

**ME RESOURCE CORP.**

**Condensed Interim Financial Statements**

**Three and Six Months ended June 30, 2014**

**(Unaudited - Expressed in Canadian Dollars)**

## **NOTICE TO READER**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the accompanying condensed interim financial statements.

**ME Resource Corp.**  
**Condensed Interim Statements of Financial Position**  
(Unaudited - Expressed in Canadian Dollars)

	Note	June 30, 2014	December 31, 2013
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		94,780	160
Prepaid		-	1,791
GST receivable		5,564	3,143
		100,344	5,094
<b>Non-current assets</b>			
Note receivable		1	1
<b>Total assets</b>		100,345	5,095
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	38,193	39,230
Due to related parties	7	79,608	59,504
Note payable	7	10,351	25,282
		128,152	124,016
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	5	1,088,330	958,330
Subscription received	5	110,000	100,000
Reserves		955,940	511,872
Deficit		(2,182,077)	(1,689,123)
		(27,807)	(118,921)
<b>Total shareholders' deficiency and liabilities</b>		100,345	5,095

*Note 1: Nature and operation and going concern*

*Note 4: Licenses and commitments*

Authorized for issuance by the Board of Directors on August 28, 2014

/s/ Navchand Jagpal  
Director

/s/Gurdeep Johal  
Director

*See accompanying notes to condensed interim financial statements*

**ME Resource Corp.**  
**Condensed Interim Statements of Comprehensive Loss**  
(Unaudited - Expressed in Canadian Dollars)

		<b>Three months ended</b>		<b>Six months ended</b>	
		<b>June 30,</b>		<b>June 30,</b>	
	<b>Note</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
		\$	\$	\$	\$
<b>Revenue from Licensing</b>	<b>6</b>	134,675	-	242,865	-
<b>Expenses</b>					
Advertisemnt		500	5,000	1,000	8,500
Consulting	<b>7</b>	15,298	35,000	175,788	41,200
Filing fees		5,439	5,657	10,219	9,024
Office and administration	<b>7</b>	4,699	20,700	12,724	25,578
Professional fees		13,720	7,205	17,820	9,905
Research		1,568	17,944	66,568	18,482
Stock-based compensation		326,125	-	444,068	-
Travel and entertainment		2,319	8,914	7,632	10,618
<b>Total</b>		369,668	100,420	735,819	123,307
<b>Loss and comprehensive loss</b>					
<b>for the period</b>		(234,993)	(100,420)	(492,954)	(123,307)
<b>loss per share – basic and diluted</b>					
		(0.00)	(0.00)	(0.01)	(0.00)
<b>Weighted average number of</b>					
<b>outstanding common shares –basic</b>					
<b>and diluted</b>					
		53,096,047	26,259,660	52,740,856	26,147,141

*See accompanying notes to condensed interim financial statements*

**ME Resource Corp.**  
**Condensed Interim Statements of Cash Flows**  
(Unaudited - Expressed in Canadian Dollars)

		<b>Six Months ended June 30,</b>	
	<b>Note</b>	<b>2014</b>	<b>2013</b>
		\$	\$
<b>Cash flows from operating activities</b>			
Loss for the year		(492,954)	(123,307)
Items not involve cash			
- Stock-based compensation	5	444,068	-
- shares issued for services	4,7	130,000	-
Changes in non-cash working capital items:			
- GST receivables and prepaid		(630)	(7,694)
- accounts payable and accrued liabilities		(1,037)	(1,809)
- due to related parties		20,104	3,936
Cash used in operating activities		99,551	(128,874)
<b>Cash flows from financing activities</b>			
Shares issued for cash		-	152,535
Share subscription received		10,000	-
Increase (decrease) of note payable	7	(14,931)	(22,914)
Cash provided by financing activities		(4,931)	129,621
Net cash inflow (outflow)		94,620	747
Cash, beginning of period		160	21,759
Cash, end of period		94,780	22,506
Supplementary information:			
Cash paid for Interest expense		-	-
Cash paid for tax expenses		-	-

*See accompanying notes to condensed interim financial statements*

**ME Resource Corp.****Condensed Interim Statements of Changes in Deficiency****Six months ended June 30, 2014 and 2013**

(Unaudited - Expressed in Canadian Dollars)

	Note	Share capital			Reserves				
		Number of shares	Amount \$	Subscription received	Stock- option reserve \$	Loan \$	Warrant \$	Deficit \$	Total \$
<b>Balance, December 31, 2012</b>		26,033,372	851,556	-	418,545	5,121	42,445	(1,379,091)	(61,424)
<b>Shares issued for cash</b>		762,675	152,535	-	-	-	-	-	152,535
<b>Loss for the period</b>		-	-	-	-	-	-	(123,307)	(123,307)
<b>Balance, June 30, 2013</b>		26,796,047	1,004,091	-	418,545	5,121	42,445	(1,502,398)	(32,196)
<b>Balance, December 31, 2013</b>		51,796,047	958,330	100,000	418,545	5,121	88,206	(1,689,123)	(118,921)
<b>Shares issuance for services</b>	4	1,300,000	130,000	-	-	-	-	-	130,000
<b>Subscription receipt</b>		-	-	10,000	-	-	-	-	10,000
<b>Stock-based compensation</b>		-	-	-	444,068	-	-	-	444,068
<b>Loss for the period</b>		-	-	-	-	-	-	(492,954)	(492,954)
<b>Balance, June 30, 2014</b>		53,096,047	1,088,330	110,000	862,613	5,121	88,206	(2,182,077)	(27,807)

*See accompanying notes to condensed interim financial statements*

## **ME Resource Corp.**

Notes to the Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2014

(Unaudited - Expressed in Canadian Dollars)

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### **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 name change occurred in August 2011. The Company’s shares are traded on the Canadian Securities Exchange under the symbol MEC. The Company’s head and registered office address is 900-555 Burrard Street, Vancouver, BC V7X 1M8.

The Company’s principal lines of business are mineral property exploration and research and development of process in order to economically transform wasted or stranded natural gas to engineered fuels or clean power.

These condensed interim financial statements have been prepared using International Financial Reporting Standards 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**

These condensed interim financial statements for the three and six months ended June 30, 2014 (“2014 Condensed Interim Financial Statements”), together with the comparative figures herein have been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee .

These 2014 Condensed Interim Financial Statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these 2014 Condensed Interim Financial Statements be read in conjunction with the most recent audited annual financial statements of the Company for the year ended December 31 2013.

### **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.

#### **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.

## **ME Resource Corp.**

Notes to the Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2014

(Unaudited - Expressed in Canadian Dollars)

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### **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 are the determination of revenue recognition and 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.

#### **Adoption of new accounting standards and amendments**

The significant accounting policies used in the preparation of these 2014 Condensed Interim Financial Statements are consistent with those described in the note 3 to the Company's annual financial statements for the 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 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.

### **4. COMMITMENTS**

On April 21, 2013, the Company entered into an assignment agreement (the "Assignment Agreement") with a company controlled by a director of the Company (the "Related Party") for the Related Party's intellectual property. On October 5, 2013, the Related Party arranged for a research contract (the "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 syngas (the "Process") with the purpose of creating micro refinery unit (the MRU100 Unit). On November 18, 2013, the Related Party assigned a consulting agreement (the "Consulting Agreement") between the Related Party 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 of the MRU100 Unit. The Company and the Related Party mutually agreed that the Research Contract together with the Consulting Agreement will serve as the intellectual property to be assigned under the Assignment Agreement.

For consideration of the Assignment Agreement, the Company issued the 25,000,000 common shares to the Related Party fiscal 2013. The 25,000,000 common shares have been escrowed and will be released to the Related Party upon the completion of various milestones. As at June 30, 2014, none of the escrowed shares have been released.

Per IFRS 2, "Share based payment", no amount is recognised for goods or services received if the equity instruments granted do not vest because of failure to satisfy a vesting condition. As none of the milestones had been met as at June 30, 2014 and December 31, 2013, no value has been recognized for the issuance of these 25,000,000 common shares of the Company.



## ME Resource Corp.

Notes to the Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2014

(Unaudited - Expressed in Canadian Dollars)

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### 4. COMMITMENTS (Continued)

Under the Research Contract, the Company agrees to pay Polytechnique an aggregate sum of \$260,000 in instalments 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 Consulting Agreement, the Company will reimburse all expenses in connection with the work performed and issue in aggregate 4,000,000 common shares of the Company in installments upon the completion of several technical milestones. During the six months ended June 30, 2014, 1,300,000 common shares were issued at \$0.10/share, which was the fair value of these shares at issuance, to the Consultant upon the completion of the first two milestones .

### 5. SHARE CAPITAL

The Company's authorized share capital consisted of unlimited number of common shares without par value and unlimited number of preferred share without par value.

As at June 30, 2014, the Company has received \$110,000 in subscriptions for a future financing pending to complete.

#### 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.

During six months ended June 30, 2014, the Company granted 5,230,150 options to officers and directors. These options will vest (1/8) 12.5% in each quarter over a two-year period after issuance.

The Company used the Black-Scholes option pricing model and the following assumptions to determine the fair values of the stock options issued and vested during six months ended June 30, 2014.

Forfeiture rate	0.00%
Risk-free interest rate	1.02%
Expected life of options	2 years
Annualized volatility	188-198%
Dividend rate	0.00%
Weighted average fair value per option	\$0.21

Outstanding Stock option continuity is as follows:

	Number	Weighted average exercise price
Balance, December 31, 2013	-	-
Issuance	5,230,150	\$0.254
Balance, June 30, 2014	5,230,150	\$0.254

## ME Resource Corp.

Notes to the Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2014

(Unaudited - Expressed in Canadian Dollars)

### 5. SHARE CAPITAL (Continued)

#### Stock options (continued)

Stock options outstanding and exercisable as at June 30, 2014 are as follows:

Exercise price	Number of Options outstanding	Weighted average remaining contractual life	Number of Options exercisable	Expiry date
\$0.285	650,000	1.69 years	81,250	February 27, 2016
\$0.250	4,580,000	1.67 years	572,500	March 10, 2016
	5,230,150	1.67 years	657,750	

#### Warrants

There was no warrant issuance or expiry during six months ended June 30, 2014. As at June 30, 2014, the Company had 1,312,675 outstanding warrants (December 31, 2013 -1,312,675), which had a weight average remaining life of 0.53 year (December 31, 2013 - 1.03 years.), and a weighted average exercise price of \$0.31/share (December 31, 2013 - \$0.31/share).

Subsequent to the period ended June 30, 2014, 550,000 warrants were exercised into common shares of the Company at \$0.07/share for proceeds of \$38,500.

#### 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 .

### 6. REVENUE

Revenue from granting license is recognized when significant risks and rewards of ownership have passed to licensees; it is probable that the economic benefits associated with the license grant will flow to the Company; the consideration can be measured reliably, the costs incurred in respect of the license grant can be measured reliably, and the Company has no significant continuing involvement.

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 of US\$100,000 and US\$ 300,000 respectively within 30 days and 90 days after WPI files its Super 8-K with the SEC

The Company has received \$242,865 (US\$ 225,000) during six months ended June 30, 2014.

## ME Resource Corp.

Notes to the Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2014

(Unaudited - Expressed in Canadian Dollars)

### 7. RELATED PARTY TRANSACTIONS

During six months ended June 30, 2014, the Company incurred consulting fees of \$36,000 (2013 Six Months - \$18,000) to a director of the Company, consulting fees of \$130,000, in the form of 1,300,000 common share of the Company (Note 4) charged by a director of the Company (2013 Six Months - \$Nil), rent expense of \$7,500 (2013 Six Months - \$9,420) to a company controlled by the spouse of the Company's CEO.

As at June 30, 2013, the Company owed \$58,080 (2013/12/31 - \$46,292) to a director, \$21,528 (2013/12/31 - \$13,212) to a company controlled by the spouse of the Company's CEO and a promissory note owing of \$10,351 (2013/12/31 - \$25,282) to the spouse of the Company's CEO.

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

### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2014	December 31, 2013
	\$	\$
Trade payables	31,793	29,230
Accrued liabilities	6,400	10,000
	38,193	39,230

### 9. FINANCIAL INSTRUMENTS

#### Classification of financial instruments

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

	June 30, 2014	December 31, 2013
	\$	\$
Cash	94,780	160
Loans and receivables:		
Note receivable	1	1
	94,781	161

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

	June 30, 2014	December 31, 2013
	\$	\$
Non-derivative financial liabilities:		
Trade payables (due in 30 days)	31,793	29,230
Due to related party (due on demand)	79,608	59,504
Note payable (due on demand)	10,301	25,282
	121,702	114,016

**ME Resource Corp.**

Notes to the Condensed Interim Financial Statements

Three and Six Months Ended June 30, 2014

(Unaudited - Expressed in Canadian Dollars)

**9. FINANCIAL INSTRUMENTS (Continued)****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.

<b>As at December 31, 2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash	\$ 160	\$ -	\$ -

  

<b>As at June 30, 2014</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash	\$ 94,780	\$ -	\$ -