

ME RESOURCE CORP.

Condensed Interim Financial Statements

Three and Six Months ended June 30, 2016

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, 2016	December 31, 2015
	\$	\$
ASSETS		
Current assets		
Cash	4,856	528
Taxes receivable	26,678	22,898
	31,534	23,426
Non-current assets		
Note receivable	-	1
Total assets	31,534	23,427
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	6 101,741	91,390
Due to related parties	7 192,777	77,485
Deferred revenue, current	8 87,221	87,221
	381,739	256,096
Non-current liabilities		
Deferred revenue, non-current	8 134,375	177,575
Total liabilities	516,114	433,671
SHAREHOLDERS' DEFICIENCY		
Share capital	4 5,666,105	5,666,105
Reserves	1,589,942	1,486,559
Deficit	(7,740,627)	(7,562,908)
	(484,580)	(410,244)
Total shareholders' deficiency and liabilities	31,534	23,427

Note 1: Nature and operation and going concern

Note 4: Commitments

Authorized for issuance by the Board of Directors on August 29, 2016

/s/ Navchand Jagpal
Director

/s/Ravinder Kang
Director

See accompanying notes to the condensed interim financial statements

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

		Three months ended June 30,		Six months ended June 30,	
	Note	2016	2015	2016	2015
		\$	\$	\$	\$
Revenue from Licensing	8	21,400	21,587	43,200	43,175
Expenses					
Consulting	7	(246)	31,500	61,254	77,250
Filing fees		6,450	2,322	9,420	6,115
Office and administration	7	13,559	4,392	19,834	10,489
Professional fees		6,591	27,230	9,591	30,980
Research		(39,098)	(11,169)	-	56,231
Stock-based compensation		-	74,472	103,383	143,681
Travel and entertainment		8,169	-	8,417	-
Total		(4,576)	128,747	211,898	324,746
Loss and comprehensive loss		(25,976)	(107,160)	(168,698)	(281,571)
loss per share – basic and diluted		(0.00)	(0.00)	(0.00)	(0.01)
Weighted average number of outstanding common shares , basic and diluted		61,721,935	30,046,047	61,721,935	29,346,047

See accompanying notes to the condensed interim financial statements

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

Six months ended June 30,	2016	2015
	\$	\$
Cash flows from operating activities		
Loss for the period	(168,698)	(281,571)
Items not involve cash		
- Stock-based compensation	103,383	143,681
Changes in non-cash working capital items:		
- Taxes receivables and prepaid	(3,780)	(7,970)
- accounts payable and accrued liabilities	5,572	26,303
- due to related parties	121,292	41,888
Deferred revenue	(42,300)	(33,175)
Cash used in operating activities	3,425	(110,844)
Cash flows from financing activities		
Shares issued for cash	-	110,000
Cash provided by financing activities	-	110,000
Net cash inflow	3,425	(844)
Cash, beginning of period	1,431	1,859
Cash, end of period	4,856	1,015

See accompanying notes to the condensed interim financial statements

ME Resource Corp.
Statements of Changes in Deficiency
(Unaudited - Expressed in Canadian Dollars)

	Share capital		Reserves				Total
	Number of shares	Amount	Stock- option reserve	Loan	Warrant	Deficit	
		\$	\$	\$	\$	\$	\$
Balance, December 31, 2014	53,646,047	1,169,275	1,196,963	5,121	45,761	(3,170,966)	(753,846)
Loss for the period	-	-	-	-	-	(174,411)	(174,411)
Stock-based compensation	-	-	69,209	-	-	-	69,209
Shares issued for cash	1,400,000	140,000	-	-	-	-	140,000
Balance, June 30, 2015	55,046,047	1,309,275	1,266,172	5,121	45,761	(3,345,377)	(719,048)
Balance, December 31, 2015	61,721,935	5,666,105	1,435,677	5,121	45,761	(7,562,908)	(410,244)
Loss for the period	-	-	-	-	-	(194,674)	(194,674)
Share-based compensation	-	-	103,383	-	-	-	103,383
Balance, June 30, 2016	61,721,935	5,666,105	1,539,060	5,121	45,761	(7,757,582)	(501,535)

See accompanying notes to the condensed interim financial statements

ME Resource Corp.

Notes to the Condensed Interim Financial Statements

Three and Six Months ended June 30, 2016

(Unaudited - Expressed in Canadian Dollars)

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 503-1473 Johnston Road, White Rock, British Columbia, V4B 3Z4.

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 for oil and gas production sites.

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

These condensed interim financial statements for three and six months ended June 30, 2016 (“2016 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 2016 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 2016 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, 2015.

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.

ME Resource Corp.

Notes to the Financial Statements

Six Months Ended June 30, 2016

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

New accounting standards

The Company has not adopted new accounting standards since its recent year ended December 31, 2015.

Following are new accounting standards 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.

ME Resource Corp.
Notes to the Financial Statements
Six Months Ended June 30, 2016
(Expressed in Canadian Dollars)

4. SHARE CAPITAL (Continued)

Stock option continuity is as follows:

	Number	Weighted average exercise price
Balance, December 31, 2014	4,580,150	\$0.25
Cancelled	(4,580,150)	\$0.25
Balance, December 31, 2015	-	-
Stock options granted	5,890,000	\$0.20
Balance, June 30, 2016	5,890,000	\$0.20

Warrants

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

	Number of warrants outstanding	Weighted average exercise price
December 31, 2014	762,675	\$0.50
Expired	(762,675)	\$0.50
December 31, 2015 and June 30, 2016	-	-

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.

5. 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 six months ended June 30, 2016 was \$56,231 (six months ended June 30, 2015 - \$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.

ME Resource Corp.
Notes to the Financial Statements
Six Months Ended June 30, 2016
(Expressed in Canadian Dollars)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2015	December 31, 2015
	\$	\$
Trade payables	67,810	64,274
Salaries payable	24,649	12,116
Accrued liabilities	20,450	15,000
	108,871	91,390

7. RELATED PARTY TRANSACTIONS

a) Transactions with key management personnel were as follows:

Six months ended June 30,	2016	2015
	\$	\$
Consulting fees charged by directors	15,000	18,000
Consulting fees charged by a company related to the chief executive officer (“CEO”)	30,000	26,250
Consulting fees charged by the chief financial officer (“CFO”)	15,000	-
Stock based compensation vested by directors and officers	52,656	62,742
Rent and related fees charged by a Company related to the CEO included in office and administration	16,014	7,500

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	June 30, 2016	December 31, 2015
	\$	\$
Directors	71,153	55,403
Chief financial officer	32,250	16,500
Companies related to the CEO	89,374	5,582
	192,777	77,485

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

8. 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 is 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 Six

ME Resource Corp.
Notes to the Financial Statements
Six Months Ended June 30, 2016
(Expressed in Canadian Dollars)

months ended June 30, 2016, \$40,000 was recognized as revenue (Six months ended June 30, 2015 - \$40,000).

8. REVENUE FROM LICENCING (Continued)

- 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 six months ended June 30, 2016, \$3,200 was recognized as revenue.

9. FINANCIAL INSTRUMENTS

Classification of financial instruments

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

	June 30, 2016	December 31, 2015
	\$	\$
Cash	1,431	528
Loans and receivables:		
Note receivable	-	1
	1,431	529

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

	June 30, 2016	December 31, 2015
	\$	\$
Non-derivative financial liabilities:		
Trade payables	67,810	64,274
Salaries payable	20,611	12,116
Due to related party (due on demand)	177,777	77,485
	266,198	153,875

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.