Nov. 01, 2004

METALORE RESOURCES LIMITED

INTERIM REPORT

Management's Discussion & Analysis of Results

For the Second Quarter ended September 30, 2004

Management's discussion and analysis (MD&A) in respect of Metalore Resources Limited ("Metalore" or the "Company") should be read in conjunction with the unaudited interim financial statements for the six months ended September 30, 2004 and audited annual statements for the year ended March 31, 2004. The Company's financial statements and the 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 2004, 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 developments 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 with management's expectations is subject to a number of risk 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 in the forward-looking statement

Corporate Profile:

The Company has been active in mining exploration for over sixty years and natural gas development for over forty years. Natural gas operations are centered in Southwestern Ontario on some 30,000 acres of lease holdings in Charelotteville Township and such operations account for the major portion of the Company's revenues. Mining activity in Northwestern Ontario has been concentrated around the Beardmore area for about twenty years and more recently in the Sioux Narrows area.

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Overall Performance:

The Company is a natural gas developer and producer in Southwestern Ontario and is also actively persuing mining exploration in Northwestern Ontario. The financial results of the Company over recent years have been stable. Changes in revenue are primarily due to fluctuations in natural gas prices.

The Company has recorded net income of $140,278 or $0.08 per share for the second quarter 2004 compared to net income of $176,290 or $.10 per share for the second quarter 2003.

Metalore has not drilled any new gas wells in the past two years. The Company's revenue has remained stable over the past two years, however, because the normal expected decline in the rate of production has been primarily offset by increases in natural gas prices.

Results of Operations:

Comparison between Second Quarter 2003 and 2004

	Sept. 30/04 2nd Qtr	Sept. 30/04 Y-T-D	Sept. 30/03 2nd Qtr	Sept. 30/03 Y-T-D
Revenue	$375,920	$823,399	$361,588	779,884
Net Income	140,278	327,617	176,290	375,638
Earnings Per share	.08	.19	.10	.21
Cash Flow	39,457	143,545	(121,329)	103,120
Cash Flow per share	.15	.32	.14	.30

The reduction of net income of $36,012 in the second quarter 2004, compared to the second quarter of 2003, is primarily due to an increase in the provision for future income taxes of $48,180, which was partially offset by an increase in revenue of $17,220 from the income from marketable securities and high yielding trust units, predominately in the energy sector.

The Company incurred a minor increase in expenses of $2,164 for the second quarter of 2004 compared to the second quarter of 2003 primarily because of marginally higher production expenses.

Management's Discussion & Analysis of Results

For the Second Quarter ended September 30, 2004

For the period ending September 30, 2004, the Company increased revenue by 5.6% compared to the same period in 2003 and expenses increased by 2.9% for the comparative period. The increase in revenue was attributed to higher revenues from natural gas production and investment and interest income. Revenue from gas production has been higher primarily because of the increase in natural gas prices compared to last year.

In the second quarter, natural gas development costs of $136,925 and mining exploration costs of $166,022 have been capitalized and included on the balance sheet as of September 30, 2004 under Investment in Natural Gas Properties and Mining Properties. The increase in total assets since the year end have be primarily attributed to such capitalization in the first and second quarters.

For a more detailed explanation of the Company's operations, please refer to the Annual Report under Item 1(f) and 1(g) in the Notes to the Financial Statements for the year ended March 31, 2004.

Comparative Summary & Financial Data by Quarter

	Sept 30/04	June 30/04	Mar 31/04	Dec 31/03	Sept 30/03	June 30/03	Mar 31/03	Dec 31/02	Sept 30/02
	2nd Qtr.	1st Qtr.	Y/E	3rd Qtr.	2nd Qtr.	1st Qtr.	Y/E	3rd Qtr	2nd Qtr
Revenue	375,920	447,479	513,704	449,251	361,588	418,296	392,824	409,079	309,794
Net Income	140,728	187,339	127,063	207,906	176,290	199,348	349,980	156,207	128,892
Earnings per share	.08	.11	.07	.12	.10	.11	.10	.09	.10
Cash Flow per share	.15	.17	.21	.16	.14	.16	.17	.14	.15
Dividends per share	– –	– –	.075	– –	– –	– –	.07	– –	– –

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.

Liquidity:

	2nd Qtr. 9/30/04	Y/E 3/31/04
Current Assets	$802,030	$775,249
Current Liabilities	312,622	394,856
Excess of Current Assets over Current Liabilities	$489,408	$380,393
Current Ratios	2.57:1	1.96:1

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For the Second Quarter ended September 30, 2004

Funds expended for natural gas development and mining exploration of $302,947 less the sale of marketable securities of $104,100 reduced cash gain for the second quarter 2004 to $39,457. This compares to funds used in the comparable period in 2003 of $311,703 for a net reduction of cash of $121,327.

The Company's current ratio indicates a continuing healthy coverage of liabilities, considering the expenditure of $445,012 for natural gas and mining exploration offset by the sale of marketable securities of a net total of $71,260 during the six month period. The Company expects to meet its existing and future working capital and exploration requirements from cash flow.

Contractural Obligations:

Report for the six months ended September 30, 2004

Payment due by period:

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	after 5 years
Operating Leases: Include naural gas leases	$153,000	$17,000	$68,000	$68,000	0
Purchase Obligations	$63,480	$12,695	$50,784	0	0
Mining Leases	$1,539	$171	$684	$684	0
Total Contractual Obligations	$218,019	$29,867	$119,468	$68,684	

Capital Resources

The Company expects to complete its mining exploration activities in November of 2004 and resume such activities in the spring of 2005. The Company also expects to resume natural gas development in the near future. The Company has sufficient cash flow from existing natural gas production to finance anticipated exploration for the reminder of 2004. Metalore expects exploration expenditures costs for the next two quarters of 2004 to be consistant with the same period in 2003.

Transactions with Related Parties

The Company has an on-going agreement with Southern Ontario Natural Gas Limited (SONG), a private company controlled by the President of Metalore, George Chilian, to provide technical services for the gas operations. Details are included with the Company's annual report for 2004. As of September 30, 2004 , $71,990 was owned to SONG.

Management's Discussion & Analysis of Results

For the Second Quarter ended September 30, 2004

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 the 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 properties, mining properties and renewable fuel (ethanol) costs.

In accordance with the Canadian Institute of Chartered Accountant's full cost accounting guidelines outlined in AcG-16, the Company performs an annual ceiling test calculation, whereby the net book of the Company's natural gas reserves is compared to the estimated future value of its proved reserves. Reserves were valued based upon March 2004 average constant prices. At March 31, 2004 the ceiling test revealed that no write-down was required.

Mining properties and renewable fuel (ethanol) 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 for the mining properties require management to make assumptions and estimates about recoverable reserves, future commodity prices and operating costs. Changes in any of the assumptions, such as a downward revision in reserves, a decrease in future commodity prices, or an increase in operating costs could result in an impairment of an asset's carrying value.

Changes in Accounting Policies

For the year ended March 31, 2004, the Company elected to account for stock options based in the intrinsic value at the grant date and to disclose the pro forma results as if the fair value method has been used. Pro forma information is provided in note 6 to the 2004 financial statements

The attached financial statements have been prepared by the Company and have not been reviewed by the Company's auditor.

Annual Dividend

The Company will pay its Annual Dividend to Shareholders this year of 7 1/2 cents per share on the 7th of December to all recorded shareholders as of the 26th of November.

Regulation Compliance

The Company has filed all of its 51-101 material (Evaluation of Petroleum & Natural Gas Reserves) with SEDAR.

METALORE RESOURCES LIMITED

SECOND QUARTER BALANCE SHEET

At September 30, 2004 (unaudited)

with comparative figures at March 31, 2004 (audited)

ASSETS

	September 2004	March 2004
	$	$
Current Assets		
Cash & cash equivalents	153,074	9,529
Marketable securities	367,430	438,690
Accounts receivable	182,896	246,400
Inventory of:		
Gas in storage & pipe & supplies	98,630	80,630
	802,030	775,249
Long Term Investment (at cost)	1,440,000	1,440,000
Natural gas properties	11,288,226	11,039,156
Mining properties	2,475,709	2,279,767
Renewable fuel (Ethanol) costs	927,811	927,811
Accumulated amortization	(2,925,440)	(2,875,440)
	14,008,336	13,586,543

LIABILITIES & SHAREHOLDERS' EQUITY

	September 2004	March 2004
Current liabilities		
Accounts payable & accrued liabilities	240,632	268,562
Due to shareholders	71,990	126,294
	312,622	394,856
Future income taxes	2,781,410	2,605,000
	3,094,032	2,999,856
Shareholders' equity		
Share capital	2,332,982	2,332,982
Contributed surplus	16,000	16,000
Retained earnings	8,565,322	8,237,705
	10,914,304	10,586,687
	14,008,336	13,586,543
Current Ratio (assets / liabilities)	2.6 to 1	2.0 to 1

METALORE RESOURCES LIMITED

SECOND QUARTER FINANCIALS

For the six months ended September 30, 2004 with comparative figures for the six months ended September 30, 2003

(unaudited)

STATEMENT OF INCOME AND RETAINED EARNINGS

	2004	2003
Revenue	$	$
Natural Gas Production	793,506	772,364
Royalties	1,288	2,204
Investment & Interest Income	8,199	5,316
Gain on Sale of Securities	20,406	Nil
	823,399	779,884
Expenses		
Production expenses	128,614	126,476
Administrative expenses	65,858	61,761
Royalties	74,900	72,099
Amortization, depletion	50,000	50,000
	319,372	310,336
Income before taxes	504,027	469,548
Future income taxes *	176,410	93,910
Net income	327,617	375,638
Retained Earnings, beginning of period	8,237,705	7,913,344
Retained earnings end of period	8,565,322	8,288,982
Earnings per share	0.19	0.21

* Reflects change in Income Tax Rate.

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SECOND QUARTER FINANCIALS

For the six months ended September 30, 2004 with comparative figures for the six months ended September 30, 2003 (unaudited)

STATEMENT OF CASH FLOWS

	2004	2003
CASH PROVIDED BY (EXPENDED)	$	$
Operations		
Net Income	327,617	375,638
Amortization, depletion	50,000	50,000
Future income taxes *	176,410	93,910
Cash flow from operations before change in non-cash working capital	554,027	519,548
Change in non-cash working capital	(36,730)	(10,827)
Cash provided by operating activities	517,297	508,721
Investing Activities		
Natural gas development	(249,070)	(184,542)
Mining exploration	(195,942)	(169,859)
Marketable Securities	71,260	(51,200)
	(373,752)	(405,601)
Increase (decrease) in cash	143,545	103,120
Cash beginning of period	9,529	153,942
Cash end of period	153,074	257,062
Cash flow per share	0.32	0.30

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SECOND QUARTER FINANCIALS

For the three months ended September 30, 2004 with comparative figures for the three months ended September 30, 2003 (unaudited)

STATEMENT OF INCOME AND RETAINED EARNINGS

	2004	2003
Revenue	$	$
Natural Gas Production	350,339	355,490
Royalties	419	1,156
Investment & Interest Income	4,756	4,942
Gain on Sale of Securities	20,406	Nil
	375,920	361,588
Expenses		
Production expenses	52,840	50,925
Administrative expenses	32,552	32,044
Royalties	33,000	33,259
Amortization, depletion	25,000	25,000
	143,392	141,228
Income before taxes	232,528	220,360
Future income taxes *	92,250	44,070
Net income	140,278	176,290
Retained Earnings, beginning of period	8,425,044	8,112,692
Retained earnings end of period	8,565,322	8,288,982
Earnings per share	0.08	0.10

* Reflects change in Income Tax Rate.

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SECOND QUARTER FINANCIALS

For the three months ended September 30, 2004 with comparative figures for the three months ended September 30, 2003 (unaudited)

STATEMENT OF CASH FLOWS

	2004	2003
CASH PROVIDED BY (EXPENDED)	$	$
Operations		
Net Income	140,278	176,290
Amortization, depletion	25,000	25,000
Future income taxes *	92,250	44,070
Cash flow from operations before change in non-cash working capital	257,528	245,360
Change in non-cash working capital	(19,224)	(54,984)
Cash provided by operating activities	238,304	190,376
Investing Activities		
Natural gas development	(193,925)	(128,670)
Mining exploration	(109,022)	(131,833)
Marketable securities	104,100	(51,200)
	(198,847)	(311,703)
Increase (decrease) in cash	39,457	(121,327)
Cash beginning of period	113,617	378,389
Cash end of period	153,074	257,062
Cash flow per share	0.15	0.14

METALORE RESOURCES LIMITED

NOTES TO INTERIM FINANCIAL STATEMENTS

For the Second Quarter ended September 30, 2004

1. Significant Accounting Policies

   The financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles in Canada for interim financial statements. The financial statements have, in management's opinion, been properly prepared using judgement within reasonable limits of materiality. These interim financial statements do not include all the note disclosures required for annual financial statements and therefore, should be read in conjunction with the Company's audited annual financial statements for the year ended March 31, 2004. The significant accounting policies follow that of the most recently reported annual financial statements.

2. Revenue Recognition

   Sales of natural gas are recognised as revenue when title passes to the customer and collection is reasonably assured.

3. Accounting Estimates

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

4. Future Income Taxes

   As noted in the Company's audited annual financial statements for the year ended March 31, 2004, no tax on income is presently payable by the Company because of an inventory of exploration and development expenditures that are carried forward. Also in line with the above referred to annual financial statements the rate of future income tax would be higher in 2004 than in 2003.