



Claude Larouche, Geological Engineer, logging core at Cedartree camp, March/08.

#### FRONT COVER PHOTO

Pictured is "Alphie" and tools of the trade (magnifying glass, felt marker pen and geologist hammer) lying on boxes of drill core. Notice the pervasive quartz flooding in several rows of altered Gabbro just behind the puppy.

We drilled the main discovery (Diorite/Tuff) area at Cedartree from the last week of February into the first week of April.

When we returned to cut core sections for assay during the second week of May, Cedartree Lake was still completely icebound, except for a few feet of open water along the rocky shoreline. But Alphie, our six month old puppy, just had to have an invigorating swim before assuming *guard duty* on the core.

We cut and shipped over 350 samples by the end of May, with alternating sample numbers going to two separate laboratories. We expect to receive all of the assay results by early July. These assays will be correlated with the drill logs by Claude Larouche, our Project Manager at Cedartree and compiled for preparation of the required (43-101) report.

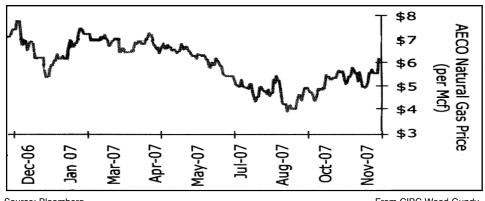
Officers and Directors	GEORGE W. CHILIAN, President, CEO and Managing Director	Vittoria, Ontario
	JOSEPH MAKSYMCHUK, Treasurer, Secretary, CFO and Director	Brantford, Ontario
	MICHAEL A. DEHN,  Director	Oakville, Ontario
	JOHN C. McVICAR,  Director	Brantford, Ontario
	PATRICIA SHELANDER,  Director	St. Paul, Minnesota
	DAVID J. SLATER,  Director	Lasalle, Ontario
Executive Office and		
Natural Gas Division	Rural Route #1	Vittoria, Ontario
Production Manager and Hydrocarbon Geologist	JONATHAN CHILIAN, B.Sc	Vittoria, Ontario
Assistant Production Manager	CARL CHILIAN	Simcoe, Ontario
Bankers	ROYAL BANK OF CANADA	Simcoe, Ontario
Accountant	HOWARD WALTON, CMA	Simcoe, Ontario
Auditors	NEAL, PALLETT AND TOWNSEND, LLP . Chartered Accountants	London, Ontario
Registrar and Transfer Agent	COMPUTERSHARE TRUST	Toronto, Ontario
Share Listing and Symbol	TORONTO STOCK EXCHANGE (TSX), "N (Over the Counter, "MTLRF")	
Share Price Range	2007 High \$27.50 (CD) Low \$13.50	(CD)
Annual Meeting	BEST WESTERN LITTLE RIVER INN Atrium and Skylight Rooms Saturday, September 6, 2008, 1:00 p.m.	Simcoe, Ontario
Website and Email	www.metaloreresources.com i	info@metaloreresources.com

### President's Letter to the Shareholders:

#### PRODUCTION REVENUE

Fiscal 2008 (Calendar '07) was the toughest year we have seen for gas marketing in the past decade. With the price of Natural Gas trending lower throughout most of the year, we recorded a 28% decline in Production Revenue for Fiscal 2008. Further detail may be viewed on page 11 of the Management, Discussion and Analysis herein.

#### Calendar 2007 (Fiscal 2008) Natural Gas Price Trend



Source: Bloomberg

From CIBC Wood Gundy

#### LOOKING FORWARD

Metalore has a *fifty* year, proven track record of successfully developing Natural Gas production<sup>1</sup> as well as discovering and identifying potentially viable Gold Resources.<sup>2</sup> With the price of both Natural Gas and Gold persisting at historically high levels in this global economy, Metalore will accelerate exploration and development of these two commodities on our 100% owned extensive land holdings in Ontario.

Another prospective drill program for Gold was just completed at Cedartree in April/'08 and we are planning some follow-up holes as soon as it can be accomposed.3 Metalore will also be participating in an expansive drill program with Ontex, commencing imminently (July/'08), pursuant to its 26% Joint Venture interests with that company on some 700 claims held in the Beardmore Area.

The first of three gas wells planned for this year in its Norfolk Gas Field was also commenced in May.

With a two million dollar portfolio of liquid assets, an annual net profit of another half million and a half million dollar line of credit<sup>4</sup> available, Metalore is strategically poised to take advantage of this unique, once in a lifetime opportunity to enhance accretive value. And the Company is resolved to maintain its equity, financial integrity and Dividend payments to Shareholders while pursuing these aggressive programs in the field.

On Behalf of the Board.

George Chilian, President

June 24, 2008

<sup>1.</sup> Provo, Alberta (1957) & Norfolk, Southwestern Ontario (1964).

Brookbank, Cherbourg & Fox Ear, Northwestern Ontario (1984-87)
 Availability of Project Geologist & drilling Contractor.

<sup>4.</sup> Royal Bank of Canada.

### **BALANCE SHEET AS AT MARCH 31**

	2008	2007
Assets		
Current Cash and cash equivalents Marketable securities (Note 3) Accounts receivable Inventory Prepaid expenses	\$ 127,056 680,946 322,849 39,350 11,905	\$ 321,016 573,758 284,664 40,000
	1,182,106	1,219,438
Long term Investments (Note 4)	1,344,000	966,000
Natural gas properties (Note 5)	10,016,927	9,593,512
Mining properties	3,279,192	3,077,459
Land	78,000	78,000
	\$15,900,225	\$14,934,409
Liabilities and Shareholders' equity	·	
Current Accounts payable and accrued liabilities Income taxes payable Due to shareholders (Note 6)	\$ 362,404 25,213 5,617	\$ 378,814 35,676 16,056
	393,234	430,546
Future income taxes	2,773,000	2,750,000
Asset retirement obligation (Note 10)	186,900	-
	3,353,134	3,180,546
Shareholders' equity Share capital (Note 7) Contributed surplus (Note 8) Accumulated Comprehensive Income	2,468,832 36,634 10,041,625	2,468,832 36,634 9,248,397
	12,547,091	11,753,863
	\$15,900,225	\$14,934,409

See accompanying notes

Approved on behalf of the Board:

David J. Slater,

Director

John C. McVicar,

Director

## STATEMENT OF INCOME AND RETAINED EARNINGS YEAR ENDED MARCH 31

	2008	2007
Revenue		
Natural gas production (Note 11)	\$ 1,694,323	\$ 2,345,455
Royalties	5,546	6,133
Investment & interest income	81,428	53,212
Gains (losses) on disposal of investments	(1,013)	1,384
	1,780,284	2,406,184
Expenses		
Natural gas production (Note 6)	536,190	445,735
Amortization of natural resource assets	254,091	265,307
Administration	216,813	245,004
Royalties	177,117	231,670
Accretion	11,400	
	1,195,611	1,187,716
Income from operations	584,673	1,218,468
Other income		
Write-down of marketable securities	-	(519,000)
Income before provision for income taxes	584,673	699,468
Income taxes		
Current (Note 9)	20,000	30,000
Future (Note 9)	23,000	126,000
	43,000	156,000
Net income for the year	\$ 541,673	\$ 543,468
Basic and fully diluted earnings per share	\$ 0.30	\$ 0.31

See accompanying notes

## STATEMENT OF CASH FLOWS YEAR ENDED MARCH 31

		2008		2007
Operating activities				
Net income for the year	\$	541,673	\$	543,468
Items not affecting cash:	4	211,070	4	0 .0, .00
Amortization of natural resource assets		254,091		265,307
Loss (gain) on disposal of investments		1,013		(1,384)
Write-down of marketable securities		´-		519,000
Future income taxes		23,000		126,000
Accretion		11,400		-
		831,177		1,452,391
Changes in non-cash working capital (Note 16)		(76,314)		(50,116)
Cash flow from operating activities		754,863		1,402,275
Investing activities				
Proceeds on disposal of marketable securities		52,987		92,734
Purchase of marketable securities		(144,702)		(306,613)
Natural gas development and exploration costs		(502,005)		(706,388)
Mining exploration costs		(201,733)		(392,119)
Cash flow used by investing activities		(795,453)	(	1,312,386)
Financing activities				
Dividends paid		(142,931)		(142,445)
Advances from (to) shareholders		(142,)31) $(10,439)$		2,372
Issuance of share capital		(10,437)		120,000
issuance of share capital		<del>_</del>		120,000
Cash flow used by financing activities		(153,370)		(20,073)
Net change in cash and cash equivalents during the year		(193,960)		69,816
Cash and cash equivalents - beginning of year		321,016		251,200
Cash and cash equivalents - end of year	\$	127,056	\$	321,016
Cash flows supplementary information				
Interest paid	\$	-	\$	-
Income taxes paid	\$	30,462	\$	42,987

### STATEMENT OF ACCUMULATED COMPREHENSIVE INCOME **AS AT MARCH 31**

	2008	2007
Balance, beginning of year	\$ 9,248,397	\$ 8,847,374
Dividends paid	(142,931)	(142,445)
Net income for the year	541,673	 543,468
	9,647,139	9,248,397
Accumulated gains and losses included directly in the balance sheet, beginning of year:	-	-
Change in accounting policy (Note 2)	(24,226)	-
Unrealized gains on availabe for sale financial assets arising during the year	423,752	-
Reclassification adjustment for gains and losses included in net income	(5,040)	-
Accumulated gains and losses included directly in the balance sheet, end of year:	394,486	-
Balance, end of year	\$ 10,041,625	\$ 9,248,397

See accompanying notes

#### **AUDITOR'S REPORT**

We have audited the balance sheet of Metalore Resources Limited as at March 31, 2008 and the statements of income, accumulated comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects the financial position of the Company as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2007 and for the year ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated June 15, 2007.

Neal. Pallett & Townsend LLP

Chartered Accountants, Licensed Public Accountants

Real, Pallett & Townsend LLP

London, Canada June 11, 2008

# NOTES TO FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2008 and 2007

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

#### Cash and cash equivalents

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

#### **Financial Instruments**

On April 1, 2007, the Company prospectively adopted CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement. In accordance with this new standard, the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading, loans and receivables or other liabilities. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income until the assets are removed from the balance sheet. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of operations.

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

#### 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 and costs, less estimated future production related general and administrative expenses, financing costs and income taxes. At March 31, 2008 and 2007, no write-down was required. The prices used to estimate future cash flows are based on the Alberta AECO-C spot price, increased by \$1.30 per MMBTU to adjust for actual prices received near Dawn, Ontario. Forecasted prices for the next six years and thereafter are as follows:

 Remainder of 2008
 9.34 per MMBTU
 2011
 8.76 per MMBTU

 2009
 9.36 per MMBTU
 2012
 8.71 per MMBTU

 2010
 8.93 per MMBTU
 2013
 8.88 per MMBTU

Thereafter Escalation at rate of approximately 2%

#### 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.

#### Mining properties

The Company owns a 1% net smelter return on 18 claims in the Brookbank and Beardmore area of Ontario and a 26% participating interest in approximately 600 contiguous mining claims in Sandra, Irwin, Walters, Leduc and LeGault townships in Northwestern Ontario which are subject to a working option agreement with Ontex Resources Limited (Ontex) (note 4). The Company also owns a 100% interest in 134 mining claims in the Sioux Narrows (Cedartree Lake) area of Northwestern Ontario. Acquisition and exploration costs are capitalized. During the year, general and administrative costs of \$4,378 (2007 - \$6,613) and exploration costs of \$16,571 (2007 - \$20,588) 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.

#### 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.

#### Future income taxes

Income taxes are calculated using the liability method of tax allocation accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance 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.

#### Natural gas production

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.

#### Stock-based compensation

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 these stock options, amounts previously credited to contributed surplus are reversed and credited to share capital.

#### 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 2008 and fiscal 2007.

#### **NOTES TO FINANCIAL STATEMENTS** YEARS ENDED MARCH 31, 2008 and 2007

(Continued from previous page)

#### 2. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2007, the Company has adopted CICA Handbook sections 1530 "Comprehensive Income", 3855 "Financial Instruments - Recognition and Measurement", 3861 -"Financial Instruments - Disclosure and Presentation" and 3865 "Hedges". These standards have been adopted prospectively with no restatement of comparative figures.

Section 1530 establishes standards for reporting and presenting comprehensive income, which 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 excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Section 3855 requires financial instruments be classified into one of the following categories: held-to-maturity, held for trading, loans and receivables, available-for-sale or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. The adoption of this section resulted in an adjustment to opening accumulated other comprehensive income and an increase to the opening fair value of the marketable securities and long term investment.

Upon adoption of these standards, the Company designated its cash and short-term investments as held-for-trading. Accounts receivable has been classified as loans and receivables. Accounts payable and accrued liabilities have been classified as other financial liabilities.

Section 3861 establishes standards for presentation of financial instruments and identifies the information required for disclosure in the Company's financial statements.

Section 3865 specifies the criteria under which hedge accounting can be used and establishes the required disclosures. The Company is not currently engaged in any hedging activities. As a result, the adoption of section 3865 did not have any impact on the Company's financial statements.

#### MARKETABLE SECURITIES

2008 2007 Cost Fair Market Value Cost Fair Market Value Marketable Securities \$ 664,460 680,946 \$ 573,758 570,532

#### LONG TERM INVESTMENTS

In 1999, the Company purchased 3,600,000 shares of Ontex at \$0.35 per share, for total consideration of \$1,260,000. In fiscal 2002, the Company purchased an additional 600,000 shares at \$0.30 per share on a flow-through basis for \$180,000. At year end, the market value of the Ontex shares is \$1,344,000 (2007 - \$966,000). At March 31, 2007, the investment was written down to its market value as the decline in value of the Ontex shares was considered to be other than temporary.

The investment in Ontex is currently treated as available-for-sale and as a result it is presented at its fair market value in accordance with CICA Handbook Section 3855.

#### **NATURAL GAS PROPERTIES**

2008 2007 Cost **Accumulated Depletion** Net Net Gas wells, transmission lines and leases \$ 13,997,431 3,980,504 \$ 10,016,927 \$ 9,593,512

A portion of general and administrative costs of \$28,196 (2007 - \$36,254) and production costs of \$267,908 (2007 - \$400,256) were capitalized to natural gas properties, the Company's core business.

#### 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 2008 expense charged by SONG amounted to \$150,920 (2007 - \$212,418). 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.

As at March 31, 2008, the Company owed SONG \$172,380 (2007 - \$145,787) which is comprised of amounts payable related to technical services and natural gas production of \$128,584 (2007 - \$97,775) and \$43,796 (2007 - \$48,012) respectively. This indebtedness is unsecured, non-interest bearing, due on demand and included with accounts payable and accrued royalties.

#### 7. SHARE CAPITAL

2008 2007 Authorized 4,000,000 Number of common shares Number Amount Number Amount Issued 1.775.035 \$ 2.468.832 1,755,035 \$ 2,468,832

#### STOCK OPTIONS

The Company was authorized to grant 25,000 stock options.

On July 15, 2002, the Company granted 20,000 stock options, with an exercise price of \$6, to the directors of the Company. All of these options were exercised during fiscal 2007 for proceeds of \$120,000. The original expense associated with these options which was credited to contributed surplus was \$15,850. This amount has been reclassified to share capital. On February 6, 2006 an additional 5,000 stock options, with an exercise price of \$7.50, were granted to a director for a period of four years from the grant date. The exercise price is determined by the Board of Directors at the time of grant subject to the conditions that the exercise price will not be less than the market price of the common shares at the time of being granted. None of these options were exercised during fiscal 2008.

#### **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 33% (2007 - 33%) as a result of the following:

Income before income tax provision	<b>2008</b> \$ 584,673	<b>2007</b> \$ 699,468
Anticipated income tax expense Tax effect of the following	195,000	231,000
Resource rate deductions	(13,000)	(42,500)
Non-taxable portion of capital transactions Adjustment for substantially enacted rates	 (159,000)	86,000 (152,300)
Corporate minimum taxes	20,000	30,000
Other		3,800
Provision for income taxes	\$43,000	\$ 156,000

# NOTES TO FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2008 and 2007

(Continued from previous page)

Only corporate minimum taxes are payable as the Income Tax Act provides for certain deductions of exploration and development expenses. 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 income taxes, are as follows:

	2000	2001
Cumulative Canadian exploration expenses	\$2,304,400	\$ 2,346,900
Investment in flow through shares (note 3)	180,000	180,000
Cumulative Canadian development expenses	455,900	553,722
Cumulative Canadian oil and gas property expenses	460,200	457,582
Foreign exploration and development expenses	3,500	3,507
Undepreciated capital costs - property, plant and equipment	629,500	648,499

In addition, the Company has incurred accumulated corporate minimum taxes of \$100,000 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.

#### 10. ASSET RETIREMENT OBLIGATION

Asset retirement obligation - beginning of year
Revisions to estimated cash flows
Accretion expense
Asset retirement obligation - end of year
11,400
116,900

During the year, the Company revised its methodology for estimating its asset retirement obligation. This revision resulted in the initial recognition of \$175,500 as an estimated cost of plugging the Company's wells. The total undiscounted amount of estimated cash flows required to settle the obligation at year end is \$2,551,000 which has been discounted at 6.5% using a fifty year maximum life in accordance with estimates prepared by independent engineers.

#### 11. NATURAL GAS PRODUCTION

During fiscal 2007 the Company received \$85,031 from one of its customers as a result of the customer notifying the Company that an omission had been made in reporting sales of the Company's field line customers in fiscal 2004 and 2005. As the information was not available in the previous periods, and it could not be reasonably expected that the information could have been obtained in those periods, the amount has been reflected in natural gas production revenue in fiscal 2007.

#### 12. COMMITMENTS

The Company is party to natural gas and mining lease commitments. As the amounts ultimately payable pursuant to these agreements are dependent on production or development, it is not practical to disclose the amount of contractual commitments in each of the next five years. The Company has an outstanding letter of guarantee in the amount of \$70,000 (2007 - \$70,000) that is required under the Regulations prescribed by the Ministry of Natural Resources.

#### 13. FORWARD CONTRACTS

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

Contract Period	<b>Minimum Contract Quantity</b>	Price (in US\$) Per MMBTU
April 1, 2008 through October 31,2008	323 MMBTU per day	\$ 8.080
March 1, 2008 through October 31, 2008	229 MMBTU per day	8.400
June 1, 2008 through June 20, 2008	233 MMBTU per day	10.130
May 1, 2008 through May 31, 2008	161 MMBTU per day	10.600
November 1, 2008 through March 31, 2008	99 MMBTU per day	13.000

#### 14. FINANCIAL INSTRUMENTS

Fair value: The Company has various financial instruments including cash and cash equivalents, marketable securities, accounts receivable, long-term investment, accounts payable and accrued royalties, and due to shareholder. Except for the marketable securities and the long-term investment, book values approximate fair value due to their short-term maturity. Details of the fair market value of the marketable securities and long term investments are disclosed in notes 3 and 4 respectively.

Credit risk: As the Company's accounts receivable are due from one customer, there is increased exposure as a result of this concentration. In order to reduce this risk, the Company only sells to high quality, investment grade customers.

#### 15. EFFECT OF FUTURE CHANGES IN ACCOUNTING POLICIES

The CICA Accounting Standards Board has adopted the following new or amended Handbook Sections:

The new CICA Handbook Section 3031 - Inventories is applicable to interim and annual financial statements relating to the Company's fiscal year beginning April 1, 2008. The new section provides guidance regarding the measurement of inventories including the allocation of costs such as overhead and fixed production costs and allows for the reversal of previous impairment. The Company does not expect this policy to change its inventory valuation method in the financial statements.

Effective for interim and annual financial statements relating to the Company's fiscal year beginning April 1, 2008, (a) CICA Handbook Section 3862, Financial Instruments – Disclosures; (b) CICA Handbook Section 3863, Financial Instruments – Presentation; (c) CICA Handbook Section 1535, Capital Disclosures and (d) CICA Handbook Section 1400, General Standards of Financial Statement Presentation. The Company is assessing the impact of these new standards on its financial statements and anticipates the only impact will be in terms of additional disclosures required.

In February 2008, the CICA issued Section 3064, Goodwill and intangible assets, ("Section 3064") replacing Section 3062, Goodwill and other intangible assets ("Section 3062") and Section 3450, Research and development costs. Various changes have been made to other standards to be consistent with the new Section 3064. Section 3064 will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning April 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and of intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its financial statements but does not anticipate that the adoption of this Section will have a material impact on the financial statements.

#### 16. CHANGES IN NON-CASH WORKING CAPITAL

	2008	2007
Accounts receivable Inventory Accounts payable and accued liabilities Income taxes Prepaid expenses	\$ (38,185) 650 (16,411) (10,463) (11,905) \$ (76,314)	\$ (106,884) 2,300 67,455 (12,987) \$ (50,116)

## Management's Discussion & Analysis of Financial Results For the Fiscal Year ended March 31, 2008

Management's Discussion and Analysis (MD&A) in respect of Metalore Resources Limited ("Metalore" or the "Company") should be read in conjunction with the audited financial statements for the twelve months ended March 31, 2008. The Company's financial statements and financial data set out below have been prepared in accordance with Canadian generally accepted accounting principles. Unless specified otherwise, all dollar amounts are in Canadian dollars. Additional information relating to the Company, including the Annual Report for the fiscal year 2008, is available on SEDAR at www.sedar.com.

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

#### **Corporate Profile**

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

Metalore has been active in natural gas development for over forty years and mining exploration for over sixty years. Natural gas operations are centered in Southwestern Ontario on some 40,000 acres of lease holdings in Charlotteville, Walsingham and Houghton Townships. The Company has consistently located its gas wells on ultra wide spacing patterns to minimize the year to year decline in deliverability and maximize longevity of production. These natural gas operations continue to represent the "core" business of the Company as well as its principal source of revenue. Grass roots mining exploration has been carried out for the past seven seasons on the Company's newest mineral prospect at Cedartree Lake in the Sioux Narrows area of Northwestern Ontario.

#### **Current Business Strategy**

Metalore has a *fifty* year, proven track record of successfully developing Natural Gas production <sup>1</sup> as well as discovering and identifying potentially viable Gold Resources. <sup>2</sup> With the price of both Natural Gas and Gold persisting at historically high levels in this global economy, the Company will accelerate exploration and development of these two commodities on its 100% owned extensive land holdings in Ontario.

Another prospective drill program for Gold was just completed at Cedartree in April/'08 and the Company is planning some follow-up holes as soon as it can be accommodated. Metalore will also be participating in an expansive drill program with Ontex Resources Ltd., commencing imminently (July/'08), pursuant to its 26% Joint Venture interests with that company on some 700 claims held in the Beardmore Area. The Company has also commenced drilling (May/'08)<sup>4</sup> on the first of three gas wells planned for this year in its Norfolk Gas Field.

With adequate liquid assets, and annual net profit of over a half million dollars available, Metalore is able to take advantage of these unique opportunities to enhance accretive value. The Company is resolved to maintain its equity, financial integrity and Dividend payments to Shareholders while pursuing these aggressive programs in the field.

#### **Overall Performance**

Metalore's natural gas operation yields a stable base income. The Company has diligently budgeted its internally generated cash flow between Natural Gas Development, Mining Exploration and Shareholder Dividends, without diluting equity.

#### **Selected Annual Information**

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	Years ended	March 31:	
	2008	2007	2006
Statement of Income	\$	\$	\$
Total Revenues	1,780,284	2,406,184	2,035,639
Operating expenses	1,195,611	1,187,716	982,403
Net Income after taxes	541,673	543,468	694,236
Earnings per share (fully diluted)	0.30	0.31	0.40
Statement of Cash Flows			
Cash flow from operations	831,177	1,402,275	1,309,282
Cash flow from operations per share	0.47	0.79	0.75
Accumulated Comprehensive Income			
Accumulated gains & losses included in the balance	394,486	Not applicable	Not applicable
sheet at the end of the year			
Balance Sheet Data			
Current Assets	1,182,106	1,219,438	874,775
Current liabilities	393,234	430,546	373,706
Mining properties	3,279,192	3,077,459	2,685,340
Natural gas properties	10,016,927	9,593,512	9,152,431
Total Assets	15,900,225	14,934,409	14,230,546
Total long term financial liabilities	Nil	Nil	Nil
Shareholders' Equity	12,547,091	11,753,863	11,232,840
Dividends paid	142,931	142,445	140,470
Dividends per share	0.08	0.08	0.08

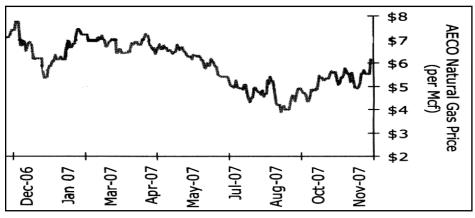
- \* The company pays a minimum corporate tax; however no tax on income is presently payable by the company because of an inventory of exploration and development expenditures that are carried forward.
- 1. Provo, Alberta (1957) & Norfolk, Southwestern Ontario (1964).
- 2. Brookbank, Cherbourg & Fox Ear, Northwestern Ontario (1984-87).
- Availability of Project Geologist & drilling Contractor.
- Additional info in President's Letter, dated June 24/08

MD&A (cont'd)

#### **Results of Operations - Commentary**

Twelve Months ended March 31, 2008

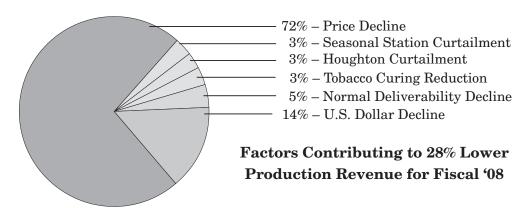
#### Calendar 2007 (Fiscal 2008) Natural Gas Price Trend



Source: Bloomberg

From CIBC Wood Gundy

With the price of Natural Gas trending lower throughout most of the year, we recorded a 28% decline in Production Revenue for Fiscal 2008. Other less severe factors affecting the decline are depicted in the pie illustration below.



By the beginning of the current Fiscal Year the Natural Gas market had turned sharply higher (in lock step with crude oil) and the Company has already secured some forward contracts at double the price of last year. Furthermore, the secondary factors that are obstensibly within control of the Company are being addressed.

The Company has not completed any new wells within the past two years but commenced drilling in May on the first of three development wells planned for this year. The sharply higher prices for Natural Gas and supplemental production from new drillings should more than offset all of the factors affecting the declines referred to above.

#### **Statement of Income & Retained Earnings**

- 1. Natural Gas Revenue has decreased mainly due to a decrease in the price of natural gas during the year.
- 2. Royalties revenue from natural gas wells have decreased mainly due to decreasing prices received by the gas well company paying the royalties.
- 3. Investment & Interest Income has risen because the company is continuing to invest in its holdings of marketable securities.
- 4. The small loss on sale of investments this year was on the sale of a fund bought in 2005.
- 5. Production expenses have increased partly due to a decrease in the allocation of materials and wage expenses to capital items but also due to the increasing price of fuel.
- 6. Royalties expense has decreased in proportion to natural gas revenues.
- 7. Depletion expense has decreased in proportion to a small decrease in natural gas production.
- 8. Administrative expenses have decreased due to management exercising greater control over the expense of dealing with the new securities regulations.
- 9. Accretion expense is described by the auditors in note 10 of the financial statements.
- 10. The accounting treatment of income taxes is described by the auditors in notes 1 & 9 of the financial statements.
- 11. Dividends paid are in accordance with the shareholder dividend policy which is stated separately in this MD&A report.

MD&A (cont'd)

#### **Statement of Cash Flows**

- 12. Cash flow from operating activities decreased compared to the prior year in line with the reduction in natural gas revenue.
- 13. Changes to items comprising non-cash working capital are laid out in detail in note 16 of the financial statements.
- 14. No stock options were exercised this year. The current status of stock options is dealt with in note 8 of the financial statements.
- 15. Natural Gas Development: no gas wells were drilled during the fiscal year but important upgrades to the production system were constructed.
- 16. Mining Exploration expenses relate to diamond drilling at the Cedartree Lake properties.
- 17. The company continued its acquisition of low risk marketable securities.
- 18. The effect of the preceding lines resulted in a decrease in cash in the twelve months of this reporting period of \$193,960.

#### **Accumulated Comprehensive Income**

19. This is described in detail in note 2 of the financial statements. This income recognizes changes in the value of balance sheet items. These changes are reflected only in the balance sheet and not in the regular statement of income.

#### **Balance Sheet**

- 20. Cash & cash equivalents have decreased in the last twelve months to a total of \$127,056.
- 21. Marketable securities that are described in note 17 above, have now accumulated to \$680,946.
- 22. Accounts receivable is for one months natural gas only.
- 23. Inventory of pipe and supplies is held on hand for ongoing work on our pipe line grid.
- 24. The long term investment is accounted for using the cost method. The carrying value is written down only in the event of a decline in value which is considered other than temporary. This occurred in the year ended March 31, 2007 but by March 31, 2008 the price had recovered.
- 25. Natural Gas properties have increased in cost by the amount shown on the statement of cash flows less depletion as shown on the statement of income. Accounting for the natural gas properties is described in the notes to the financial statements, specifically notes 1 and 5.
- 26. Mining properties have increased in cost by the amount shown on the statement of cash flows.
- 27. Land is accounted for using the cost method. The carrying value is written down only in the event of a decline in value which is considered other than temporary.
- 28. Accumulated amortization has increased by the amount shown on the statement of income.
- 29. Accounts payable and accrued liabilities are comprised of regular trade payables which by company policy are paid within 30 days and accrued royalties. which are paid annually in March of each year. Royalties are accrued on a calendar year basis and then paid in March.
- 30. The amount due to shareholder, by company policy is paid within 30 days.
- 31. Future income taxes accrue because the Income Tax Act of Canada provides for certain deductions for exploration and development expenses and credits in excess of any current income in the accounts. The company has accumulated balances of cost to effectively defer future taxes into perpetuity. This is more fully described in note 9 of the company's annual report.
- 32. There has been no change in share capital during the year. Please refer to note 7 of the financial statements for more details.
- 33. Contributed surplus consists of an amount of \$16,000 that has remained unchanged for over thirty years and \$20,634 resulting from stock options exercised in 2007.
- 34. Retained earnings has increased by net income less dividends paid.

#### **Comparative Summary & Financial Data by Quarter**

	Mar 31/08	Dec 31/07	Sept 30/07	June 30/07	Mar 31/07	Dec 31/06	Sept 30/06	June 30/06	Mar 31/06
	4 <sup>th</sup> Qtr	3 <sup>rd</sup> Qtr	2 <sup>nd</sup> Qtr	1 <sup>st</sup> Qtr	4 <sup>th</sup> Qtr	3 <sup>rd</sup> Qtr	2 <sup>nd</sup> Qtr	1 <sup>st</sup> Qtr	4 <sup>th</sup> Qtr
Revenue	484,011	454,335	399,239	442,699	781,909	584,393	553,231	486,651	552,515
Net Income	150,394	145,055	105,714	140,510	-20,313	204,174	198,252	161,355	205,791
Earnings per share	0.08	0.08	0.06	0.08	-0.04	0.12	0.11	0.09	0.10
Cash flow per share	0.06	0.15	0.12	0.14	0.21	0.23	0.21	0.17	0.12
Dividends per share	0.08				0.08				0.08

The comparability of selected consolidated financial information set out above (preceding page) 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, 2008.

MD&A (cont'd)

#### **Fourth Quarter**

i) Summarized Financial Data

	For the three	months ended:
Statement of Income	Mar 31/08	Mar 31/07
Total Revenues	\$484,011	\$781,999
Total Expenses	489,767	447,762
Income before securities write down	(17,156)	334,237
Write down of Marketable Securities	Nil	519,000
Income tax recovery (expense)	167,550	164,540
Net after tax income (loss)	150,394	(20,313)
Statement of Cash Flows		
Cash flow from operations before changes		
in working capital	109,348	418,160
Changes in working capital	(71,738)	(43,052)
Cash flow from operations	37,610	375,108
Financing activities	(10,439)	2,372
Trading in marketable securities	(29,790)	(166,700)
Mining exploration	(128,814)	(107,981)
Natural gas development	(77,063)	(247,824)
Increase (decrease) in cash	(204,496)	(145,025)
Balance Sheet Data is provided in "Selected Annual Information", previous page 10 herein.		

#### ii) Management Discussion & Analysis of Fourth Quarter

The small operating loss in the fourth quarter is mostly the result of a decrease in the allocation of certain expenses to capital items. This was done by the auditor for the whole year, but the effect is to compress all the change into the last quarter expenses which rise more than proportionally. The 2008 investment income was up compared to prior years due to the continued acquisition of low risk marketable securities. Operating expenses increased compared to 2007 partly due to increases in the price of inputs, for example fuel and the new item - accretion expense. Accretion expense is dealt with in item 10 of the financial statement notes.

The cash flow from operations though strong was not as good as the record year of 2007. Changes in working capital are quarter by quarter changes in accounts receivable, inventories and accounts payable and represented nothing out of the ordinary. Financing activities in the fourth quarter for both 2008 and 2007 are small transactions with executive shareholders and represent out of pocket expense claims submitted but not yet reimbursed. Combined expenditures on natural gas development and mining exploration were lower than in the same quarter of the previous year as management dealt with the reduction in cash flow. The mining exploration in 2008 consisted of diamond drilling and geological work. The natural gas development in 2008 consisted of system upgrading and renewal of leases. Cash balances were reduced in order to purchase marketable securities.

#### **Forward Contracts**

As of June 24, 2008, Metalore has the following contracts in place.

Contract Period	Minimum Contract Quantity	Price (in US\$) per MMBTU
July '08 through Oct. '08	229 Mmbtu per day	\$8.40
June '08	233 Mmbtu per day	\$10.13
Nov. '08	333 Mmbtu per day	\$10.15
Nov. '08 through March '08	99 Mmbtu per day	\$13.00

MD&A (cont'd)

#### **Capital Resources & Liquidity**

	Y/E Mar 31/08	Y/E Mar 31/07
Current Assets	\$1,182,106	\$1,219,438
Current Liabilities	393,234	430,546
Excess of Current Assets over Current Liabilities	788,872	788,892

There was a decrease in cash of \$193,960 after capital and investment expenditures of \$795,453 during the fiscal year 2008, compared to increase in cash of \$69,816 after capital and investment expenditures of \$1,382,386 during the fiscal year 2007. The expenditures were mainly comprised of natural gas development.

#### **Financial Instruments**

The Company's financial instruments consist of cash, cash equivalents, accounts receivable and income trusts. It is management's opinion that the Company is not exposed to significant 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.

#### **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 non productive wells.

#### **Contractual Obligations**

Report for the upcoming five years

Contractual Obligations	Less than 1 year	1-3 years	4-5 years	Total
Natural Gas Leases	\$ 10,000	\$ 68,000	\$ 68,000	\$ 146,000
Natural Gas Royalties <sup>1</sup>	\$200,000	\$400,000	\$800,000	\$1,400,000
Mining Leases	\$ 0	\$ 3,078	\$ 6,156	\$ 9,234
Total Contractual Obligations	\$210,000	\$471,078	\$874,156	\$1,555,234

#### **Shareholder Dividend Policy**

In the year 2000, Metalore introduced a policy to pay annual dividends to shareholders (subject to applicable law). On December 15, 2007 the Company paid its eighth consecutive annual dividend to Shareholders of record on November 30, 2007; this payment was for \$0.08 per share.

The dividend is converted to US currency for a significant percentage of shareholders registered with United States postal addresses.

#### **Outstanding Share Data**

The Company has 1,775,035 common shares issued 1,780,035 fully diluted, (see Notes 7 and 8 to the financial statements, page 8 herein).

#### **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.

#### **Risk and Uncertainties**

#### Exploration and mining risks

The business of exploration for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

#### **Metal Prices**

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any materials discovered. Metal prices have historically fluctuated, and are affected by factors beyond the control of the company. Inflation, international economic and political trends, currency fluctuations, interest rates and worldwide production levels all have a bearing on metal prices. The effect of these factors cannot accurately be predicted.

<sup>&</sup>lt;sup>1</sup> Note: Estimate is based upon expected gas production.

# METALORE RESOURCES LIMITED MD&A (cont'd)

#### **Critical Accounting Estimates**

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

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

#### **Transactions with Related Parties**

Metalore has an on-going agreement with Southern Ontario Natural Gas Limited (SONG), a private company controlled by the Company President, George W. Chilian, to provide technical consulting services for the gas operations. Details are included in note 6, page 8 of the Financial Statements contained within the Company's Annual report for 2008.

#### **Internal Control Over Material Disclosure**

Metalore has been actively involved in ultra-high-risk mineral exploration for 64 years. We are survivors. Our gas operations comprise thousands of acres of checker boarded lease holdings negotiated with individual landowners on myriads of small parcels. In fact, it is rare when we are able to acquire all of the parcels within the estimated drainage pattern of a gas well. Legislation allows confidentiality of information for one whole year before public disclosure of results is required. Management of Metalore has never considered the routine completion of a gas well to qualify for material disclosure.

On the other hand, even limited drill results on a mineral prospect can dramatically affect fortunes of a company and its share price. In the far north, mining claims hosting potential economic mineral deposits are even more vulnerable to opportunists looking for "a piece of the action". Therefore, especial diligence must be exercised by management to corroborate, assemble and assimilate data before public disclosure should be made. How much drilling has been done? Can initial results be misleading? Are results extraordinary? Do our claims protect the "discovery"? Do we need more claims to protect the extensions? These are some of the serious questions that must be addressed.

Management's position on disclosure is that any information deemed "material" must be disclosed as soon as all reasonable effort has been made to protect the overall interests of the Company and its Shareholders.

#### **Internal Control Over Financial Reporting (ICFR)**

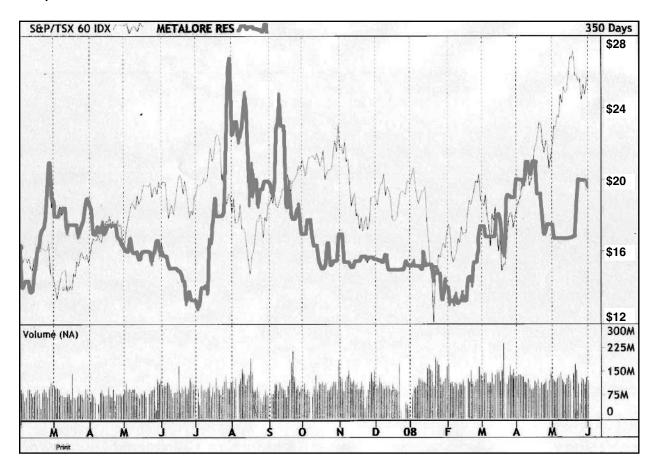
The CEO and CFO of the Company have evaluated the effectiveness of the company's ICFR and maintain a system of Internal Controls over the accounting records that provide a reasonable assurance that the financial data is accurately assembled, prepared and presented according to Canadian generally accepted accounting practices (GAAP).

The Board of Directors has reviewed and approved the accompanying financial statements for the fiscal year ended March 31, 2008 and all related material in this annual report. It should be noted that the financial statements may not necessarily be precise since they include certain amounts based on estimates and judgments that are deemed to be most appropriate in the given circumstances.

#### This MD&A is dated as of June 27, 2008

MD&A (cont'd)

#### **Comparative Price Performance Benchmark**



#### **Market for Securities**

The Company's common shares have been listed and traded on the Toronto Stock Exchange (TSX, tier one) for the past 26 years. Metalore has the uniqueness of having the lowest number of shares outstanding of any resource related company listed on the TSX.

<u>Year</u>	<u>Month</u>	<u>High</u>	Low
2007	March	21.10	17.10
	April	19.15	16.80
	May	17.10	15.60
	June	16.80	13.29
	July	25.15	11.70
	August	27.65	17.65
	September	24.95	17.75
	October	18.97	15.25
	November	17.20	15.40
	December	15.90	14.95
2008	January	16.55	13.65
	February	17.65	13.10
	March	20.85	15.30
	April	21.30	17.10
	May	20.85	16.90

