ME RESOURCE CORP.

Financial Statements

Year ended December 31, 2014

(Expressed in Canadian Dollars)

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, 2014 and 2013, and the statements of loss and comprehensive loss, cash flows, and changes in shareholders' deficiency 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 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, 2014 and 2013, 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
May 11, 2015

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

	Note	December 31, 2014	December 31, 2013
		$	$
ASSETS			
Current assets			
Cash		1,859	160
Prepaid expense		1,640	1,791
Taxes receivable		9,934	3,143
		13,433	5,094
Non-current assets			
Note receivable		1	1
Total assets		13,434	5,095
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	250,020	39,230
Due to related parties	7	157,830	59,504
Note payable	7,8	-	25,282
Short-term loan	9	15,000	-
Deferred revenue – current portion	6	84,350	-
Total current liabilities		507,200	124,016
Non-current liabilities			
Deferred revenue – non-current portion	6	260,080	-
Total liabilities		767,280	124,016
SHAREHOLDERS' DEFICIENCY			
Share capital	5	1,169,275	958,330
Subscription received	5	-	100,000
Reserves	5	1,247,845	511,872
Deficit		(3,170,966)	(1,689,123)
		(753,846)	(118,921)
Total liabilities and shareholders' deficiency		13,434	5,095

Nature and continuance of operations (Note 1)
Commitments (Note 4)
Subsequent Event (Note 14)

Authorized for issuance by the Board of Directors on May 11, 2015

/s/ Navchand Jagpal
Director

/s/Gurdeep Johal
Director

The accompanying notes are an integral part of these financial statements.

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

	Note	Years ended December 31, 2014	2013
		$	$
Revenue from Licensing	6	77,321	**-**
Expenses			
Advertisement		33,355	8,500
Consulting	7	294,890	127,221
Filing fees		18,168	14,342
Office and administration	7	27,308	30,464
Foreign exchange		2,231	-
Professional fees		38,324	29,968
Research	7	338,805	80,602
Stock-based compensation	7	778,418	-
Travel and entertainment		27,665	18,935
Total		1,559,164	310,032
Loss and comprehensive loss		(1,481,843)	(310,032)
Loss per share – basic and diluted	5	(0.05)	(0.01)
Weighted average number of outstanding common shares –basic and diluted		28,116,458	27,358,128

The accompanying notes are an integral part of these financial statements.

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

	Years ended December 31, 2014	2013
	$	$
Cash flows from operating activities		
Loss for the year	(1,481,843)	(310,032)
Items not involving cash:		
Stock-based compensation	778,418	-
Shares issued for services	130,000	-
Changes in non-cash working capital items:		
Taxes receivable	(6,791)	(1,907)
Prepaid expense	151	(1,791)
Accounts payable and accrued liabilities	210,790	21,474
Due to related parties	136,826	58,440
Deferred revenue	344,430	-
Cash provided by (used in) operating activities	111,981	(233,816)
Cash flows from financing activities		
Shares issued for cash	-	152,535
Share subscription (returned) received	(95,000)	100,000
Proceeds from short term loan	10,000	-
Repayment of note payable	(25,282)	(40,318)
Cash (used in) provided by financing activities	(110,282)	212,217
Increase (decrease) in cash	1,669	(21,599)
Cash, beginning	160	21,759
Cash, end	1,859	160

Supplementary non cash information:				
Warrant exercise in exchange for due to related party	$	38,500	$	-
Return of subscription receipt recorded as short-term loan	$	5,000	$	-

The accompanying notes are an integral part of these financial statements.

ME Resource Corp.

Statement of Changes in Shareholders' Deficiency

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

		Share capital			Reserves				
	Note	**Number of shares**	**Amount**	**Subscription received**	**Stock-option reserve**	**Loan**	**Warrant**	**Deficit**	**Total**
			$		$	$	$	$	$
Balance, December 31, 2012		26,033,372	851,556	-	418,545	5,121	42,445	(1,379,091)	(61,424)
Shares issued for cash	5	762,675	106,774	-	-	-	45,761	-	152,535
Shares issued for license	4,5	25,000,000	-	-	-	-	-	-	-
Subscription receipt	5	-	-	100,000	-	-	-	-	100,000
Comprehensive loss for the year		-	-	-	-	-	-	(310,032)	(310,032)
Balance, December 31, 2013		51,796,047	958,330	100,000	418,545	5,121	88,206	(1,689,123)	(118,921)
Shares issued for services	4,5	1,300,000	130,000	-	-	-	-	-	130,000
Subscription receipt	5	-	-	(100,000)	-	-	-	-	(100,000)
Stock-based compensation	5	-	-	-	778,418	-	-	-	845,658
Exercise of warrants	5	550,000	80,945	-	-	-	(42,445)	-	38,500
Comprehensive loss for the year		-	-	-	-	-	-	(1,481,843)	(1,481,843)
Balance, December 31, 2014		53,646,047	1,169,275	-	1,196,963	5,121	45,761	(3,170,966)	(753,846)

The accompanying notes are an integral part of these financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

ME Resource Corp., (the "Company") was incorporated under the Business Corporation Act (British Columbia) on October 16, 2009. 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 line of business is research and development of a process to economically transform wasted or stranded natural gas to engineered fuels or clean power.

These 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. The Company has not yet achieved profitable operations and expects to incur further losses in the development of its business. 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 have been prepared in accordance with International Financial Reporting Standards ("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 May 11, 2015 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 certain 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. The 25,000,000 common shares issued and held in escrow (note 4) have been excluded from the loss per share calculation as they are contingently returnable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The fair value of stock 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 reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock 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 and the recognition and measurement of deferred tax assets.

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.

Income taxes

Current income tax:

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.

Deferred tax:

Deferred tax is provided using the liability 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 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 tax asset to be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes (continued)

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (continued)

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.

Foreign currency translation

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations.

Revenue recognition

Revenue from the granting of licences is recognized when the significant risks and rewards of ownership have passed to licensees; it is probable that the economic benefits associated with the licence 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 obligation. Where there is a specified contractual term revenue is recognized on a straight line basis over the term of the agreement.

Research and development

Research and development costs are expensed as incurred unless development costs meet the criteria for capitalization:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How intangible assets will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The Company amortizes costs, commencing with commercial production, over the expected future benefit period based upon quantities delivered compared to expected levels contracted to be delivered.

Warrants

Proceeds from issuances of security units by the Company consisting of shares and warrants are allocated based on the residual method. The fair value of the warrants is determined to be the difference between gross proceeds over the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a fair value of $Nil is assigned to the warrants.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. COMMITMENTS

a) On April 21, 2013, the Company entered into an assignment agreement (the "Assignment Agreement") with a company owned by a director of the Company (the "Related Party"). The Related Party had a license agreement (the "License Agreement") with ZTEK Corporation ("ZTEK"), whereby ZTEK will grant the Related Party a license to use certain of ZTEK's intellectual property. Under the Assignment Agreement, the Related Party agreed to assign the License Agreement to the Company or any other alternative development technology that the Related Party may produce or source that is acceptable to the Company for 25,000,000 shares of the Company.

The 25,000,000 common shares were issued and placed in escrow to be released upon the completion of certain milestones and the approval of the board of directors. Per IFRS 2, "Share based payments", no amount is to be 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 December 31, 2013, no value was recognized for the shares issued. As at December 31, 2014, none of the escrowed shares have been released and the milestones have not been met.

During the year ended December 31, 2013 the Company and ZTEK mutually agreed that a research contract and consulting agreement outlined below would serve as the alternative development technology under the Assignment Agreement and the Company decided not to pursue the License Agreement.

b) 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").

Under the Research Contract, the Company will 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 (paid);
- $65,000 upon acceptance of the full report (paid subsequent).

(Expressed in Canadian Dollars)

4. COMMITMENTS (Continued)

c) 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"). 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 instalments upon the completion of several technical milestones. During the year ended December 31, 2014 1,300,000 common shares with a value of $130,000 were issued to the Consultant upon the completion of the first two milestones.

5. SHARE CAPITAL

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

Issued and outstanding:

25,000,000 of the Company's issued common shares are held in escrow as at December 31, 2014 (2013 – 25,000,000) (Note 4).

Transactions for the year ended December 31, 2014 were as follows:

a) Issued 1,300,000 common shares for services with a fair value of $130,000 (Note 4)

b) During the year ended December 31, 2014, 550,000 warrants were exercised into common shares of the Company at $0.07 per share by two directors of the Company in exchange for a reduction of amounts due to related parties of $38,500 (Note 7)

Transactions for the year ended December 31, 2013 were as follows:

a) On June 4, 2013, the Company completed a private placement of 762,675 units at $0.20 per unit for gross proceeds of $152,535. Each unit consisted of one common share and one share purchase warrant. Each purchase warrant entitles the holder to purchase one common share of the Company at $0.50 per share for 2 years. The expiry of these warrants may be accelerated to a 30 day term if the 10-day average market closing price of the listed common shares of the Company is equal to or greater than $0.55. The fair value of the warrants was estimated to be $45,761.

b) On July 11, 2013, the Company issued 25,000,000 common shares for the Assignment Agreement. No value has been recognized for these shares (Note 4).

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. The term of any options granted under the plan may not exceed 5 years. Vesting terms and conditions are established by the board of directors.

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (Continued)

Stock options (continued)

On February 27, 2014 the Company granted options to acquire 4,580,150 common shares to directors, officers, and consultants. The options are exercisable for a period of two years at a price of $0.25 each. These options vest 12.5% each quarter over the two year period. The company recognized stock based compensation expense of $698,143 in relation to the options which vested during the year. The fair value of options yet to vest is $938,931.

On March 10, 2014, the Company granted options to acquire 650,000 common shares to consultants. The options vested immediately and were exercisable for a four month period at a price $0.285 each. The Company recognized stock based compensation expense of $80,275 in relation to these options. The options expired unexercised on July 10, 2014.

The weighted average grant date fair value of stock options granted during the year was $0.19 per stock option. 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 the year ended December 31, 2014 with the following weighted average assumptions:

Risk-free interest rate	1.05%
Expected life of options	1.89 years
Annualized volatility	189%
Dividend rate	0.00%

Outstanding Stock option continuity is as follows:

	Number	Weighted average exercise price
Balance, December 31, 2013 and 2012	-	-
Stock options granted	5,230,150	$0.25
Expired	(650,000)	$0.28
Balance, December 31, 2014	4,580,150	$0.25

Stock options outstanding and exercisable as at December 31, 2014 are as follows:

Exercise price	Number of Options outstanding	Weighted average remaining contractual life	Number of Options exercisable	Expiry date
$0.250	4,580,150	1.16 years	1,145,037	February 27, 2016

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (Continued)

Warrants

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

	Number of warrants outstanding	Weighted average exercise price
December 31, 2012	550,000	$0.07
Issued	762,675	$0.50
December 31, 2013	1,312,675	$0.31
Exercised	(550,000)	$0.07
December 31, 2014	762,675	$0.50

As at December 31, 2014, the 762,675 warrants outstanding had a weighted average remaining life of 0.26 years.

Subscription received

During the year ended December 31, 2013 the Company received $10,000 (2013 - $100,000) as a subscription of units. During the year ended December 31, 2014, the Company cancelled the subscription agreement and returned $95,000 to the subscriber. The remaining $15,000 has been recorded as a short-term loan (note 9).

Loss per share

The 25,000,000 common shares issued and held in escrow (note 4) have been excluded from the loss per share calculation as they are contingently returnable.

Stock option reserve

The stock option 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 a discount on a loan which was issued with interest below market rates.

6. REVENUE FROM LICENCING

a) 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 is required to pay a non-refundable licensing fee of $100,000 and $ 300,000 respectively within 30 days and 90 days after filing a super 8-K with the U.S. Securities Exchange and Commission. The super 8-K was filed January 29, 2014.

   The Company received $400,000 during the year ended December 31, 2014 in relation to this agreement.

(Expressed in Canadian Dollars)

6. REVENUE FROM LICENCING (Continued)

Of the amounts received in relation to the agreements above $77,321 was recognized as revenue, $84,350 was recorded as deferred revenue – current, and $260,080 was recorded as deferred revenue non-current. The revenue will be recognized over the term of the agreements on a straight line basis.

b) On August 31, 2014, the Company entered into an Exclusive license for additional Territories (the "Additional Agreement") with Well Power Inc. ("WPI"). Under the Additional Agreement, WPI obtained the exclusive right to distribute and deploy the Company's MRU100 units in Montana. WPI will pay a non-refundable licensing fee of $250,000 within 60 days after the Company invoices WPI.

The Company received $21,751 during the year ended December 31, 2014 in relation to this agreement.

7. RELATED PARTY TRANSACTIONS

a) Transactions with key management personnel were as follows:

	Year ended December 31, 2014	**Year ended December 31, 2013**
	$	$
Consulting fees paid to directors	72,000	72,000
Consulting fees paid the Chief Executive Officer ("CEO")	105,000	-
Stock based compensation to directors and officers	396,312	-
Consulting fees recorded as research expense paid to a director	130,000	-
Rent paid to a Company related to the CEO	15,000	15,000

b) Balances due to related parties:

Amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

Due to Related parties	**December 31, 2014**	**December 31, 2013**
	$	$
Directors	68,230	59,504
President	7,500	-
Related Company of the CEO - Accounts payable	82,100	
Related Company of the CEO - Note payable (Note 8)	-	25,282
	157,830	84,786

8. NOTE PAYABLE

During the year ended December 31, 2012, a note payable was assigned to the spouse of the Company's CEO. The note was unsecured, due on demand, and bore no interest. As at December 31, 2014, $Nil was owing (2013 - $25,282) (Note 7).

9. SHORT-TERM LOAN

The Company has a short-term loan of $15,000. This short-term loan is non-interest bearing, unsecured, and payable on demand.

(Expressed in Canadian Dollars)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2014	**December 31, 2013**
	$	$
Trade payables	236,020	29,230
Accrued liabilities	14,000	10,000
	250,020	39,230

11. FINANCIAL INSTRUMENTS

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 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 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 (continued)

Classification of financial instruments

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

	December 31, 2014	December 31, 2013
	$	$
Cash	1,859	160
Loans and receivables:		
Note receivable	1	1
	1,860	161

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

	December 31, 2014	December 31, 2013
	$	$
Non-derivative financial liabilities:		
Trade payables (due in 30 days)	236,020	29,230
Due to related party (due on demand)	157,830	59,504
Note payable (due on demand)	-	25,282
Short-term loan	15,000	-
	408,850	114,016

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.

Cash is classified as level 1.

12. 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

(Expressed in Canadian Dollars)

13. 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:

	2014	2013
	$	$
Loss	(1,481,843)	(310,032)
Statutory tax rate	26%	25%
Income tax recovery at statutory rates	(385,279)	(77,508)
Effect of change in statutory rates	(10,140)	-
Impact on prior year provision per statutory tax return	132,173	-
Non-deductible items	204,142	3,455
Change in valuation allowance	(59,104)	74,053
Deferred tax recovery	-	-

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

	2014	2013
	$	$
Deferred tax assets:		
Non-capital losses carry forward	355,348	296,344
Mineral properties	2,600	2,500
Total deferred tax assets	357,948	298,844
Less: Valuation allowance	(357,948)	(298,844)
Net deferred tax assets	-	-

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

Year	Amount
	$
2029	4,000
2030	120,450
2031	154,675
2032	80,923
2033	309,997
2034	696,679
Total	1,366,724

14. SUBSEQUENT EVENT

In January 2015, the Company arranged a private placement offering of up to 2,000,000 common shares of the Company at a price of $0.10 per share for gross proceeds of up to $200,000. The Company has issued 1,400,000 million shares for proceeds of $140,000 of which $110,000 was collected. A further $30,000 is yet to be collected.