

# **METALORE RESOURCES LIMITED**

P.O. BOX 422, SIMCOE, ONTARIO N3Y 4L5    PHONE: (519) 428-2464

## **THIRD QUARTER PROGRESS REPORT**

**Dear Shareholder:**

**February 23, 2002**

Although Natural Gas prices in North America are still significantly below the historic high levels of a year ago, our forward market hedging has enabled Metalore to achieve continued solid growth in this sector - as is evidenced by the attached financial statements. At this writing, a substantial portion of our production has previously been sold ahead to November 1, 2002, at a considerable premium above the current NYMEX pricing, and with good buoyancy being displayed in next winter's strip, Metalore is on track for another banner year.

We have just completed the construction of two large capacity pipelines, tying-in our last three wells (Metalore #89 & #90, at our Crown Forest Field, and SONG #8, at our Clear Creek Field), and we have also stimulated (hydro-fractured) #90, with exceptional results. Now that these capital expenditures are comfortably paid for and tucked away on our balance sheet, we will step back, pause momentarily, and formulate plans for the future. Metalore has numerous drilling locations available across a large area of untested land around these two new fields and we are in good shape for long term development and production.

Improved fundamentals, as well as unprecedented low interest rates are starting to have positive effects on the gold market. Higher gold prices would also have important implications for the development of our gold resources in Northern Ontario.

*George W. Chilian, President*

# METALORE RESOURCES LIMITED

## THIRD QUARTER FINANCIALS

For the nine months ended December 31, 2001 with comparative figures for the nine months ended December 31, 2000

(subject to audit adjustments at year end)

### STATEMENT OF INCOME AND RETAINED EARNINGS

	<u>2001</u>	<u>2000</u>
<b>Revenue</b>	\$	\$
Natural Gas Sales & Royalties	<u>1,610,692</u>	<u>1,293,633</u>
<b>Expenses</b>		
Production expenses	203,165	196,775
Administrative expenses	95,232	89,290
Royalties	152,610	124,655
Amortization, depletion	<u>80,000</u>	<u>80,000</u>
	<u>531,007</u>	<u>490,720</u>
<b>Net income before taxes</b>	1,079,685	802,913
<b>Income taxes</b>		
Income taxes (deferred)	<u>324,990</u>	<u>256,930</u>
<b>Net income</b>	754,695	545,983
Retained Earnings, beginning of period	6,463,929	5,636,876
Deduct dividends paid	(122,295)	(95,979)
<b>Retained earnings end of period</b>	<u><u>7,096,329</u></u>	<u><u>6,086,880</u></u>
<b>Earnings per share</b>	0.43	0.31
<b>Cash flow per share</b>	0.67	0.51
<b>Dividends per share</b>	0.07	0.055

# METALORE RESOURCES LIMITED

## THIRD QUARTER FINANCIALS

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(subject to audit adjustments at year end)

### STATEMENT OF CASH FLOWS

	<u>2001</u>	<u>2000</u>
<b>CASH PROVIDED BY</b>	\$	\$
<b>(EXPENDED)</b>		
<b>Operations</b>		
Net Income	754,695	545,983
Amortization, depletion	80,000	80,000
Deferred income taxes	<u>324,990</u>	<u>256,930</u>
Cash flow from operations before change in non-cash working capital	1,159,685	882,913
Change in non-cash working capital	<u>(161,758)</u>	<u>(248,353)</u>
Cash provided by operating activities	<u>997,927</u>	<u>634,560</u>
<b>Dividends</b>		
Dividends paid	(122,295)	(95,979)
<b>Investments</b>		
Natural gas development	(615,620)	(385,815)
Renewable fuel costs - Ethanol	(2,127)	(2,250)
Mining exploration	<u>(78,621)</u>	<u>(18,451)</u>
	<u>(696,368)</u>	<u>(406,516)</u>
<b>Increase (decrease in cash)</b>	179,264	132,065
Cash beginning of period	<u>49,333</u>	<u>58,495</u>
Cash end of period	<u><u>228,597</u></u>	<u><u>190,560</u></u>

# **METALORE RESOURCES LIMITED**

## **THIRD QUARTER BALANCE SHEET**

**At December 31, 2001 with comparative figures at  
December 31, 2000 (subject to audit adjustments at year end)**

### **ASSETS**

	<u>2001</u>	<u>2000</u>
<b>Current Assets</b>	\$	\$
Cash & cash equivalents	228,597	190,560
Marketable securities	1,440,485	1,260,485
Accounts receivable	308,481	394,582
Inventory of pipe & supplies	24,490	25,650
	<u>2,002,053</u>	<u>1,871,277</u>
<b>Natural gas properties</b>	7,169,900	6,474,071
<b>Mining properties</b>	1,349,307	1,241,247
<b>Renewable fuel (Ethanol) costs</b>	926,792	924,119
	<u>11,448,052</u>	<u>10,510,714</u>

### **LIABILITIES & SHAREHOLDERS' EQUITY**

#### **Current liabilities**

Accounts payable		
& accrued liabilities	257,751	367,840
Municipal taxes payable	0	141,082
	<u>257,751</u>	<u>508,922</u>

<b>Deferred income taxes</b>	<u>1,799,990</u>	<u>1,620,930</u>
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#### **Shareholders' equity**

Share capital	2,277,982	2,277,982
Contributed surplus	16,000	16,000
Retained earnings	7,096,329	6,086,880
	<u>9,390,311</u>	<u>8,380,862</u>
	<u>11,448,052</u>	<u>10,510,714</u>

<b>Current Ratio (assets / liabilities)</b>	7.8 to 1	4.6 to 1
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