

**ME RESOURCE CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**QUARTER ENDED MARCH 31, 2014**

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**DATE AND SUBJECT OF REPORT**

The following is management's discussion and analysis ("MD&A") in respect of the results of operations and financial position of ME Resource Corp. (the "Company" or "MEC") for the quarter ended March 31, 2014. This MD&A should be read in conjunction with the Company's condensed interim financial statements for the same period, and the Company's audited annual financial statements for the recent year ended December 31, 2013, which are presented in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS").

Additional information, including the above mentioned financial statements, which contain extensive disclosure of the history and properties of the Company, are available on SEDAR and may be accessed at [www.sedar.com](http://www.sedar.com) and at the Company's website <http://www.meresourcecorp.com>

The date of this MD&A is May 29, 2014.

**FORWARD LOOKING STATEMENTS**

*This MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of the Company are usually preceded by, followed by or include the words 'believes', 'expects', 'anticipates', 'estimates', 'intends', 'plans', 'forecasts', 'may', 'will', or similar expressions, although not all forward-looking statements contain these words. Forward-looking statements are not guarantees of future performance.*

*These forward-looking statements are based on management's current expectations and involve numerous risks and uncertainties, including, but not limited to, those identified in the Risks & Uncertainties section. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and while many of which underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company reviews its forward looking statements on an ongoing basis and updates this information when circumstances require it.*

*The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements.*

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<i>Forwarding looking statements</i>	<i>Assumptions</i>	<i>Risk factors</i>
<i>The Company expects the operating expenses will further increase in the next two years in connection with the research and development of the Company's MRU100 units. The Company expects to finance these expenditures with addition equity/debt financing.</i>	<i>The projection is made on the Company's current business plan</i>	<i>Support from related parties, macro-economic factors, change of interest rate, change of business plan</i>
<i>The Company received a positive cash inflow from operation during 2014 Q1 which was mainly due to the receipt of \$108,190 from licensing of its MRU100 units. Reader should be cautioned that there is no guarantee that the Company can receive licensing fees in the future as the Company's MRU units are still in its research stages.</i>	<i>Based on the current status of the Company's research work</i>	<i>The Company's research work may be not able to turn into business viable products. Competition of similar or alternative products in the market.</i>
<i>Readers should be cautioned that the Company's MRU100 unit is still in its research stages. As a result, there is no guarantee that the Company will be able to earn more revenue from licensing in the future</i>	<i>Based on the current status of the Company's research work</i>	<i>The Company's research work may be not able to turn into business viable products.</i>

**COMPANY OVERVIEW & OVERALL PERFORMANCE**

ME Resource Corp. was incorporated under the Business Corporation Act (British Columbia) as QMI Seismic Inc. on October 16, 2009. The name change occurred in August 2011. The Company's shares are traded on the Canadian Securities Exchange under the symbol MEC and quoted on the OTC Markets in U.S.A. under the symbol MEEFX.

**Principal Business**

The Company's principal business was exploration and development of natural resources including, but not limited to mineral, oil and gas properties. The Company disposed all the resources properties in 2011 and is currently conducting research work of developing new technologies that can be used to economically transform wasted or stranded natural gas to engineered fuels and clean power. The Company intends to acquire undervalued natural resource properties and apply these new technologies to increase the resource property's valuations.

On April 21, 2013, the Company entered into an assignment agreement with Ztek Clean Energy Corp. ("Ztek Clean") for an exclusive license which grants MEC the use of intellectual properties that are key for the development of the micro refinery unit ("MRU100 Unit") which is a product the Company intends to provide as a service to the oil and gas industry. MRU100 Unit will be used for the conversion of wasted natural gas, stranded or flared, into electrical power and liquid fuel.

As a result, the Company has diversified into a company having two lines of business:

- Mineral property exploration and development
- Research and development of the MRU 100 Unit

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**Research and Development Work.**

Assignment agreement with Ztek Clean

On April 21, 2013, the Company entered into an assignment agreement (the "Assignment Agreement") with Ztek Clean, a company controlled by a director of the Company (Parminder Singh). Ztek Clean had a license agreement (the "License Agreement") with ZTEK Corporation ("ZTEK"), whereby ZTEK would grant Ztek Clean a license to use certain of ZTEK's intellectual property to make, use and sell licensed products in certain territories for certain fees to be paid when stipulated milestones are met. Under the Assignment Agreement, Ztek Clean agreed to assign the License Agreement to the Company or any other alternative development that Ztek Clean may produce or source that is acceptable to the Company for 25,000,000 shares of the Company.

On October 5, 2013, Ztek Clean, arranged for a research contract ("Polytechnique Research Contract") between the Company and La Corporation de L'Ecole Polytechnique de Montreal ("Polytechnique") to determine the most economic, emission and energy efficient process to convert a natural gas feedstock to engineered hydrocarbon fuels (the "Process") with the purpose of creating micro refinery unit (the MRU100 Unit"). On November 18, 2013 Ztek Clean assigned a consulting agreement ("Gregory Consulting Agreement") between Ztek Clean and Dr. Gregory S. Patience, a director of the Company (the "Consultant") to the Company. The Consultant is to provide consulting services in connection with the research and development work of the MRU 100 Unit.

The Company and Ztek Clean mutually agreed that the Polytechnique Research Contract together with the Gregory Consulting Agreement will serve as the alternative development under the Assignment Agreement and the Company decided not to pursue the License Agreement.

For consideration of the Assignment Agreement, the Company issued 25,000,000 common shares to Ztek Clean. The 25,000,000 common shares have been escrowed and will be released to Ztek Clean upon the completion of various milestones. As at December 31, 2013 and March 31, 2014, none of the escrowed shares have been released. As a result, the Company recognized a value of \$Nil to the issuance of these 25,000,000 common shares during the year ended December 31, 2013 and quarter ended March 31, 2014.

Commitment in connection with the research work

Under the Polytechnique Research Contract, the Company will pay Polytechnique an aggregate sum of \$260,000 in four installments as follows:

- \$65,000 within 15 days of signing the agreement (paid);
- \$65,000 upon being invoiced on March 1, 2014 (paid);
- \$65,000 upon being invoiced on June 1, 2014; and
- \$65,000 upon acceptance of the full report.

Under the Gregory Consulting Agreement, the Company will reimburse all expenses in connection with the research work performed and issue in aggregate 4,000,000 common shares of the Company in installments upon the completion of several technical milestones. 1,300,000 common shares were issued on February 17, 2014 at \$0.1/share (totalling \$130,000), which was the fair value of these shares at issuance, to the Consultant upon the completion of the first two milestones.

Research and development work

During the quarter ended March 31, 2014, the Company incurred research cost of \$65,000 which was solely consulting fees charged by external consultants for their research services rendered and for reimbursement of expenses in connection with the MRU100 Unit (quarter ended March 31, 2013 - \$5381).

There was no development cost incurred since inception.



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The Company's businesses are not subject to seasonal variations. Losses in the last eight quarters are mainly due to operating expenses incurred to support the Company's operations and development of the Company's IP into marketable products. Other factors that affect the losses among these eight quarters are losses from the disposition of the Company's resource properties and other assets, and accounting adjustments.

The Company expects the operating expenses will further increase in the next two years in connection with the research and development of the Company's MRU100 units. The Company expects to finance these expenditures with addition equity/debt financing.

**RESULTS OF OPERATIONS**

For the quarter ended March 31, 2014 ("2014 Q1")

The Company's loss in 2014 Q1 was \$257,961 compared with a loss of \$22,887 in the same quarter of 2013, an improvement of \$235,074.

The increase of losses was mainly a combined result of the following:

- 1) An increase of administrative expense of \$343,264 (2014 Q1 - \$366,151; 2013 Q1 - \$22,887). The main components of the administrative expenses are as follows:

	2014 Q1-2013 Q1	2014 Q1	2013 Q1
	\$	\$	\$
Stock-based compensation	117,943	117,943	-
Research	64,462	65,000	538
Professional and consultant fees	154,290	160,490	6,200

- The Company granted 5,230,150 stock options to officers and external consultants during 2014 Q1. The Company recorded \$117,943 stock-based compensation to account for partially vesting of these options. There was not similar option vesting in 2013 Q1. As a result, stock-based compensation in 2014 Q1 increased.
- The Company incurred \$65,000 research expenditure in 2014 Q1 in connection with the Company's Polytechnique Research Contract that has been discussed in previous section. There was no similar research contract in place in 2013 Q1. Thus, research expenditure increased.
- Including in the \$160,490 professional and consultant fees was \$130,000 (paid in the form of 1,300,000 common share of the Company) in connection with the Company's Gregory Consulting Agreement that has previously discussed. There was no similar research work performed in 2013 Q1, therefore, consulting and professional fees increased.

- 2) An increase in revenue of \$108,190 (2014 Q1 - \$108,190; 2013 Q1 -\$Nil). On January 22, 2014, the Company entered into a license and distribution agreement (the "License Agreement") with Well Power Inc. ("WPI"). Under the License Agreement, WPI obtained the exclusive right to distribute and deploy the Company's MRU100 units in Texas. WPI will pay a non-refundable licensing fee as follows to the Company:

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- US\$100,000 (equivalent to \$108,190) within 30 business days after WPI files its Super 8-K with the SEC (received in March 2014)
- US\$300,000 within 90 business days after the filing of the Super 8-K with the SEC.

There were no similar selling activities in 2013 Q1, thus revenue increased.

Readers should be cautioned that the Company's MRU100 unit is still in its research stages. As a result, there is no guarantee that the Company will be able to earn more revenue from licensing in the future.

As at March 31, 2014, the Company had \$76,452 cash (2013/12/31-\$160), accounts payable and accrued liabilities of \$101,697 (12/31/2013 - \$39,230), due to related party of \$72,682 (2013/12/31 - \$59,504), note payable of \$35,124 (12/31/2013 - \$25,282), share capital of \$1,088,330 (2013/12/31 - \$958,330), and subscription receipt of \$100,000 (2013/12/13 - \$100,000). The increase of cash is a combined result of receiving \$66,450 from the operation (cash used in operating activities in 2013 Q1 was \$21,530), and \$9,842 from financing activities arising from the increase of a promissory note outstanding balance during 2014 Q1.

The Company received a positive cash inflow from operation during 2014 Q1 which was mainly due to the receipt of \$108,190 from licensing of its MRU100 units. Reader should be cautioned that there is no guarantee that the Company can receive licensing fees in the future as the Company's MRU units are still in its research stages.

#### **LIQUIDITY & CAPITAL RESOURCES**

During 2014 Q1, the Company did not have cash inflow/outflow from investing activities. Cash inflow from financing activities was \$9,842 which was a result of an increase of the balance owing of a promissory note.

As at March 31, 2014 the Company had a working capital deficiency of \$128,940. In order to eliminate the working capital deficiency and to finance the Company's operating expenses in Fiscal 2014, the Company plans to close the Future Financing and will initiate addition equity financings.

Management will consider different financing options, including, but not limited to, further debt or equity financing, or formation of joint ventures, to secure addition financing to provide adequate capital resource for the Company to meet its long term business objective.

As of the date of this MD&A, the Company does not have commitments for capital expenditures other than those related to the Company's research work which are disclosed in the section "Commitment in connection with the research work"

#### **OFF BALANCE SHEET ARRANGEMENTS**

The Company does not have off balance sheet arrangements.

#### **PROPOSED TRANSACTIONS**

Other than the Future Financing, the joint venture arrangement with ABS under negotiation, the Company does not have proposed transactions that may have material impact on the Company.

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**TRANSACTIONS WITH RELATED PARTIES**

Commencing January 2013, the Company entered into a rental agreement with an entity controlled by the spouse of the Company's CEO at monthly rent of \$1,250. This rental agreement can be terminated by a 30-day notice. The office rent charged during the year ended 2014 Q1 was \$3,750 (2013 Q1 - \$4,710).

During 2014 Q1, the Company was charged of \$18,000 by a director (Gurdeep Johal) for his services rendered (2013 Q1 - \$6,000); \$130,000 research consulting fees was charged by a director (Dr. Gregory Patience) for services rendered (2013 Q1 - \$Nil).

As at March 31, 2014, due to related parties was \$72,682 (2013/12/31 - \$59,504). Breakdown is as follows:

- \$52,080 (2013/12/31 - \$43,300) (consulting) payable to Gurdeep Johal (Director),
- \$Nil (2013/12/31-\$2,992) (consulting) payable to Dr. Gregory Patience (Director),
- \$20,602 (2013/12/31 - \$13,212) (office rent) payable to a company controlled by the spouse of the CEO.
- \$35,124 (2013/12/31 - \$25,282) promissory note payable to the spouse of the Company's CEO

Due to related parties, including the promissory note, are unsecured, non-interest bearing and payable on demand.

**OUTSTANDING SHARE DATA**

As of the date of this MD&A, has 53,096,047 common shares; 5,230,150 stock options and 1,312,675 share purchase warrants outstanding that can be converted into common shares of the Company on a one-to-one basis.

**CHANGE OF ACCOUNTING POLICIES**

Adoption of new accounting standards and amendments

The Company has not changed its accounting policies since its most recent year ended December 31, 2013 except the adoption of the amended standard IAS 32 on January 1, 2014. This adoption provides for amendments relating to offsetting financial assets and financial liabilities and had no impact on the 2014 Q1 Condensed Consolidated Interim Financial Statements.

New accounting standard not yet effective

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, 2018.

The impact of this new accounting standard has not been determined.

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**FINANCIAL INSTRUMENT RISK EXPOSURE AND RISK MANAGEMENT**

The Company's financial instruments have not significantly changed since its recent year ended December 31, 2013. The Company's financial instruments and related risk management policies are disclosed in the Notes 3 and 10 to the Company's audited annual financial statements for the year ended December 31, 2013 and the breakdown of the Company's financial instruments as at March 31, 2014 is available at the Note 9 to the Company condensed interim financial statements for the quarter ended March 31, 2014.

**RISKS AND UNCERTAINTIES**

**Capitalization Risk**

It is anticipated that the Company will require additional capital to fully execute its long-term business objectives. There can be no assurance that it will be able to obtain any capital in the future or that attempts to obtain capital in the future will result in terms beneficial to existing investors.

**Dilution to the Existing Shareholders**

The Company has no other capital resources other than the ability to use its common stock to raise additional capital. The issuance of additional equity securities by the Company could result in a significant dilution in the equity interests of existing shareholders.

**Management Risk**

The Company's success will largely depend on the capability of its management; management has limited experience in managing the growth of a developing business.

**Reliance on Management's Expertise**

The Company strongly depends on the business acumen and expertise of its management team and there is little possibility that this dependence will decrease in the near term. The loss of the services of any member of the team could have a material adverse effect on the Company. The Company does not have any key person insurance in place for management.

**Profitability Risk**

Although the Company will work to become profitable, there can be no assurance that factors beyond its control, such as, but not limited to, successful development of its technology into a commercial viable products to the oil and gas industry. No assurances can be provided that the Company can do so.

**Key Personnel Risk**

The Company is highly dependent upon the services from external consultants. Loss of these external consultants would adversely affect the achievement of the Company's objectives.

**Technology Risks**

The Company's success in penetrating the desired market segments will also depend upon its ability to advance the technology and functionality of its products. It is also foreseeable that other firms will desire to enter the sector. The Company can provide no assurances that these other firms won't have superior technology or functionality.



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Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive.

**CONTROLS AND PROCEDURES**

Management of the Company is responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. Management is also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's financial statements.

The management of the Company has filed the Venture Issuer Basic Certificate with the filings on SEDAR at [www.sedar.com](http://www.sedar.com). In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

**OFFICERS AND DIRECTORS**

Navchand Jagpal	President, CEO & Director
Jamie Lewin	CFO
Thomas Kennedy	Director
Gurdeep Johal	Director
Dr. Gregory Patience	Director
Dr. Michael Raymont	Director
Parminder Singh	Director

**CONTACT ADDRESS**

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