



**MOLORI ENERGY INC.**

**(FORMERLY TAIPAN RESOURCES INC.)**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED APRIL 30, 2017**

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM FINANCIAL STATEMENTS**

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Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**MOLORI ENERGY INC.**  
**(FORMERLY TAIPAN RESOURCES INC.)**

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION  
(Expressed in Canadian Dollars)  
(Unaudited)

As at	April 30, 2017 \$	October 31, 2016 \$ <i>(Audited)</i>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	387,004	403,166
Receivables (Note 4)	81,014	68,038
Prepaid expenses	149,779	208,802
	<b>617,797</b>	<b>680,006</b>
<b>Non-current Assets</b>		
Property and Equipment (Note 5)	2,141,836	1,996,399
<b>Total assets</b>	<b>2,759,633</b>	<b>2,676,405</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	472,732	366,488
<b>Non-current Liabilities</b>		
Decommissioning provision (Note 9)	325,607	320,795
<b>Total liabilities</b>	<b>798,339</b>	<b>687,283</b>
<b>Shareholders' equity</b>		
Share capital (Note 7)	34,443,872	33,608,036
Reserves (Note 7)	2,749,582	2,583,714
Deficit	(35,232,160)	(34,202,628)
	<b>1,961,294</b>	<b>1,989,122</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,759,633</b>	<b>2,676,405</b>

**Nature of operations and going concern** (Note 1)  
**Subsequent events** (Note 12)

Approved and authorized by the Board on June 29, 2017:

\_\_\_\_\_  
*"John Cumming"* Director      \_\_\_\_\_  
*"Joel Dumaresq"* Director

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

**MOLORI ENERGY INC.**  
**(FORMERLY TAIWAN RESOURCES INC.)**

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS  
(Expressed in Canadian Dollars)  
(Unaudited)

For the	Three-months ended April 30, 2017 \$	Three-months ended April 30, 2016 \$	Six-months ended April 30, 2017 \$	Six-months ended April 30, 2016 \$
<b>OIL AND GAS PRODUCTION</b>				
Revenue	350,177	-	473,574	-
Production costs	(326,865)	-	(460,598)	-
Depletion (Note 5)	(254,117)	-	(338,912)	-
Loss from oil and gas production	230,138	-	325,936	-
<b>EXPENSES</b>				
Accounting and legal	32,450	35,475	46,575	55,958
Exploration recovery	-	(1,644,167)	-	(1,452,050)
Accretion of decommissioning liabilities (Note 9)	2,406	-	4,812	-
Filing and regulatory	22,696	4,741	30,588	2,524
Foreign exchange loss	18,222	208,010	27,913	91,062
Interest income	(729)	-	(729)	-
Management and consulting (Note 8)	120,500	402,683	225,500	792,998
Office, rent and administrative	26,060	4,625	56,793	78,958
Marketing and shareholder communication	127,645	(22,073)	129,988	(17,073)
Share-based payments (Note 7)	160,854	-	160,854	-
Unrealized loss on marketable securities	-	8,102	-	11,906
Travel	11,978	20,952	21,302	58,170
<b>Income (loss) for the period</b>	<b>(752,220)</b>	981,652	<b>(1,029,532)</b>	377,547
<b>Income (loss) for the period</b>	<b>(752,220)</b>	981,652	<b>(1,029,532)</b>	377,547
<b>Other comprehensive loss</b>				
Change in cumulative translation adjustment	-	48,178	-	8,560
<b>Comprehensive income (loss) for the period</b>	<b>(752,220)</b>	1,029,830	<b>(1,029,532)</b>	386,107
<b>Basic and diluted loss per common share</b>	<b>(0.03)</b>	0.09	<b>(0.05)</b>	0.04
<b>Weighted average number of common shares outstanding</b>	<b>20,945,261</b>	10,548,632	<b>19,285,096</b>	10,548,632

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

**MOLORI ENERGY INC.**  
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CONDENSED INTERIM STATEMENTS OF CASH FLOWS  
(Expressed in Canadian Dollars)  
(Unaudited)

For the	Six-months ended April 30, 2017 \$	Six-months ended April 30, 2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Earnings (loss) for the period	(1,029,532)	377,547
Non-cash items:		
Share-based compensation	160,854	-
Unrealized loss on marketable securities	-	11,907
Accretion of decommissioning liabilities	4,812	-
Depletion	338,912	-
Changes in non-cash working capital items:		
Receivables	110,345	451,498
Deposits and prepaid expenses	(64,298)	(10,295)
Accounts payable and accrued liabilities	106,242	(596,978)
	<b>(372,663)</b>	233,679
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of common shares	700,000	-
Proceeds from exercise of warrants	150,000	-
Share issuance costs	(9,150)	-
	<b>840,850</b>	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property additions	(484,349)	-
	<b>(484,349)</b>	-
<b>Change in cash during the period</b>	<b>(16,162)</b>	233,679
<b>Effect of foreign exchange on cash</b>	-	8,561
<b>Cash, beginning</b>	<b>403,166</b>	2,423,275
<b>Cash, ending</b>	<b>387,004</b>	2,665,515

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**MOLORI ENERGY INC.**  
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STATEMENT OF CHANGES IN EQUITY  
(Expressed in Canadian Dollars)  
(Unaudited)

<b>Share capital</b>						
	<b>Number</b>	<b>Amount</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Reserves</b>	<b>Deficit</b>	<b>Total</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, October 31, 2016	10,548,632	33,608,036	-	2,583,714	(34,202,628)	1,989,122
Income (loss) for the period	-	-	-	-	(1,029,532)	(1,029,532)
Private placement	11,000,000	700,000	-	-	-	700,000
Warrants exercised	1,500,000	150,000	-	-	-	150,000
Share-based compensation	-	-	-	160,854	-	160,854
Share issuance costs	-	(14,164)	-	5,014	-	(9,150)
<b>Balance, April 30, 2017</b>	<b>23,048,632</b>	<b>34,443,872</b>	<b>-</b>	<b>2,749,582</b>	<b>(35,232,160)</b>	<b>1,961,294</b>
Balance - October 31, 2015	10,548,632	33,608,036	1,388,371	2,541,020	(36,496,449)	1,040,978
Loss for the period	-	-	-	-	377,547	377,547
Cumulative translation adjustment	-	-	8,561	-	-	8,561
<b>Balance, April 30, 2016</b>	<b>10,548,632</b>	<b>33,608,036</b>	<b>1,396,932</b>	<b>2,541,020</b>	<b>(36,118,902)</b>	<b>1,427,086</b>

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

**MOLORI ENERGY INC.  
(FORMERLY TAIPAN RESOURCES INC.)**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

April 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Molori Energy Inc. (the "Company") was incorporated on June 5, 2006 in British Columbia under the Business Corporations Act. On January 5, 2017, the Company changed its name from Taipan Resources Inc. to Molori Energy Inc. The Company is an oil and gas production company with operations in Texas USA.

The Company's head office and principal address is 2630 – 1075 West Georgia Street, Vancouver, BC, V6E 3C9.

These condensed interim financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. As at April 30, 2017, the Company had a working capital surplus of \$145,065 and an accumulated deficit of \$35,232,160. The Company has incurred losses since inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favorable terms. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

**2. BASIS OF PREPARATION**

**Statement of Compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and in accordance with IAS 34 – Interim Financial Reporting. The condensed interim financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended October 31, 2016. These financial statements have been prepared following the same accounting policies as the Company's audited financial statements for the year ended October 31, 2016.

The Board of Directors approved these financial statements on June 29, 2017.

**Basis of Presentation**

The financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

**Significant Estimates and Assumptions**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of net assets, liabilities, and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the amortization of equipment, recoverability of the carrying value of exploration and evaluation assets, fair value measurements for, reserves and accumulated depletion, financial instruments and stock-based compensation and other equity-based payments, and the recoverability of deferred tax assets. Actual results may differ from those estimates and judgments.

**Significant Judgments**

The preparation of the financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgement applied in preparing the Company's financial statement is the assessment of the Company's ability to continue as a going concern.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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**3. NEW STANDARDS NOT YET ADOPTED**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after October 1, 2016 or later periods.

The following new standards, amendments and interpretations that have not been early adopted in financial statements, is not expected to have a material effect on the Company's future results and financial position:

- a) IFRS 9 Financial Instruments (New; to replace IAS 39 and IFRIC 9); and
- b) Amendments to IAS 32 Financial Instruments: Presentation.

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. RECEIVABLES**

	April 30, 2017	October 31, 2016
	\$	\$
Trade receivable	55,607	29,130
Sales tax receivable	13,995	25,502
Other receivables	11,412	13,406
<b>Total</b>	<b>81,014</b>	<b>68,038</b>

**5. PROPERTY AND EQUIPMENT**

	Oil and Gas Property	Total
	\$	\$
<b>Cost:</b>		
As at November 1, 2015	-	-
Acquisition	1,634,257	1,634,257
Work-over expenditures	136,274	136,274
Decommissioning	320,795	320,795
As at October 31, 2016	2,091,326	2,091,326
Work-over expenditures	484,349	484,349
As at April 30, 2017	2,575,675	2,575,675
<b>Depreciation and Depletion:</b>		
As at November 1, 2015	-	-
Depletion	94,927	94,927
As at October 31, 2016	94,927	94,927
Depletion	338,912	338,912
As at April 30, 2017	433,839	433,839
<b>Net Book Value:</b>		
At October 31, 2016	1,996,399	1,996,399
At April 30, 2017	2,141,836	\$ 2,141,836



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April 30, 2017

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**5. PROPERTY AND EQUIPMENT (cont'd...)**

On June 02, 2016 the Company closed an acquisition of 25% working interest in 57 oil and gas leases covering 7,314 acres located in Texas. The Company purchased its 25% working interest from Ponderosa Energy, LLC ("Ponderosa") for the sum of US\$500,000 (\$649,010). In addition, the Company paid Ponderosa's 75% working interest share of approved costs incurred in compliance with the terms of the joint operating agreement in respect of the leases, subject to a total cap of US\$750,000 (\$977,100). In addition, the Company advanced US \$250,000 (\$325,700) to Ponderosa for the Company's share of work-over expenditures and operating expenses. As at April 30, 2017, there was a payable of \$90,573 (October 31, 2016 - advance of \$206,185).

Subsequent to April 30, 2017 and on May 31, 2017, the Company completed upon an agreement to acquire a 25-percent working interest in certain additional leases owned and operated by Ponderosa Energy LLC. The additional properties comprise 24 leases and 156 wells, of which 70 are presently producing. The agreement is effective January 1, 2017.

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities are as follows:

	April 30, 2017	October 31, 2016
	\$	\$
Trade payables	467,932	346,488
Subscriptions received in advance	4,800	-
Accruals	-	20,000
<b>Total</b>	<b>472,732</b>	<b>366,488</b>

Included in accounts payable and accrued liabilities are amounts totaling \$19,440 (2016 - \$44,944) due to related parties (Note 8).

**7. SHARE CAPITAL AND RESERVES**

a) Authorized share capital

Unlimited number of common and preferred shares without par value.

b) Issued share capital

During the period ended April 30, 2017 and the year-ended October 31, 2016:

- On November 10, 2016, the Company completed a private placement and issued 8,000,000 units for gross proceeds of \$400,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.10 per share for a period of two years
- On February 16, 2017, the Company completed a private placement and issued 3,000,000 units at a price of \$0.10 per Unit for gross proceeds of \$300,000. Each Unit consisted of one common share and one common share purchase warrant. Each full warrant gives the holder the right to purchase one additional common share of Molori at an exercise price of \$0.20 for one year following the closing of the Private Placement.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
 April 30, 2017  
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**7. SHARE CAPITAL AND RESERVES (cont'd...)**

c) Stock options and warrants

On May 3, 2010, the TSX Venture Exchange (“Exchange”) accepted for filing the Company’s stock option plan which was approved by the Company’s shareholders. A rolling stock option plan has been implemented whereby a maximum of 10% of the issued shares will be reserved for issuance under the plan. Shareholder approval must also be obtained yearly at the Company’s annual general meeting and in addition, submitted for review and acceptance by the Exchange each year.

Stock option and share purchase warrants transactions are summarized as follows:

	Options		Warrants	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
		\$		\$
Balance, October 31, 2015	820,000	0.35	5,248,688	5.45
Issued	825,000	0.10	-	-
Forfeited	(760,000)	3.20	-	-
Balance, October 31, 2016	885,000	0.62	5,248,688	5.45
Issued	970,000	0.20	9,531,500	0.07
Expired	(10,000)	0.02	-	-
Exercised	-	-	(1,500,000)	0.10
Balance, April 30, 2017	1,845,000	0.38	14,780,188	1.62

As at April 30, 2017, incentive stock options are all exercisable and outstanding as follows:

	Number	Exercise price	Expiry date
		\$	
<b>Stock Options</b>	50,000	3.25	July 17, 2017
	75,000	3.60	October 8, 2019
	750,000	0.10	June 1, 2020
	970,000	0.20	February 15, 2021
	1,845,000		

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
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**7. SHARE CAPITAL AND RESERVES (cont'd...)**

As at April 30, 2017, share purchase warrants were outstanding as follows:

	Number	Exercise price	Expiry date
		\$	
<b>Share Purchase Warrants</b>	2,352,354	6.00	July 16, 2017
	1,036,235	5.00	February 13, 2018
	1,702,988	5.00	April 4, 2018
	133,611	5.00	April 8, 2018
	23,500	5.00	April 8, 2018
	6,500,000	0.10	November 10, 2018
	3,031,500	0.20	February 23, 2017
	<b>13,248,688</b>		

During the period ending April 30, 2017, the Company granted 970,000 stock options to officers, consultants and directors. (2016 – NIL). Total share-based payments recognized in the statement of comprehensive loss for the period ended April 30, 2017 was \$160,854 (2016 - \$NIL).

**8. RELATED PARTY TRANSACTIONS**

Key management personnel comprise of the Chief Executive Officer, Chief Financial Officer, and Directors of the Company. The remuneration of the key management personnel is as follows:

	April 30, 2017	April 30, 2016
	\$	\$
Management and director fees	210,000	679,594
	<b>210,000</b>	<b>679,594</b>

The Company incurred the following transactions with companies that are controlled or managed by directors of the Company:

	April 30, 2017	April 30, 2016
	\$	\$
Rent	31,500	36,000
Office expenses	3,600	21,000
	<b>35,100</b>	<b>57,000</b>

The amount of \$19,440 (October 31, 2016 - \$44,944) is due to related parties. All balances are unsecured, non-interest bearing and are due on demand.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

April 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

**9. DECOMMISSIONING PROVISION**

Laws and regulations concerning environmental protection affect the Company's oil and gas operations. Under current regulations, the Company is required to meet performance standards to minimize environmental impact from its activities and to perform site restoration and other closure activities. The Company's provision for future site closure and reclamation costs is based on known requirements. The Company's determination of the environmental rehabilitation provision arising from the property at April 30, 2017 was \$325,607. This estimate was based upon an undiscounted future cost of \$603,154, an annual inflation rate of 2% and risk adjusted discount rate of 3%. The closure and reclamation expenditure is expected to be incurred from 2021 to 2056.

As at April 30, the Company's provision for site reclamation and closure is as follows:

	\$
Balance, October 31, 2016	320,795
Accretion of decommissioning liabilities	4,812
Balance, April 30, 2017	325,607

**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Financial Instruments**

Cash and marketable securities are carried at fair value using a level 1 fair value measurement. The carrying value of receivables and accounts payable approximate their fair value because of the short-term nature of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

**Financial risk factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2017, the Company had a cash balance of \$387,004 to settle current liabilities of \$472,732. The Company is currently investigating financing and other opportunities so that it has sufficient liquidity to meet liabilities when due.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will need additional capital in the future to support its business model in oil and gas production in Texas and elsewhere. The core business has shifted from oil and gas exploration to oil and gas production and to date has not created sufficient revenue to support the Company yet. Capital could be derived from the exercise of outstanding warrants and the completion of other equity financings. The Company has limited financial resources and has no assurance that additional funding will be available to it for future development of its projects, although the Company has been successful in the past in financing its activities through the previously mentioned financing activities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and operational success of its activities. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

April 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

**10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

*Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables consist mainly of trade receivables. The Company has been successful in recovering receivables and believes credit risk with respect to receivables to be insignificant.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash and restricted cash. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at April 30, 2017, the Company had investments in investment-grade short-term deposit certificates. Interest earned is negligible and therefore interest rate risk is very low.

b) Foreign currency risk

The majority of the Company's business is conducted in United States dollars. As such, the Company is exposed to foreign currency risk in fluctuations among the Canadian dollar, and the US dollar. Fluctuations in the exchange rate among the Canadian dollar and the US dollar may have a material adverse effect on the Company's business and financial condition. The Company does not hold significant amounts of currencies other than its functional currency. Therefore, fluctuations do not have a significant impact on operating results.

c) Price risk

The resource industry is heavily dependent upon the market price of the resources being extracted. There is no assurance that, even if commercial quantities of resources are discovered, a profitable market will exist for their sale. There can be no assurance that prices will be such that the Company's properties can be extracted at a profit. Factors beyond control of the Company may affect the marketability of any resources discovered. The price of oil has experienced volatile and significant price movements over short periods of time, and is affected by numerous factors beyond the Company's control. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**11. CAPITAL MANAGEMENT**

The Company considers capital to be the elements of shareholders' equity. The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the exploration and development of its property interests. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

April 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

**12. SUBSEQUENT EVENTS**

- a) On May 15, 2017 the Company completed a private placement and issued 7,000,360 units at a price of \$0.30 per Unit for gross proceeds of \$2,100,108. Each Unit will be comprised of one common share and half common share purchase warrant. Each full warrant gives the holder the right to purchase one additional common share of Molori at an exercise price of \$0.50 for two years following the closing of the Private Placement. The term of the warrants may be accelerated in the event that the issuer's shares trade at or above a price of \$1.00 per share for a period of 20 consecutive days. In such case of accelerated warrants, the issuer may give notice, in writing or by way of news release, to the subscribers that the warrants will expire 45 days from the date of providing such notice.
- b) On May 31, 2017, the Company completed upon an agreement to acquire a 25-per-cent working interest in certain leases owned and operated by Ponderosa Energy LLC. This acquisition is in addition to the 25-per-cent working interest in certain leases originally acquired on June 6, 2016. The additional properties comprise 24 leases and 156 wells, of which 70 are presently producing. As per the original terms of the agreement, Molori paid to Ponderosa \$1-million (U.S.) in cash at closing. The Company also issued 2 million common shares to Ponderosa in conjunction with the purchase.