ME RESOURCE CORP.

Financial Statements

December 31, 2012

(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ME Resource Corp.

We have audited the accompanying financial statements of ME Resource Corp., which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ME Resource Corp. as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about ME Resource Corp.'s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
April 30, 2013

ME Resource Corp.
Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	December 31, 2012	December 31, 2011
		$	$
ASSETS			
Current assets			
Cash		21,759	5,876
HST receivable		1,236	18,864
		22,995	24,740
Non-current assets			
Note receivable	4	1	1
		22,996	24,741
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	17,756	29,673
Due to related parties	6	1,064	84,061
Note payable	6,7	65,600	57,471
		84,420	171,205
DEFICIENCY			
Share capital	5	851,556	649,639
Reserves	5	466,111	463,528
Deficit		(1,379,091)	(1,259,631)
		(61,424)	(146,464)
		22,996	24,741

Nature and operation and going concern (Note 1)
Subsequent event (Note 13)

Authorized for issuance by the Board of Directors on April 30, 2013

"Navchand Jagpal"
Director

"Gurdeep Johal"
Director

See accompanying notes to financial statements

ME Resource Corp.
Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

		Year Ended December 31,	
	Note	**2012**	**2011**
Expenses		$	$
Accretion interest	7	8,129	2,592
Advertising and promotion		3,299	850
Consulting	6	37,362	68,690
Filing fees		13,068	27,804
Financing fee		-	5,000
Office and administration	6	3,067	22,227
Professional fees		15,550	33,558
Travel and entertainment		5,985	23,302
		(86,460)	(184,023)
Other Items			
Exploration and evaluation asset impairment	9	-	(10,000)
Write-off of license		-	(1)
Net and comprehensive loss		(86,460)	(194,024)
Loss per share – basic and diluted		(0.00)	(0.01)
Weighted average number of outstanding common shares –basic and diluted		25,168,304	23,583,372

See accompanying notes to financial statements

ME Resource Corp.

Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian Dollars)

			Share capital		Reserves				
	Note	Number of shares	Amount	Subscription receivable	Stock-option reserve	Loan reserve	Warrant reserve	Deficit	Total
			$	$	$	$	$	$	$
January 1, 2011		23,608,372	654,639	(25,000)	418,545	-	39,862	(1,065,607)	22,439
Net and comprehensive loss		-	-	-	-	-	-	(194,024)	(194,024)
Loan discount	6	-	-	-	-	5,121	-	-	5,121
Subscriptions received		-	-	20,000	-	-	-	-	20,000
Write off of subscription receivable	5	(25,000)	(5,000)	5,000	-	-	-	-	-
Balance,December 31, 2011		23,583,372	649,639	-	418,545	5,121	39,862	(1,259,631)	(146,464)
Net and comprehensive loss		-	-	-	-	-	-	(86,460)	(86,460)
Warrants exercised	5	2,450,000	201,917	-	-	-	(30,417)	-	171,500
Warrants extension							33,000	(33,000)	-
Balance, December 31, 2012		26,033,372	851,556	-	418,545	5,121	42,445	(1,379,091)	(61,424)

See accompanying notes to financial statements

ME Resource Corp.
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Note	Year Ended December 31, 2012	2011
		$	$
Cash flows from operating activities			
Loss for the year		(86,460)	(194,024)
Items not involve cash			
Accretion	7	8,129	2,592
Exploration and evaluation asset impairment			10,000
Write-off of license		-	1
Changes in non-cash working capital items:			
HST receivable		17,628	(15,274)
Accounts payable and accrued liabilities		(11,917)	(4,695)
Due to related parties		(82,997)	63,433
		(155,617)	(137,967)
Cash flows from financing activities			
Cash received on exercise of warrants	5	171,500	-
Subscriptions receivable		-	20,000
Issuance of promissory note		-	60,000
		171,500	80,000
Cash flows from investing activities			
Acquisition of exploration and evaluation assets		-	(10,000)
		-	(10,000)
Increase (decrease) in cash		15,883	(67,967)
Cash, beginning		5,876	73,843
Cash, ending		21,759	5,876
Supplementary information:			
Cash paid for interest		-	449
Cash paid for income taxes		-	-

See accompanying notes to financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

ME Resource Corp., (the "Company") was incorporated under the Business Corporation Act (British Columbia) as QMI Seismic Inc., on October 16, 2009. The Company's shares are traded on the Canadian National Stock Exchange under the symbol MEC. The Company's head and registered office address is 1250 West Hastings Street, Vancouver, B.C.

The Company is currently actively reviewing new business opportunities.

These financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent whether the Company can develop an economically viable business, and generate funds there from and/or raise equity capital to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management is considering various options, including but not limited to obtaining equity financing, to finance operating costs over the next twelve months.

2. STATEMENT OF COMPLIANCE

The financial statements of the Company, including comparatives, have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements were authorized for issue on April 30, 2013 by the directors of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

The financial statements have been prepared on an accrual basis and are based on historical costs, except for financial instruments which are measured at fair value. The financial statements are presented in Canadian dollars, the functional currency of the Company.

Loss per share

The Company presents the basic and diluted loss per share data for its common shares by dividing the loss by the weighted average number of common shares outstanding during the year. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Financial Instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Share-based payments

The fair value of share options granted to employees is measured at the grant date and recognized over the vesting period with a corresponding increase in equity. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and contingent liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgment in applying the Company's financial statements is the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

Income taxes

<u>Current income tax:</u>

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

<u>Deferred income tax:</u>

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Exploration and evaluation assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation expenditures (continued)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Impairment of assets

The carrying amount of the Company's assets (which includes the note receivable) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Accounting standards and amendments issued but not yet adopted

New standard IFRS 9 "Financial Instruments"
This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

New standard IFRS 10 "Consolidated Financial Statements"
This new standard will replace IAS 27 "Consolidated and Separate Financial Statements", and SIC-12 "Consolidation – Special Purpose Entities". Concurrent with IFRS 10, the IASB issued IFRS 11 "Joint Ventures"; IFRS 12 "Disclosures of Involvement with Other Entities"; IAS 27 "Separate Financial Statements", which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements; and IAS 28 "Investments in Associates and Joint Ventures", which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12, and requires continuous assessment of control over an investee. The above consolidation standards are effective for annual periods beginning on or after January 1, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standards and amendments issued but not yet adopted (continued)

New standard IFRS 11 "Joint Arrangements"
This new standard requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes lAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities-Non-monetary Contributions by Venturers.

New standard IFRS 12 "Disclosure of Interests in Other Entities"
This new standard establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

New standard IFRS 13 "Fair value measurement"
This new standard replaces the fair value measurement guidance currently included in various other IFRS standards with a single definition of fair value and extensive application guidance. IFRS 13 provides guidance on how to measure fair value and does not introduce new requirements for when fair value is required or permitted. It also establishes disclosure requirements to provide users of the financial statements with more information about fair value measurements. IFRS 13 is effect for annual periods beginning on or after January 1, 2013.

Amendments to IAS 32 "Financial Instruments: Presentation"
These amendments address inconsistencies when applying the offsetting requirements, and is effective for annual periods beginning on or after January 1, 2014.

Financial statement presentation
In June 2011, the IASB and the Financial Accounting Standards Board ("FASB") issued amendments to standards to align the presentation requirements for other comprehensive income ("OCI"). The IASB issued amendments to IAS 1 "Presentation of Financial Statements" to require companies preparing financial statements under IFRS to group items within OCI that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The amendments are effective for fiscal years beginning on or after July 1, 2012.

The Company has not early adopted these standards and is currently assessing the impact that these standards will have on its financial statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. NOTE RECEIVABLE

In July 2010, the Company entered an agreement to acquire 100% of QMI Technologies ("Qtech") from QMI Manufacturing Inc. ("Qmanu") which was terminated subsequently.

As at December 31, 2010, the Company had a balance owing of $521,210 due from Qtech. On March 31, 2011, the Company agreed to convert the $521,210 balance owing into a $400,000 promissory note. The note bears interest at 2% per annum, compounds monthly, and is due and payable in three instalments: $50,000 on March 31, 2012, $50,000 on March 31, 2013, and $300,000 and accrued interest on March 31, 2014. The note is secured by a general security agreement over the assets of Qtech.

Due to the uncertainty of collectability, the Company recorded a loan loss provision of $521,209 during the year ended December 31, 2010 and the note receivable is carried at a nominal value of $1.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL

Authorized share capital: An unlimited number of common shares without par value.
An unlimited number of preferred shares without par value.

During the year ended December 31, 2011, $5,000 of the share subscriptions related to private placements completed in 2010 were uncollectible and the related shares were cancelled.

Stock options

The Company has a stock option plan which provides that the Board of Directors of the Company may grant to directors, officers, employees, and consultants to the Company, non-transferable options to purchase common shares. The number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the stock option plan can have a maximum exercise term of 5 years from the date of grant.

There were no stock options granted or exercised during the years ended December 31, 2012 and 2011. As at December 31, 2012, there were no stock options outstanding.

Warrants

During the year ended December 31, 2012, 2,450,000 warrants of the Company were exercised for common shares at $0.07 per share for gross proceeds of $171,500. The fair value of the warrants exercised is $30,417.

During the year ended December 31, 2012, the Company extended the term of 1,000,000 warrants exercisable at $0.07 per share by two additional years from July 9, 2012 to July 9, 2014. This resulted in incremental increases in the fair value of the warrants of $33,000 which has been charged to deficit during the year ended December 31, 2012. The fair value of the warrants was estimated using the Black-Scholes option pricing model using the following assumptions: expected life of 2 years, volatility of 150% and a risk free interest rate of 0.96%.

A continuity of the Company's warrants is as follows:

Balance, December 31, 2010 and 2011	3,000,000
Exercised	(2,450,000)
Balance, December 31, 2012	550,000

As at December 31, 2012, the Company's 550,000 warrants outstanding have an exercise price of $0.07 per share and expires July 9, 2014.

Stock option reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Warrant reserve

The warrant reserve records the fair value of warrants issued until such time that they are exercised, at which time the corresponding amount will be transferred to share capital.

Loan Reserve

Recorded in the loan reserve is the discount on the loan issued with interest below market rates (Note 7).

(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2012, the Company incurred consulting fees of $20,000 (2011 - $60,000) to a company controlled by the Company's chief executive officer ("CEO"), $Nil (2011 - $800) to a company controlled by the Company's chief financial officer and $16,962 (2011 - $5,720) to a director of the Company.

During the year ended December 31, 2012, the Company incurred $Nil (2011 - $15,000) in rent expense to a company controlled by the Company's former director.

As at December 31, 2012, the Company owed $1,064 (2011 - $82,200) to a company controlled by the Company's CEO, $Nil (2011 - $18,450) to a Company controlled by a former director and $65,600 (2011 - $Nil) to the spouse of the Company's CEO (Note 6).

As at December 31, 2012, $Nil (2011 - $16,589) was owing from the Company's CEO.

Amounts due to related parties are unsecured, non-interest bearing and payable on demand.

7. NOTE PAYABLE

On August 28, 2011, the Company entered into a loan agreement to borrow $60,000 to meet its operational cash requirements. The amount was unsecured, bore interest at 7% per annum and convertible to common shares of the Company at $0.50 per share through mutual consent by both the Company and the lender. A financing fee of $5,000 was incurred in relation to the issuance of the loan.

As the loan bore interest at below market rates, the fair value of the loan was determined to be $54,879 at August 28, 2011 using an effective interest rate of 15%. As at December 31, 2012, the loan had accreted up to its face value of $65,600 (2011 - $57,471) and an interest charge of $8,129 (2011 - $2,592) was recognized.

During the year ended December 31, 2012, the debt was assigned to the spouse of the Company's CEO (Note 5).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2012	December 31, 2011
	$	$
Trade payables	3,756	14,673
Accrued liabilities	14,000	15,000
	17,756	29,673

9. EXPLORATION AND EVALUATION ASSETS

In June 2011, the Company entered into an option agreement to acquire a 100% undivided interest in two exploration and evaluation assets in Kamloops, B.C.

During the year ended December 31, 2011, management determined that both exploration and evaluation assets were fully impaired and wrote off the assets' carrying value of $10,000.

10. CAPITAL DISCLOSURE

The Company manages its capital, consisting of share and working capital, in a manner consistent with the risk characteristic of the assets it holds. The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to any externally imposed capital requirements.

11. FINANCIAL INSTRUMENTS AND RISK MANAGMENT

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. The Company's liquidity risk as assessed as high.

Currency Risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not incur significant expenditures that are denominated in foreign currencies, and does not have any mineral property commitments that are denominated in foreign currencies. Therefore, the Company's exposure to currency risk is minimal.

Interest Rate Risk
Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company does not have material financial assets or liabilities that are exposed to fluctuation of interest rate. As a result, the exposure to interest rate risk is not significant.

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS AND RISKS MANAGMENT (continued)

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	December 31, 2012	December 31, 2011
	$	$
Cash	21,759	5,876
Loans and receivables:		
Note receivable	1	1
	21,760	5,877

Financial liabilities included in the statement of financial position are as follows:

	December 31, 2012	December 31, 2011
	$	$
Non-derivative financial liabilities:		
Trade payables	3,756	14,673
Due to related party	1,064	84,061
Note payable	65,600	57,471
	70,420	156,205

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

	As at December 31, 2012		
	Level 1	Level 2	Level 3
	$	$	$
Cash	21,759	-	-

	As at December 31, 2011		
	Level 1	Level 2	Level 3
	$	$	$
Cash	5,876	-	-

(Expressed in Canadian Dollars)

12. INCOME TAXES

The income tax provisions differ from the expected amounts calculated by applying Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	2012	**2011**
	$	$
Net and comprehensive loss	86,460	194,024
Statutory tax rate	25%	27%
Income tax recovery at statutory rates	(21,615)	(52,387)
Non-deductible items	749	5,775
Income tax rate changes and others	-	(87,348)
Change in valuation allowance	20,866	133,960
Deferred income tax recovery	-	-

The Company's tax-effected deferred income tax assets and liabilities are estimated as follows:

	2012	**2011**
	$	$
Deferred income tax assets:		
Non-capital losses carry forward	222,291	201,425
Mineral properties	2,500	2,500
Total future income tax assets	224,791	203,925
Less: Valuation allowance	(224,791)	(203,925)
Net deferred income tax assets	-	-

The expiration of the Company's non-capital losses is as follows:

Year	**Amount**
	$
2029	4,000
2030	140,316
2031	661,382
2031	83,468
Total	889,166

13. SUBSEQUENT EVENTS

On April 26, 2013 (the "Effective Date"), the Company entered into an assignment agreement ("Agreement") with Ztek Clean Energy Corp. ("Ztek Clean Energy") a Canadian company that has a director common with ME Resources Corp. In accordance with the Agreement, the Company will issue 25,000,000 common shares to Ztek Clean Energy in exchange for a license agreement ("License Agreement") from Ztek Corporation ("Ztek Corp."), a company located in the USA.

Under the Agreement and the License Agreement, the Company has an exclusive right to use certain rights, title, interests in and know-how related to proprietary technologies ("the IP") involving the process of conversion of wasted natural gas into another form of energy including electrical power and diesel in Canada. In exchange, the Company is committed to pay Ztek Corp. the following:

- Demonstration payments of US$100,000, US$100,000, US$200,000, US$100,000, and US$100,000 payable upon the completion of the demonstration of the various technologies of Ztek Corp.
- License fees of US$3,000,000 payable upon the completion of the demonstration.

All payments shall be made prior to October 18, 2013. However, in the event that the demonstrations are not completed by October 18, 2013, the due date of the license fees shall be negotiated and extended. Upon the completion of the demonstrations and payment of the license fees, the IP will be transferred to the Company. If the Company does not pay the license fee within 180 days of the Effective Date, Ztek Corp. may terminate the License Agreement.

The Company will also be subject to the following royalty payments:

- Prior to the completion of the transfer of the IP, the Company will pay Ztek Corp. royalty payments between 5% and 7.5% of the net sales of the licensed products depending on the region where the sale is made.
- Subsequent to the transition period, the royalty payments will increase to between 7.5% and 10% of the net sales of the licensed products. On sales outside of the agreed upon regions, the Company will pay Ztek Corp. the grater of 50% of the net profit, or the royalty payment that would have been due.

Beginning 2014, the Company will be required to pay Ztek Corp. a minimum royalty payment. The minimum royalty payment will be 5% of the license fee in 2014 and 10% of the license fee annually thereafter.

The Company may terminate this agreement after 5 years from the date of the Effective Date by giving 6 months' notice and paying a termination fee of 10% of the license fees.

The completion of the transaction is subject to the approval by the Board of Directors of the Company.