over the years. All attempts made by the transfer agent who administers these dividend payments have been unsuccessful and it is not believed that the dividends will be claimed and thus the amounts have been returned to retained earnings.

10. INCOME TAXES

The provision for income taxes recorded in the financial statements varies from the amount that would be computed by applying the statutory income tax rate of 30.12% (2010 - 32%) as a result of the following:

	2011	2010
Income before income tax provision	**$ 169,255**	$ 211,765
Anticipated income tax expense	**50,980**	68,000
Tax effect of the following:		
Adjustment for substantially enacted rates	**(431,860)**	(294,700)
Corporate minimum taxes	_ _	9,000
Capital transactions	**61,170**	35,000
Other	**(6,790)**	24,300)
Provision for income taxes	**$ (326,500)**	$ (207,000)

Tax benefits in excess of any current income are reflected in the calculation of the future income tax liability.

The tax balances, available in perpetuity to reduce future taxable income, are as follows:

	2011	2010
Cumulative Canadian exploration expenses	**$ 2,397,560**	$ 2,106,100
Investment in flow through shares	– –	180,000
Cumulative Canadian development expenses	**616,070**	629,800
Cumulative Canadian oil and gas property expenses	**457,530**	481,300
Foreign exploration and development expenses	**2,560**	2,800
Undepreciated capital costs - property, plant and equipment	**694,510**	748,400

Due to the use of the above tax balances in the current year, the Company has no current income taxes payable. In addition, the Company has incurred accumulated corporate minimum taxes of $140,000 which can be used to reduce future provincial income taxes payable. This benefit has not been recognized due to the uncertainty of realizing this benefit within the carry-forward period.

Upon the transition to harmonized corporate filing of Federal and Provincial income tax returns on January 1, 2009, the Company recognized a transitional credit of approximately $204,500. This credit is available over a period of five years to reduce future corporate income taxes payable.

The Company has a capital loss of $403,100 available for application against future years' capital gains, with no expiry date.

11. ASSET RETIREMENT OBLIGATION

	2011	2010
Asset retirement obligation - beginning of year	**$ 187,500**	$ 176,600
Revisions to estimated cash flows	**58,000**	(4,500)
Additions for new wells	– –	4,300
Accretion	**15,913**	11,100
Asset retirement obligation - end of year	**$ 261,413**	$ 187,500

The total undiscounted amount of estimated cash flows required to settle the obligation at year end is $2,461,808 (2010 - $2,713,873) which has been discounted at 6.5% using a fifty year maximum life in accordance with estimates prepared by independent engineers. Estimated future retirement costs such as dismantlement, site restoration and abandonment costs are subject to uncertainty associated with the method, timing and extent of future dismantlement, site restoration and abandonment. For example, changes in legislation or technology may result in actual future costs that differ materially from those currently estimated.

METALORE RESOURCES LIMITED

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011

(Continued from previous page)

12. COMMITMENTS

The Company is party to natural gas and mining lease commitments requiring ongoing annual compensation payments in the amount of $10,000 (2010 - $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 or development, making it not practical to disclose the amount of contractual commitments.

The Company has an outstanding letter of guarantee in the amount of $70,000 (2010 - $70,000) that is required under the Regulations prescribed by the Ministry of Natural Resources.

13. FINANCIAL INSTRUMENTS

Credit Risk

As the Company's accounts receivable were due from two customers, there is increased exposure as a result of this concentration. In order to reduce this risk, the Company prefers selling to high quality, investment grade customers.

Fair Value

The Company has various financial instruments including cash and cash equivalents, marketable securities, accounts receivable, accounts payable and accrued royalties. Except for the marketable securities, book values approximate fair value due to their short-term maturity. Details of the fair market value of the marketable securities are disclosed in note 3.

Interest Rate

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Organization is exposed to interest rate risk primarily through its floating interest rate cash reserve and long term debt.

Commodity Risk

The Company is exposed to fluctuations in commodity prices for natural gas. Commodity prices are affected by many factors including supply, demand and the Canadian to U.S. dollar exchange rate. The Company had arranged the following price commodity contracts for sales subsequent to the end of the year.

April 1, 2011 to April 16, 2011	300 mmbtu per day	$4.60 CDN/mmbtu
April 17, 2011 to April 30, 2011	300 mmbtu per day	$4.80 CDN/mmbtu
May 1, 2011 to May 31, 2011	333 mmbtu per day	$4.89 US/mmbtu
June 1, 2011 to October 31, 2011	300 mmbtu per day	$5.09 US/mmbtu

14. 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 mining exploration, natural gas properties, and long-term investments.

The Company considers its capital structure to include shareholders' equity and working capital. The Company manages its capital structure and makes adjustments to it in the 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 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, 2011 the Company's working capital was $1,626,726 (2010 - $1,556,493).

15. ACCUMULATED COMPREHENSIVE INCOME

	2011	2010
Accumulated comprehensive income (loss) - beginning of year	**$ 110,489**	$ (186,634)
Other comprehensive income	**370,685**	297,123
Accumulated comprehensive income - end of year	**$ 481,174**	$ 110,489

METALORE RESOURCES LIMITED

Management's Discussion & Analysis of Financial Results For the Fiscal Year ended March 31, 2011

The management discussion and analysis, prepared as of June 29, 2011 review and summarize the activities of Metalore Resources Ltd. ("Metalore" or the "Company") and compare the financial results for the period ended March 31, 2011 with those from March 31, 2010. The following should be read together with the audited financial statements for the year ended March 31, 2011 and related notes attached thereto, which were prepared by management in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

CORPORATE PROFILE

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

The consistent modi operandi of the Company has been to prioritize the allocation of operating income to (1) maintain capital integrity, (2) drill sufficient wells to sustain and or increase production, (3) explore mining exploration prospects of especial merit and (4) continue to pay dividends to Shareholders from operating profits.

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 ("MET" on TSX). The Company has protected the equity of shareholders for the past forty years by financing all exploration and development costs with cash flow from operations. Metalore inaugurated payment of its first cash dividend to shareholders in the year 2000 and has since paid its eleventh consecutive annual dividend.

OVERALL PERFORMANCE

Management of the Company has established a record of discovering and outlining precious metal resources (Brookbank, Fox Ear, Cherbourg and Irwin, in the Windigokan Lake area, Northwestern Ontario, are 43-101 compliant). The major interests in these deposits were sold in 1998 to Ontex Resources (now Premier Gold), subject to joint venture participations and royalty interests to Metalore. Although the price of Gold has been trending sharply higher since Metalore acquired its new Cedartree Lake properties, mining exploration is a very high risk business, in terms of returns on investment. Consequently, the Company continues to diligently limit and carefully direct the funds dedicated to this enterprise.

Metalore manages a large portfolio of undrilled petroleum and natural gas leases and sustains production by the systematic drilling of new wells. The Company has consistently located its wells on ultra wide spacing patterns to minimize the year to year decline and maximize the longevity of production – which can be verified by its forty-five year production record. Although the price of Natural Gas has been trending lower for the past three years, there is considerably less risk in hydro-carbon development than with mining exploration. Consequently, the Company continues to allocate whatever funds are necessary to sustain production levels.

Metalore's Natural Gas Operation continues to yield the highest MARGIN of profit (per capital invested and revenue recovered) of any actively developing gas producer in Ontario.

MINING EXPLORATION UPDATE

During the spring of 2010, the Company launched a new two year exploration program on its Cedartree Lake Gold properties in Northwesten Ontario. From early April to mid July a two man crew staked an additional 172 mining claim units [1], contiguous to the original 134 claims acquired in 2002, where Metalore obtained high grade gold intersections with early drillings (November, 2002, Quarterly Report to Shareholders).

From mid July through late September, the Company employed a local lumber/saw mill contractor to forge some seven kilometers of drill access roads through rugged wilderness terrain with heavy equipment (tree buncher, excavator, dozer and power washer). This equipment enabled Metalore's Geologist to conduct stripping operations (removal alluvial material) at several locations to examine and map the underlying rock (and mineralization) in preparation for drilling. All of this work was done at nominal cost as there was a synergetic benefit in providing timber for the sawmill from slashing the access route. This access/stripping operation required daily supervision by the geologist for more than two months, however, and drilling was not commenced until October.

From mid October to mid December just seven drill holes were completed, two on targets associated with geophysical anomalies and five on the projected southwest extension of the main gold zone. These results will be combined and released upon completion of the forthcoming expanded drill program this season. The drilling also positively confirmed that subsurface disseminated and massive sulphide mineralization could be precisely located by correlating high tech ground geophysics [2] with airborne anomolies[3] in favourable geology of the Cedartree Lake area.

Metalore will continue to apply the optimum of its human, technical and financial resources to evaluate the economic potential of this extensive property.

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[1] Each claim unit measures approximately 40 acres.

[2] Induced Potential.

[3] Texas Gulf Sulpher drilled 65 airborne anomolies in the spruce swamps north of Timmins before discovering the massive Kidd Creek orebody (Cu, Zn, Ag), now being mined below 10,000 feet underground by Xstrata.

METALORE RESOURCES LIMITED

MD&A (cont'd)

SELECTED ANNUAL INFORMATION for the years ended:	March 31, 2011	March 31, 2010	March 31, 2009
Statement of Income	$	$	$
Total Revenues	1,204,593	1,067,120	2,125,061
Operating expenses	1,029,493	879,835	1,177,558
Net Income after taxes *	495,755	418,765	697,243
Earnings per share (fully diluted)	0.28	0.24	0.39
Statement of Cash Flows			
Cash flow from operations	428,091	373,199	1,179,235
Cash flow from operations per share	0.24	0.21	0.66
Accumulated Comprehensive Income			
Accumulated gains & losses included in the balance sheet at the end of the year	481,174	110,489	(186,634)
Total Assets	16,783,266	16,360,303	15,980,831
Total Long Term Liabilities	-	30,515	-
Cash Dividends Per Share	.06	.06	.06

CAPITAL RESOURCES & LIQUIDITY	March 31, 2011	March 31, 2010	March 31, 2009
Cash	$170,229	$ 248,040	$ 301,072
Current Assets (including cash)	1,754,039	1,737,380	1,062,592
Current Liabilities	127,313	180,887	297,263
Excess of Current Assets over Current Liabilities	1,626,726	1,556,493	765,329

As a Junior Mining Exploration Company that protects Shareholder Equity, Metalore diligently maintains a comfortable level of liquidity on its Balance Sheet.

RESULTS OF OPERATIONS

The Company had net income of $495,755 or $0.28 per share for the year ended March 31, 2011 compared to a net income of $418,765 or $0.24 per share for the year ended March 31, 2010. No forward strip contracts were in place after the end of October 2010. Production was being sold at two week intervals on the spot market at prices shown on the cover of this report.

Revenue and expenses incurred during the year consist of:

1. Natural gas revenue of $1,131,580 (2010 - $1,000,651) increased during the current fiscal year despite continuing low market prices for natural gas. Three new wells were also placed "on stream" late in fiscal 2010, also increased the overall volume of gas produced.
2. Investment & interest income of $69,058 (2010 - $62,877) slightly increased due to a higher ratio of high dividend paying securities in its investment portfolio (all Ontex shares were liquidated).
3. Royalty expenses of $82,532 (2010 - $57,841) normally vary in proportion to natural gas revenue. They were low in 2010 because of an accrual adjustment.
4. Production expenses of $476,960 (2010 - $450,262) have increased because of an abnormally cold winter requiring higher maintenance.
5. Administrative expenses of $177,603 (2010 – $141,590) have also increased.
6. Amortization expense of $276,485 (2010 - $219,000) has increased in proportion to the amount of natural gas shipped.
7. Future income taxes showed a recovery (negative amount) of $326,500. (2010 - $216,000). In both cases this was because of a re-assessment of future income taxes based on the lower income tax rates introduced in recent years.

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	March 31 2011	Dec 31 2010	Sep 30 2010	Jun 30 2010	March 31 2010	Dec 31 2009	Sep 30 2009	Jun 30 2009
Revenue	$209,982	$ 405,875	$ 278,927	$ 309,809	$ 362,664	$ 313,905	$ 231,409	$ 159,142
Net Income (loss)	263,749	133,572	49,867	48,567	269,555	92,348	65,579	(8,717)
Earnings per share	0.15	0.08	0.03	0.03	0.15	0.05	0.04	0.00
Operating Cash flow per share	(0.02)	0.13	0.06	0.07	(0.02)	0.10	0.03	0.10
Dividends per share	--	0.06	--	--	--	0.06	--	--

The comparability of selected consolidated financial information set out above is affected by the same material factors as set out under "Overall Performance" and "Results of Operations" herein. For a more detailed explanation of the Company's results of operations, please refer to items 1 and 2 in the Notes to the Financial Statements for the year ended March 31, 2011.

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*The Company pays a minimum corporate tax; however, no tax on income is presently payable by the company because of exploration and development expenditures that are carried forward (details in Note 10, 2011 Audited Financial Statements).

CONTRACTUAL OBLIGATIONS

Report for the next five years

Contractual Obligations	Less than 1 year	1-3 years	4-5 years	Total
Natural Gas Leases	$ 10,000	$ 30,000	$ 50,000	$ 90,000
Natural Gas Royalties[4]	$100,000	$300,000	$ 500,000	$ 900,000
Total Contractual Obligations	$110,000	$330,000	$ 550,000	$ 990,000

Note: the Company also has an estimated Asset Retirement Obligation of $261, 413 that will be incurred beyond the five year timetable.

CRITICAL ACCOUNTING ESTIMATES

Management is required to make estimates in preparing its financial statements in conformity with generally accepted accounting principles (GAAP). 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 costs, mining property costs, amortization and depletion of any resource established or found, and future income taxes.

i. Natural Gas Property Costs

The full cost method of accounting is used whereby acquisition and development costs relating to these 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 proven reserves before royalties determines the proportion of depletable costs to be expensed. The natural gas reserves of the company are assessed annually by an independent engineer, as verified by the annual filing of National Instrument Form 51-101 with SEDAR. Total capitalized costs net of accumulated depletion and future income taxes is limited to an amount equal to the estimated future net revenue from proven reserves at year end and costs, less future cash flows based on the Alberta AECO spot price, increased by $1.30 per mmbtu to allow for actual prices received near Dawn, Ontario. Forecast prices used for the next five years are listed in note 2 of the notes to the annual financial statements.

The significance to the financial statements of the estimate of depletion of natural gas properties is that it historically accounts for twenty percent of total expenses before income taxes. The sensitivity of this estimate is such that an error of ten percent in its calculation would therefore affect total pre-tax expenses by two percent.

The company performs an impairment test annually to determine the recoverability of capitalized costs associated with reserves of natural gas. Should the amount of the capitalized costs exceed the amount of the reserves, the resulting impairment loss will be recognized in earnings. The amount of the impairment loss is determined by making assumptions about future reserves, the price of natural gas and future costs all of which are subject to uncertainty. By their nature, these estimates are subject to measurement uncertainty and changes to these estimates may have a material impact on the financial statements of future years. For example the table of future estimated gas prices reported in note 2 to the financial statements for 2011 is approximately double the market price currently prevailing. The Company has no control over the continental market price of natural gas.

ii. Mining Property Costs

Acquisition and exploration costs are capitalized. Disposals of mining property and equipment are offset against the acquisition costs. If exploration activities are followed by production, capitalized costs will be amortized using the unit of production method based on the estimated reserves in the area. Mining properties are assessed annually or as economic events dictate, for potential write down. If exploration activities are unsuccessful and or the area is abandoned, all capitalized costs are written off.

The significance to the financial statements of accounting for mining properties is limited to the balance sheet. There is currently no production from the properties and for this reason no estimates for depletion are necessary. The sensitivity of the balance sheet data to carrying an abandoned asset depends on the historical cost of the asset. The risks involved in exploration for minerals have been discussed under "Risks and Uncertainties" on page 5 herein.

iii. Future Income Taxes

Income taxes are calculated using the liability method of tax allocation. Temporary differences between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using the substantively enacted tax rates and laws that are expected to be in effect in the periods that the temporary differences are expected to reverse. The effect of changes in rates is included in earnings in the period which includes the substantive enactment.

The significance of the calculation of future income taxes to the financial statements is that it can be as much as thirty percent of pre-tax net income. Differences in the estimate of future income taxes can have a significant effect on the calculation of net income after taxes, as was the case this year and in 2009 and 2010. On the balance sheet, future income taxes account for approximately 14% of total liabilities and equity.

The sensitivity of this estimate is small because historically the Company has paid only Provincial corporate minimum taxes. The Income Tax Act of Canada provides for deductions of exploration and development expenses that can be applied against current income before income tax becomes applicable. The Company has accumulated sufficient deductions of exploration and development expenses to delay payment of future income taxes for several years. Every year that wells are drilled and developed, or other exploration is conducted, this timeline is pushed still further into the future.

[4] Note: Natural Gas royalties are based upon minimum estimated Natural Gas production.

FINANCINGS

There were no financings during fiscal year ended March 31, 2011.

OFF BALANCE SHEET INSTRUMENT

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.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, cash equivalents, accounts receivable, marketable securities, 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, 2011. 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, 2011.

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.

TRANSACTIONS WITH RELATED PARTIES

All related party transactions have been recorded at the exchange amount that represented the amount of consideration established and agreed to by the related parties

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 and consulting 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 2011 expense charged by SONG amounted to $87,773 (2010 - $78,000). The Company and SONG also have a joint ownership (52% and 48% respectively) in natural gas properties in Houghton Township, Ontario. The Houghton battery has been shut in for the past three years due to a lack of market demand. As at March 31, 2011, the Company owed SONG $17,023 (2010 - $55,900) which is included in accounts payable and accrued liabilities.

b) During the year ended March 31, 2011, the Company paid the President and Chief Executive Officer $135,600 [2010 - $135,600] in respect of management and consulting services.

c) During the year ended March 31, 2011, the Company paid a company influenced by the Chief Financial Officer $4,700 [2010 - $3,500] in respect of management and consulting services.

SHAREHOLDER DIVIDEND POLICY

In the year 2000, Metalore introduced a policy to pay annual dividends to shareholders (subject to applicable law). Metalore paid its eleventh consecutive annual dividend on December 19, 2010, to all Shareholders of Record on November 27th. This payment of 6 cents per share was the same as for 2009.

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.

Hydrocarbon risks

The hunt for and development of conventional non-renewable hydrocarbons is vulnerable to price variations, dry holes and ultimately depleted reservoirs.

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.

FUTURE ACCOUNTING CHANGES: INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's reporting no later than in the quarter ending June 30, 2011, with restatement of comparative information presented. The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures.

IFRS Transition Plan

The Company has established a comprehensive IFRS transition plan to assist with the planning and implementation of its transition to IFRS. The following summarizes the Company's progress and expectations with respect to its IFRS transition plan:

Transition Plan	Progress
1) Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.	*In progress, completion expected during Q1 Fiscal 2012*
2) Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 First-time Adoption of International Financial Reporting Standards.	*In progress, completion expected during Q1 Fiscal 2012*
3) Resolution of the accounting policy change implications on information technology, business processes and contractual arrangements.	*In progress, completion expected during Q1 Fiscal 2012*
4) Quantification of the Financial Statement impact of changes in accounting policies.	*Throughout fiscal 2012*
5) Management and employee education and training.	*Throughout the transition process*

Impact of Adopting IFRS on the Company's Business

As part of its analysis of potential changes to significant accounting policies, the Company is assessing what changes may be required to its accounting systems and business processes. The Company believes that the changes identified to date are minimal and the systems and processes can accommodate the necessary changes. To date, the Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies. The Company's staff and advisers involved in the preparation of financial statements are being trained on the relevant aspects of IFRS and the anticipated changes to accounting policies. Employees of the Company that will be affected by a change to business processes as a result of the conversion to IFRS will also be trained as necessary. The Board of Directors and Audit Committee have been regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation to date of the key aspects of IFRS affecting the Company.

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment. The Company has identified the optional exemptions that it expects will apply in its preparation of an opening IFRS statement of financial position as at April 1, 2011, the Company's "Transition Date": Prior to reporting interim financial statements in accordance with IFRS for the quarter ended June 30, 2011, the Company may decide to apply other optional exemptions contained in IFRS 1.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

Impact of Adopting IFRS on the Company's Financial Statements

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements. The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas the Company has identified as having the most potential for significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies on adoption of IFRS. At the present time however, the Company is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below:

1) Exploration and Evaluation Expenditures

IFRS currently allows an entity to retain its existing accounting policies related to the exploration for and evaluation of mineral properties, subject to some restrictions. The Company expects to retain its current policy of expensing exploration and evaluation expenditures as incurred. Therefore the Company does not expect that the adoption of IFRS will result in any significant change to the related line items within its financial statements.

2) Impairment of (Non-Financial) Assets

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value. The Company's accounting policies related to impairment of assets will be changed to reflect these differences, however the Company does not expect this change will have an immediate impact to the carrying value of its assets. The Company will perform impairment assessments as at the Transition Date in accordance with IFRS.

3) Foreign Currency

IFRS requires that the functional currency of the Company be determined separately, and the factors considered to determine functional currency are somewhat different than current Canadian GAAP. The Company does not expect any changes to its accounting policies related to foreign currency that would result in a significant change to line items within its financial statements at the Transition Date.

4) Share-based Payments

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current Canadian GAAP. The Company does not expect any changes to its accounting policies related to share-based payments that would result in a significant change to line items within its financial statements.

5) Asset Retirement Obligations (Decommissioning Liabilities)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions. The Company's accounting policies related to decommissioning liabilities will be changed to reflect these differences, however the Company does not expect this change will have an immediate impact to the carrying value of its assets.

6) Property and Equipment

IFRS contains different guidance related to recognition and measurement of property and equipment than current Canadian GAAP. The Company does not expect any changes to its accounting policies related to property and equipment that would result in a significant change to line items within its financial statements.

7) Income Taxes

In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes. The Company does not expect any changes to its accounting policies related to income taxes that would result in a significant change to line items within its financial statements.

Subsequent Disclosures

Further disclosures of the IFRS transition process are expected as follows:

- The Company's Management Discussion and Analysis for the 2011 interim periods and the year ended March 31, 2012 will include updates on the progress of the transition plan, and, to the extent known, further information regarding the impact of adopting IFRS on key line items in the annual financial statements.
- The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending June 30, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending June 30, 2011 will also include 2011 financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition position (as at April 1, 2010).

DISCLOSURE OF OUTSTANDING SHARE DATA

As at the date hereof and March 31, 2011, the Company had 1,775,035 common shares outstanding. There are presently no stock options or warrants outstanding.

AUDITOR, TRANSFER AGENT and REGISTRAR

The auditors of the Company are NPT LLP, Chartered Accountants of London, Ontario. The Transfer Agent and Registrar for the Common Shares of the Company is Computershare Trust Company of Toronto Canada.

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 will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether 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 and at Company's website located at www.metaloreresources.com.

This MD&A is dated as of June 29, 2011 **John A. Ryan, CFO & Director**

FIVE YEAR NATURAL GAS COMPARATIVE PRICE GRAPH $ PER MMBtu

METALORE Negotiated “Strip” Contract Prices

METALORE “Spot” Prices

NYMEX “Front Month” Prices

per
MMBtu

$14
$13
$12
$11
$10
$ 9
$ 8
$ 7
$ 6
$ 5
$ 4
$ 3
$ 2

2006 2007 2008