ME RESOURCE CORP.

Financial Statements

December 31, 2015

Expressed in Canadian Dollars

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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, 2015 and 2014, and the statements of comprehensive loss, cash flows and changes in 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, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain 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 PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 28, 2016

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

	Note	December 31, 2015	December 31, 2014 (Restated - Note 14)
		$	$
ASSETS			
Current assets			
Cash		528	1,859
Prepaid		-	1,640
Taxes receivable		22,898	12,199
		23,426	15,698
Non-current assets			
Note receivable		1	1
Total assets		23,427	15,699
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	91,390	302,111
Due to related parties	8	77,485	157,830
Short-term loan	9	-	15,000
Deferred revenue, current	10	87,221	84,350
		256,096	559,291
Non-current liabilities			
Deferred revenue, non-current	10	177,575	260,080
Total liabilities		433,671	819,371
SHAREHOLDERS' DEFICIENCY			
Share capital	5	5,666,105	1,169,275
Reserves		1,486,559	1,247,845
Deficit		(7,562,908)	(3,220,792)
		(410,244)	(803,672)
Total shareholders' deficiency and liabilities		23,427	15,699

Note 4: Commitments
Note 15: Subsequent event

Authorized for issuance by the Board of Directors on April 28, 2016

/s/ Navchand Jagpal
Director

/s/Ravinder Kang
Director

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

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

	Note	**Years ended December 31, 2015**	**2014 (Restated – Note 14)**
		$	$
Revenue from Licensing	10	89,634	77,321
Expenses			
Advertising		-	33,355
Consulting	8	267,090	294,890
Filing fees		12,175	18,168
Foreign exchange		-	2,231
Office and administration	8	28,036	27,308
Professional fees		18,860	38,324
Research and development	4,5,6,8	3,915,915	388,631
Stock-based compensation	5,8	238,714	778,418
Travel and entertainment		11,718	27,665
		(4,492,508)	(1,608,990)
Other item:			
Gain on settlement of debt	5,8	60,758	-
Loss and comprehensive loss		(4,342,116)	(1,531,669)
Loss per share – basic and diluted		(0.07)	(0.05)
Weighted average number of outstanding common shares , basic and diluted		60,485,464	28,116,458

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

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

	Year ended December 31, 2015	2014
	$	$
Cash flows from operating activities		
Loss for the year	(4,342,116)	(1,531,669)
Items not involve cash		
Stock-based compensation	238,714	778,418
Shares issued for services	-	130,000
Shares released from escrow for research and development	3,750,000	-
Gain on settlement of debt	(60,758)	-
Changes in non-cash working capital items:		
Taxes receivable	(10,699)	(9,056)
Prepaid	1,640	151
Accounts payable and accrued liabilities	(23,020)	262,881
Deferred revenue	(79,634)	344,430
Cash used in operating activities	(525,873)	(24,845)
Cash flows from financing activities		
Due to related party	324,542	136,826
Shares issued for cash	200,000	-
Share subscription returned	-	(95,000)
Proceeds from short term loan	-	10,000
Repayment of note payable	-	(25,282)
Cash provided by financing activities	524,542	26,544
Change in cash during the year	(1,331)	1,699
Cash, beginning of year	1,859	160
Cash, end of year	528	1,859

	2015	2014
Supplementary information:		
Warrant exercise in exchange for due to related party	$ -	$ 38,500
Return of subscription receipt as short term loan	$ -	$ 5,000
Issuance of common shares for debt settlement	$ 546,830	$ -
Issuance of common shares for services	$ -	$ 130,000

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

ME Resource Corp.
Statement of Changes in Deficiency
(Expressed in Canadian Dollars)

	Share capital			Reserves				
	Number of shares	Amount $	Subscription received $	Stock-option reserve $	Loan $	Warrant $	Deficit $	Total $
Balance, December 31, 2013	51,796,047	958,330	100,000	418,545	5,121	88,206	(1,689,123)	(118,921)
Subscription receipt	-	-	(100,000)	-	-	-	-	(100,000)
Stock-based compensation	-	-	-	778,418	-	-	-	778,418
Warrant exercise	550,000	80,945	-	-	-	(42,445)	-	38,500
Shares issued for services	1,300,000	130,000	-	-	-	-	-	130,000
Loss for the year (Restated)	-	-	-	-	-	-	(1,531,669)	(1,531,669)
Balance, December 31, 2014 (Restated)	53,646,047	1,169,275	-	1,196,963	5,121	45,761	(3,220,792)	(803,672)
Shares issued for cash	2,000,000	200,000	-	-	-	-	-	200,000
Shares released from escrow	-	3,750,000	-	-	-	-	-	3,750,000
Shares for debt settlement	6,075,888	546,830	-	-	-	-	-	546,830
Share-based compensation	-	-	-	238,714	-	-	-	238,714
Loss for the year	-	-	-	-	-	-	(4,342,116)	(4,342,116)
Balance, December 31, 2015	61,721,935	5,666,105	-	1,435,677	5,121	45,761	(7,562,908)	(410,244)

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 April 28, 2016 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.

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

<u>Current income tax:</u>

Current income tax assets and liabilities for the 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 tax:</u>

Deferred tax is provided 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 comprehensive loss.

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;
- The ability of the intangible assets to 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.

Any government grants are recorded when the Company has complied with any attached conditions and the grants have been received. Government grants are recorded against research and development expense in the period received. The Company, from time to time, receives government grants for their research and development of their process to economically transform wasted or stranded natural gas to engineered fuels or clean power.

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.

New standard IFRS 15 "Revenue from Contracts with Customers"

This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The impact of these new accounting standards have 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.

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.

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. On October 21, 2015 the Company's Board of Directors released all of the 25,000,000 escrowed shares as the milestones had been met. These shares has a value of $3,750,000 when released from escrow, and were recorded as research and development costs.

(Expressed in Canadian Dollars)

4. COMMITMENTS (Continued)

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 in 2013);
- $65,000 upon being invoiced on March 1, 2014 (paid in 2014);
- $65,000 upon being invoiced on June 1, 2014 (paid in 2014);
- $65,000 upon acceptance of the full report (paid in 2015).

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, 2015, Nil common shares were issued (2014 - 1,300,000 common shares with a value of $130,000 were issued)

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:

Transactions for the year ended December 31, 2015 were as follows:

a) Issued 2,000,000 common shares at $0.10 per share for gross proceeds of $200,000.
b) Issued 6,075,888 shares valued at $546,830 for debt settlement of $607,588. A gain of $60,758 was recorded as a result of the debt settlement.
c) Release of 25,000,000 common shares from escrow on October 21, 2015. The fair value of these shares was $3,750,000 when they were released (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 8).

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. During the year ended December 31, 2015, the Company cancelled all the unexercised options. In accordance with IFRS 2, the Company has accounted for the cancellation as an acceleration of vesting, and have recognized immediately the remaining amount of $238,714 that otherwise would have been recognised for services received over the remainder of the vesting period.

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 ended December 31, 2014 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%

Stock option continuity is as follows:

	Number	Weighted average exercise price
Balance, December 31, 2013	-	-
Stock options granted	5,230,150	$0.25
Expired	(650,000)	$0.28
Balance, December 31, 2014	4,580,150	$0.25
Cancelled	(4,580,150)	$0.25
Balance, December 31, 2015	-	-

(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, 2013	1,312,675	$0.31
Exercised	(550,000)	$0.07
December 31, 2014	762,675	$0.50
Expired	(762,675)	$0.50
December 31, 2015	-	-

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. RESEARCH AND DEVELOPMENT

The Company is developing a method and apparatus for producing chemicals from a methane containing gas. The Company expenses costs associated with this as incurred as these costs do not meet the criteria to be capitalized as intangible assets.

Included in research and development expense for the year ended December 31, 2015 is $54,344 (2014 - $Nil) of government grants received by the Company during the year for their process to economically transform wasted or stranded natural gas to engineered fuels or clean power. All conditions of the grants have been met, and as a result the Company recorded the grants as a deduction of their research and development expense.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2015	**December 31, 2014**
	$	$
Trade payables	64,274	288,111
Salaries payable	12,116	-
Accrued liabilities	15,000	14,000
	91,390	302,111

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

a) Transactions with key management personnel were as follows:

	Years ended December 31, 2015	2014
	$	$
Consulting fees charged by directors	61,500	72,000
Consulting fees charged by a company related to the chief executive officer ("CEO")	120,000	105,000
Consulting fees charged by the chief financial officer ("CFO")	60,000	-
Stock based compensation vested by directors and officers	135,510	396,312
Consulting fees recorded as research expense charged by a director	-	130,000
Rent and related fees charged by a Company related to the CEO included in office and administration	18,300	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, 2015**	**December 31, 2014**
	$	$
Directors	55,403	75,730
Chief financial officer	16,500	-
A Company related to the CEO	5,582	82,100
	77,485	157,830

c) Share for debt exchange:

On November 19, 2015 the Company issued 4,048,880 shares valued at $364,399 to settle related party debt of $404,888. A gain of $40,489 was recorded as a result of the debt settlement. Among these issuance, 1,095,000 shares were issued to a company controlled by the Chairman of the Board of Directors, 450,000 shares were issued to the CFO and a company controlled by the CFO, 682,300 shares were issued to a director, 1,821,580 shares were issued to the CEO and a company related to the CEO. Of this debt settled, $236,158 was incurred in the current year, and $168,730 was outstanding as at December 31, 2014.

Amounts due to related parties are non-interest bearing with no terms of repayment

9. SHORT-TERM LOAN

As at December 31, 2014, the Company had an outstanding short-term loan of $15,000. During the year ended December 31, 2015, the Company issued 150,000 shares valued at $13,500 to settle this loan. A gain of $1,500 was recorded as a result of the debt settlement.

(Expressed in Canadian Dollars)

10. REVENUE FROM LICENCING

a) On January 22, 2014, the Company entered into a license and distribution agreement (the "Agreement") with Well Power Inc. ("WPI"). Under the Agreement, WPI obtained the exclusive right to distribute and deploy the Company's MRU100 units in Texas for five years. WPI paid a non-refundable licensing fee of $400,000 during the year ended December 31, 2014

The revenue will be recognized over the term of the Agreement (five years) on a straight line basis and the difference between money received and revenue recognize is recorded as deferred revenue. During the year ended December 31, 2015, $80,000 was recognized as revenue (2014 - $77,321).

b) On August 31, 2014, the Company entered into an exclusive license for additional territories (the "Additional Agreement") with WPI. Under the Additional Agreement, WPI obtained the exclusive right to distribute and deploy the Company's MRU100 units in Montana with the same term as the Agreement above.

The Company received $21,751 during the year ended December 31, 2014 and another $10,000 during the year ended December 31, 2015 in relation to this Additional Agreement. The revenue will be recognized over the term of the agreements (five years) on a straight line basis. During the year ended December 31, 2015, $9,634 was recognized as revenue (2014 - $Nil).

Deferred revenue recognized is as follows:

	December 31, 2015	**December 31, 2014**
	$	$
Current	87,221	84,350
Non-current	177,575	260,080
	264,796	344,430

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. The majority of cash is deposited in bank accounts held with a major bank 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.

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS (Continued)

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.

Classification of financial instruments

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

	December 31, 2015	**December 31, 2014**
	$	$
Cash	528	1,859
Loans and receivables:		
Note receivable	1	1
	529	1,860

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

	December 31, 2015	**December 31, 2014**
	$	$
Non-derivative financial liabilities:		
Trade payables	64,274	288,111
Salaries payable	12,116	-
Due to related party (due on demand)	77,485	157,830
Short-term loan	-	15,000
	153,875	460,941

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS (Continued)

Fair value

The fair value of the Company's financial assets and liabilities approximate their carrying amount due to their short terms to maturity.

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 measured at fair value using level 1 inputs.

12. CAPITAL MANAGEMENT

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. The capital structure of the Company consists of shares and working capital.

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

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:

	Years ended December 31,	
	2015	**2014**
	$	$
Loss	(4,342,116)	(1,531,669)
Statutory tax rate	26%	26%
Income tax recovery at statutory rates	(1,128,950)	(398,234)
Effect of change in statutory rates	-	(10,140)
Impact on prior year provision per statutory tax return	1,417	132,173
Non-deductible items	80,817	204,142
Change in valuation allowance	1,046,716	72,059
Deferred tax recovery	-	-

(Expressed in Canadian Dollars)

13. INCOME TAXES (Continued)

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

	December 31, 2015	**December 31, 2014**
	$	$
Deferred tax assets:		
Non-capital losses carry forward	1,416,436	368,303
Mineral properties	1,183	2,600
Total deferred tax assets	1,417,619	370,903
Less: Valuation allowance	(1,417,619)	(370,903)
Net deferred tax assets	-	-

The Company has approximately $5,448,000 in non-capital loss available, which expire between 2029 and 2035.

Tax attributes are subject to review, and potential adjustment by tax authorities.

14. RESTATEMENT

The Company has restated its financial statements as at and for the year ended December 31, 2014 to reflect unrecorded expenses totaling $49,826 and taxes receivable of $2,265. The effects of the restatement had a material impact on the statements of financial position and comprehensive loss as at and for the year ended December 31, 2014. The impact on the statement of financial position is an increase in taxes receivable of $2,265, an increase in accounts payable and accrued liabilities of $52,091 and an increase in deficit of $49,826. The impact on the statement of comprehensive loss is an increase of $49,826 in research and development expenses and an increase of $49,826 in loss and comprehensive loss.

15. SUBSEQUENT EVENT

On March 11, 2016, the Company granted incentive stock options to various directors, officers and consultants to purchase up to an aggregate of 5,890,000 common shares in the capital stock of the Company, exercisable for a period of five years, at a price of $0.20 per share.