

ME RESOURCE CORP.

Condensed Interim Financial Statements

Three and Nine Months ended September 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)

		September 30,	December 31,
	Note	2017	2016
		\$	\$
ASSETS			
Current assets			
Cash		3,659	47,542
Prepaid		8,085	7,502
		11,744	55,044
Non-current assets			
Note receivable		1	1
Total assets		11,745	55,045
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	226,649	234,265
Due to related parties	7	530,168	438,681
Deferred revenue, current	8	87,221	87,221
		844,038	760,167
Non-current liabilities			
Deferred revenue, non-current	8	24,938	90,354
Total liabilities		868,976	850,521
SHAREHOLDERS' DEFICIENCY			
Share capital	4	5,861,105	5,756,105
Reserves		1,833,912	1,739,479
Deficit		(8,552,248)	(8,291,060)
		(857,231)	(795,476)
Total shareholders' deficiency and liabilities		11,745	55,045

Note 1: Nature and operation and going concern

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

/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		Nine months ended	
	Note	September 30,		September 30,	
		2017	2016	2017	2016
		\$	\$	\$	\$
Revenue from Licensing	8	21,805	31,400	65,416	74,600
Expenses					
Consulting	7	47,550	124,479	175,796	185,733
Filing fees		8,115	2,708	13,273	12,128
Office and administration		1,172	12,376	21,367	32,210
Professional fees		6,500	5,000	10,900	14,591
Research		-	2,655	10,000	2,655
Stock-based compensation		25,733	-	94,433	103,383
Travel and entertainment		-	-	835	8,417
Total		89,070	147,218	326,604	359,117
Loss and comprehensive loss		(67,265)	(115,818)	(261,188)	(284,517)
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	61,939,326	63,325,435	61,794,248

See accompanying notes to the condensed interim financial statements

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

Nine months ended September 30,	2017	2016
	\$	\$
Cash flows from operating activities		
Loss for the period	(261,188)	(284,517)
Items not involve cash		
- Stock-based compensation	94,433	103,383
Changes in non-cash working capital items:		
- receivables and prepaid	(583)	(3,780)
- accounts payable and accrued liabilities	(7,616)	111,542
- due to related parties	91,487	115,292
Deferred revenue	(65,416)	(64,600)
Cash used in operating activities	(148,883)	(22,680)
Cash flows from financing activities		
Shares issued for cash	105,000	40,000
Cash provided by financing activities	105,000	40,000
Net cash inflow	(43,883)	17,320
Cash, beginning of period	47,542	4,856
Cash, end of period	3,659	22,176

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				Total
	Number of shares	Amount \$	Stock-option	Loan \$	Warrant \$	Deficit \$	
			reserve \$				
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)	(284,517)
Shares issued for cash	400,000	40,000	-	-	-	-	40,000
Stock-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)	(551,378)
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	-	-	-	-	-	(261,188)	(261,188)
Share-based compensation	-	-	94,433	-	-	-	94,433
Balance, September 30, 2017	63,671,935	5,861,105	1,783,030	5,121	45,761	(8,552,248)	(857,231)

See accompanying notes to the condensed interim financial statements

ME Resource Corp.

Notes to the Condensed Interim Financial Statements

Three and Nine Months Ended September 30, 2017

(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 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

These condensed interim financial statements for the three and nine months ended September 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

ME Resource Corp.

Notes to the Financial Statements

Three and Nine Months Ended September 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 nine months ended September 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 nine months ended September 30, 2017, the Company recorded share-based compensation of \$94,433 (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 September 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 nine months ended September 30, 2017 was \$Nil (2016 - \$74,156) 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.

ME Resource Corp.

Notes to the Financial Statements

Three and Nine Months Ended September 30, 2017

(Unaudited - Expressed in Canadian Dollars)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2017	December 31, 2016
	\$	\$
Trade payables	193,833	200,175
Salaries payable	20,066	20,066
Accrued liabilities	12,700	14,024
	212,620	234,265

7. RELATED PARTY TRANSACTIONS

a) Transactions with key management personnel were as follows:

Nine months ended September 30,	2017	2016
	\$	\$
Consulting fees charged by a director	45,000	45,000
Consulting fees charged by a company related to the chief executive officer ("CEO")	79,750	90,000
Consulting fees charged by the chief financial officer ("CFO")	45,000	45,000

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	September 30, 2017	December 31, 2016
	\$	\$
Directors	159,000	114,000
Chief financial officer	123,750	78,750
Companies related to the CEO	247,418	245,931
	530,168	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 nine months ended September 30, 2017, \$60,000 was recognized as revenue (2016 - \$60,000).

ME Resource Corp.

Notes to the Financial Statements

Three and Nine Months Ended September 30, 2017

(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 nine months ended September 30, 2017, \$5,4161 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, 2017	December 31, 2016
Cash	\$ 3,659	\$ 47,542
Loans and receivables:		
Note receivable	1	1

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

	September 30, 2017	December 31, 2016
Non-derivative financial liabilities:	\$	\$
Trade payables	193,833	185,175
Salaries payable	20,066	20,066
Due to related party (due on demand)	530,168	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.