

**ME RESOURCE CORP.**

**Condensed Interim Financial Statements**

**Three and Nine Months ended September 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	September 30, 2016	December 31, 2015
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash	22,177	528
Taxes receivable	26,678	22,898
	48,855	23,426
Non-current assets		
Note receivable	-	1
<b>Total assets</b>	<b>48,855</b>	<b>23,427</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	221,741	91,390
Due to related parties	192,777	77,485
Deferred revenue, current	87,221	87,221
	501,739	256,096
Non-current liabilities		
Deferred revenue, non-current	112,975	177,575
<b>Total liabilities</b>	<b>614,714</b>	<b>433,671</b>
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital	5,706,105	5,666,105
Reserves	1,575,461	1,486,559
Deficit	(7,847,425)	(7,562,908)
	(565,859)	(410,244)
<b>Total shareholders' deficiency and liabilities</b>	<b>48,855</b>	<b>23,427</b>

*Note 1: Nature and operation and going concern*

*Note 4: Commitments*

Authorized for issuance by the Board of Directors on November 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)**

	Note	Three months ended September 30,		Nine months ended September 30,	
		2016	2015	2016	2015
		\$	\$	\$	\$
Revenue from Licensing	6	31,400	21,588	74,600	64,763
Expenses					
Consulting	7	124,480	61,026	185,734	138,276
Filing fees		2,709	1,500	12,128	7,615
Office and administration	7	12,376	4,355	32,210	14,844
Professional fees		5,000	(13,370)	14,591	17,610
Research		2,655	20,762	2,655	76,993
Stock-based compensation		-	61,477	103,383	205,158
Travel and entertainment		5,460	2,502	8,417	2,502
Total		152,679	138,252	359,117	462,998
Loss and comprehensive loss		(121,279)	(116,664)	(284,517)	(398,235)
loss per share – basic and diluted		(0.00)	(0.01)	(0.00)	(0.01)
Weighted average number of outstanding common shares, basic and diluted	5	61,939,326	30,064,047	61,794,928	29,584,047

*See accompanying notes to the condensed interim financial statements*

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

	<b>Nine months ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
	\$	\$
Cash flows from operating activities		
Loss for the period	(284,517)	(398,235)
Items not involve cash		
- Stock-based compensation	103,383	205,158
- shares issued for services	-	-
Changes in non-cash working capital items:		
- Receivables		-
- Taxes receivables and prepaid	(3,780)	806
- accounts payable and accrued liabilities	111,542	(36,272)
- due to related parties	115,292	131,024
- deferred revenue	(64,600)	(54,763)
Cash used in operating activities	(22,680)	(152,282)
Cash flows from financing activities		
Shares issued for cash/ subscription receipt	40,000	155,000
Cash provided by financing activities	40,000	155,000
Net cash inflow	17,320	2,718
Cash, beginning of period	4,856	1,859
Cash, end of period	22,176	4,577

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

	Note	Share capital			Reserves				Total
		Number of shares	Amount \$	Subscription received \$	Stock-option reserve \$	Loan \$	Warrant \$	Deficit \$	
Balance, December 31, 2015		53,646,047	1,169,275	-	1,196,963	5,121	45,761	(3,170,966)	(753,846)
Loss for the period		-	-	-	-	-	-	(398,235)	(398,235)
Shares issued for private placement	5	1,400,000	140,000	-	-	-	-	-	140,000
Subscription received				15,000					
Stock-based compensation		-	-	-	205,158	-	-	-	205,158
Balance, September 30, 2015		55,046,047	1,309,275	15,000	1,402,121	5,121	45,761	(3,569,201)	(806,923)
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		-	-	-	-	-	-	(284,517)	(194,674)
Shares issued for private placement		400,000	40,000	-	-	-	-	-	
Share-based compensation		-	-	-	103,383	-	-	-	103,383
Balance, September 30, 2016		62,121,935	5,706,105	-	1,539,060	5,121	45,761	(7,847,425)	(501,535)

## **ME Resource Corp.**

Notes to the Condensed Interim Financial Statements

Three and Nine Months ended September 30, 2016

(Unaudited - Expressed in Canadian Dollars)

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

ME Resource Corp., (the “Company”) was incorporated under the Business Corporation Act (British Columbia) 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 nine months ended September 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 Condensed Interim Financial Statements

Three and Nine Months ended September 30, 2016

(Unaudited - Expressed in Canadian Dollars)

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### **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 Condensed Interim Financial Statements

Three and Nine Months ended September 30, 2016

(Unaudited - Expressed in Canadian Dollars)

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### 3. COMMITMENTS

The Company have a consulting agreement (the “Consulting Agreement”) with 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 nine months ended September 30, 2016 and the year ended December 31, 2015, Nil common shares were issued (Accumulated - 1,300,000 common shares with a value of \$130,000 were issued)

### 4. 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).

The transactions for the nine months ended September 30, 2016 are as follows:

- a) Issued 400,000 common shares at \$0.10 per share for gross proceeds of \$40,000.

#### 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.

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. Twenty percent of these options were vested at the grant date and at each anniversary after the issuance.

The weighted average grant date fair value of stock options granted during nine months ended September 30, 2016 was \$0.08 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 nine months ended September 30, 2016 with the following weighted average assumptions:

Risk-free interest rate	0.80%
Expected life of options	5 years
Annualized volatility	316%
Dividend rate	0.00%

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## ME Resource Corp.

### Notes to the Condensed Interim Financial Statements Three and Nine Months ended September 30, 2016 (Unaudited - Expressed in Canadian Dollars)

During nine months ended, the Company recorded share-based compensation of \$103,383 (Nine months ended September 30, 2015 - \$205,158).

#### 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, September 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 September 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 nine months ended September 30, 2016 was \$74,156 (nine months ended September 30, 2015 - \$48,000) 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 Condensed Interim Financial Statements  
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**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	\$	\$
Trade payables	67,810	64,274
Salaries payable	24,649	12,116
Accrued liabilities	129,282	15,000
	<u>221,741</u>	<u>91,390</u>

**7. RELATED PARTY TRANSACTIONS**

a) Transactions with key management personnel were as follows:

<b>Nine months ended September 30,</b>	<b>2016</b>	<b>2015</b>
	\$	\$
Consulting fees charged by directors	45,000	18,000
Consulting fees charged by a company related to the chief executive officer ("CEO")	90,000	26,250
Consulting fees charged by the chief financial officer ("CFO")	45,000	-
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	26,065	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.

<b>Due to Related parties</b>	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	\$	\$
Directors	71,153	55,403
Chief financial officer	32,250	16,500
Companies related to the CEO	89,374	5,582
	<u>192,777</u>	<u>77,485</u>

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.

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### Notes to the Condensed Interim Financial Statements

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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 Nine months ended September 30, 2016, \$62,600 was recognized as revenue (Nine months ended September 30, 2015 - \$64,763).

- 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 9 months ended September 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:

	September 30, 2016	December 31, 2015
Cash	\$ 22,177	\$ 528
Loans and receivables:		
Note receivable	-	1
	22,177	529

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

	September 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)	192,777	77,485
	281,198	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

**ME Resource Corp.**

Notes to the Condensed Interim Financial Statements

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- Level 3 – Inputs that are not based on observable market data.

Cash is measured at fair value using level 1 inputs.