# ME RESOURCE CORP.

## Condensed Interim Financial Statements

### Three and Six Months ended June 30, 2017

### 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, 2017 | December 31, 2016 |
|---|---|---|---|
| | | $ | $ |
| ASSETS | | | |
| Current assets | | | |
| Cash | | 3,700 | 47,542 |
| Prepaid | | 7,602 | 7,502 |
| | | 11,302 | 55,044 |
| Non-current assets | | | |
| Note receivable | | 1 | 1 |
| Total assets | | 11,303 | 55,045 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 6 | 212,620 | 234,265 |
| Due to related parties | 7 | 480,418 | 438,681 |
| Deferred revenue, current | 8 | 87,221 | 87,221 |
| | | 780,259 | 760,167 |
| Non -current liabilities | | | |
| Deferred revenue, non-current | 8 | 46,743 | 90,354 |
| Total liabilities | | 827,002 | 850,521 |
| SHAREHOLDERS' DEFICIENCY | | | |
| Share capital | 4 | 5,861,105 | 5,756,105 |
| Reserves | | 1,808,179 | 1,739,479 |
| Deficit | | (8,484,983) | (8,291,060) |
| | | (815,699) | (795,476) |
| Total shareholders' deficiency and liabilities | | 11,303 | 55,045 |

*Note 1: Nature and operation and going concern*

Authorized for issuance by the Board of Directors on August 29, 2017

/s/ Navchand Jagpal
Director

/s/Ravinder Kang
Director

**ME Resource Corp.**
**Condensed Interim Statements of Comprehensive Loss**

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

| | Note | Three months ended June 30, 2017 | Three months ended June 30, 2016 | Six months ended June 30, 2017 | Six months ended June 30, 2016 |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| Revenue from Licensing | 8 | 21,806 | 21,400 | 43,611 | 43,200 |
| Expenses | | | | | |
| Consulting | 7 | 65,871 | (246) | 128,246 | 61,254 |
| Filing fees | | 4,190 | 6,450 | 5,158 | 9,420 |
| Office and administration | | 7,349 | 13,559 | 20,195 | 19,834 |
| Professional fees | | 4,400 | 6,590 | 4,400 | 9,591 |
| Research | | 10,000 | (39,098) | 10,000 | - |
| Share-based compensation | | 25,452 | - | 68,700 | 103,383 |
| Travel and entertainment | | 835 | 8,169 | 835 | 8,417 |
| Total | | 118,097 | (4,576) | 237,534 | 211,899 |
| Income (loss) and comprehensive income (loss) | | (96,291) | 25,976 | (193,923) | (168,699) |
| loss per share – basic and diluted | | (0.00) | 0.00 | (0.00) | (0.00) |
| Weighted average number of outstanding common shares, basic and diluted | | 63,671,935 | 61,721,935 | 63,146,935 | 61,721,935 |

*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,** | **2017** | **2016** |
|---|---|---|
| | $ | $ |
| Cash flows from operating activities | | |
| Loss for the period | (193,923) | (168,699) |
| Items not involve cash | | |
| - Stock-based compensation | 68,700 | 103,383 |
| Changes in non-cash working capital items: | | |
| - receivables and prepaid | (100) | (3,780) |
| - accounts payable and accrued liabilities | (21,645) | 17,482 |
| - due to related parties | 41,737 | 100,292 |
| - deferred revenue | (43,611) | (21,800) |
| Cash used in operating activities | (148,842) | 26,878 |
| Cash flows from financing activities | | |
| Shares issued for cash | 105,000 | - |
| Cash provided by financing activities | 105,000 | - |
| Net cash inflow | (43,842) | 26,878 |
| Cash, beginning of period | 47,542 | 528 |
| Cash, end of period | 3,700 | 27,406 |

*See accompanying notes to the condensed interim financial statements*

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

| | Share capital | | Reserves | | | | |
|---|---|---|---|---|---|---|---|
| | Number of shares | Amount | Stock-option reserve | Loan | Warrant | Deficit | Total |
| | | $ | $ | $ | $ | $ | $ |
| 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 | - | - | - | - | - | (168,699) | (168,699) |
| Stock-based compensation | - | - | 103,383 | - | - | - | 103,383 |
| Balance, June 30, 2016 | 61,721,935 | 5,666,105 | 1,539,060 | 5,121 | 45,761 | (7,731,607) | (475,560) |
| | | | | | | | |
| Balance, December 31, 2016 | 62,621,935 | 5,756,105 | 1,688,597 | 5,121 | 45,761 | (8,291,060) | (795,476) |
| Shares issued for cash | 1,050,000 | 105,000 | - | - | - | - | 105,000 |
| Loss for the period | - | - | - | - | - | (193,923) | (193,923) |
| Share-based compensation | - | - | 68,700 | - | - | - | 68,700 |
| Balance, June 30, 2017 | 63,671,935 | 5,861,105 | 1,757,297 | 5,121 | 45,761 | (8,484,983) | (815,699) |

*See accompanying notes to the condensed interim 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 Suite 503 1473 Johnston Road, White Rock, BC V4B 0A2.

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

These condensed interim financial statements for the three and six months ended June 30, 2017, 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 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 condensed interim financial statements be read in conjunction with the most recent audited annual financial statements of the Company for its recent year ended December 31, 2016.

## 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.

### Change of accounting policies and new accounting standards yet to implement

The Company has applied the same accounting policies adopted for the year ended December 31, 2016 in preparation of these condensed interim financial statements

(Unaudited - Expressed in Canadian Dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 impacts 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. 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: | |

During the six months ended June 30, 2017, the Company issued 1,050,000 common shares at $0.10 per share for gross proceeds of $105,000.

**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.

There were no options granted or exercised/expired during the six months ended June 30, 2017.

(Unaudited - Expressed in Canadian Dollars)

## 4. SHARE CAPITAL (Continued)

**Stock options (continued)**

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 six months ended June 30, 2017 and 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% |

During the six months ended June 30, 2017, the Company recorded share-based compensation of $68,700 (2016 - $103,383).

Stock option continuity is as follows:

| | Number | Weighted average exercise price |
|---|---|---|
| Balance, December 31, 2015 | - | - |
| Stock options granted | 5,890,000 | $0.20 |
| Balance, December 31, 2016 and June 30, 2017 | 5,890,000 | $0.20 |

**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 the six months ended June 30, 2017 was $Nil (2016 - $56,231) of government grants received by the Company to account for the Company’s process to economically transform wasted or stranded natural gas to engineered fuels or clean power.

(Unaudited - Expressed in Canadian Dollars)

## 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| | $ | $ |
| Trade payables | 185,530 | 200,175 |
| Salaries payable | 20,066 | 20,066 |
| Accrued liabilities | 7,024 | 14,024 |
| | 212,620 | 234,265 |

## 7. RELATED PARTY TRANSACTIONS

a) Transactions with key management personnel were as follows:

| Six months ended June 30, | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Consulting fees charged by a director | 30,000 | 15,000 |
| Consulting fees charged by a company related to the chief executive officer (“CEO”) | 60,000 | 30,000 |
| Consulting fees charged by the chief financial officer (“CFO”) | 30,000 | 15,000 |
| Stock based compensation vested by directors and officers | 29,160 | 52,656 |
| Rent and related fees charged by a Company related to the CEO included in office and administration | - | 16,014 |

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, 2017 | December 31, 2016 |
|---|---|---|
| | $ | $ |
| Directors | 144,000 | 114,000 |
| Chief financial officer | 108,750 | 78,750 |
| Companies related to the CEO | 227,668 | 245,931 |
| | 480,418 | 438,681 |

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 the six months ended June 30, 2017, $40,000 was recognized as revenue (2016 - $40,000).

(Unaudited - Expressed in Canadian Dollars)

## 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 the six months ended June 30, 2017, $3,611was recognized as revenue (2016 - $3,200).

## 9. FINANCIAL INSTRUMENTS

**Classification of financial instruments**

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

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| | $ | $ |
| Cash | 3,700 | 47,542 |
| Loans and receivables: | | |
| Note receivable | 1 | 1 |

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

| | June 30, 2017 | December 31, 2016 |
|---|---|---|
| | $ | $ |
| Non-derivative financial liabilities: | | |
| Trade payables | 185,530 | 185,175 |
| Salaries payable | 20,066 | 20,066 |
| Due to related party (due on demand) | 480,418 | 438,681 |

**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.