



**TAIPAN RESOURCES INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**PERIOD ENDED APRIL 30, 2015**

**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 consolidated 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.

**TAIPAN RESOURCES INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars)

(Unaudited)

As at	April 30, 2015	October 31, 2014 (Audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash and Cash Equivalents	\$ 7,737,336	\$ 1,504,078
Deposits and prepaid expenses	167,041	221,537
Receivables (Note 3)	1,521,092	3,803,865
Marketable securities (Note 4)	36,777	133,735
	9,462,246	5,663,215
<b>Equipment (Note 5)</b>	44,375	51,945
<b>Exploration and evaluation assets (Notes 6)</b>	12,203,101	12,203,101
	\$ 21,709,722	\$ 17,918,261
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 8,089,287	\$ 3,268,290
<b>Shareholders' equity</b>		
Share capital (Note 8)	34,212,536	34,212,536
Subscriptions receivable (Note 8)	(604,500)	(604,500)
Reserves (Note 8)	2,541,020	2,541,020
Accumulated other comprehensive loss	2,042,013	1,346,781
Deficit	(24,570,634)	(22,845,866)
	13,620,435	14,649,971
	\$ 21,709,722	\$ 17,918,261

**Nature of operations and going concern (Note 1)****Commitments and contingencies (Note 11)**

Approved and authorized by the Board on June 29, 2015:

"Maxwell Birley" Director "Joel Dumaresq" Director

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

**TAIPAN RESOURCES INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

(Unaudited)

For the	three-months ended April 30, 2015	three-months ended April 30, 2014	six-months ended April 30, 2015	six-months ended April 30, 2014
<b>EXPENSES</b>				
Accounting and legal	\$ 145,985	122,799	178,621	\$ 196,963
Exploration expenditures recovery	4,904,539	(1,078,908)	111,276	(1,503,010)
Filing and regulatory	(17,716)	29,368	40,817	33,612
Foreign exchange (gain) loss	52,977	13,974	(48,508)	273,179
Management and consulting	158,745	158,023	585,560	245,837
Office, rent and administrative	457,018	130,405	392,159	204,555
Promotion and shareholder communication	44,245	237,953	218,886	380,820
Share-based payments (Note )	-	432,078	-	432,078
Travel	14,383	126,749	148,998	226,952
	5,760,176	172,441	1,627,809	490,986
	(5,760,176)	(172,441)	(1,627,809)	(490,986)
<b>OTHER</b>				
Unrealized loss on marketable securities (Note 5)	(49,214)	-	(96,959)	-
Receivable allowance (Note 12)	-	(10,686)	-	(10,686)
Write-off of accounts payable and accrued liabilities	-	55,293	-	55,293
<b>Profit (loss) for the period</b>	\$ (5,809,390)	(127,834)	(1,724,768)	\$ (446,379)
<b>Profit (loss) for the period</b>	\$ (5,809,390)	(127,834)	(1,724,768)	\$ (446,379)
<b>Other comprehensive profit (loss):</b>				
Change in cumulative translation adjustment	(389,044)	-	695,232	-
<b>Comprehensive profit (loss) for the period</b>	\$ (6,198,434)	(127,834)	(1,029,536)	\$ (446,379)
<b>Basic and diluted earnings (loss) per common share</b>	\$ (0.06)	(0.00)	(0.01)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>	106,986,317	90,498,691	106,986,317	87,855,938

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

**TAIPAN RESOURCES INC.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Expressed in Canadian Dollars)

(Unaudited)

For the six-month period ended April 30,	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) for the period	\$ (1,724,768)	\$ (446,379)
Non-cash items:		
Depreciation	7,570	-
Unrealized loss on marketable securities	96,958	-
Share-based payments	-	432,078
Changes in non-cash working capital items:		
Receivables	2,282,773	(552)
Deposits and prepaid expenses	54,496	(57,954)
Accounts payable and accrued liabilities	4,820,997	(2,312,306)
	<u>5,538,027</u>	<u>(2,385,113)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of common shares	-	6,283,734
Share issuance costs	-	(168,883)
	<u>-</u>	<u>6,114,851</u>
<b>Change in cash during the period</b>	<b>5,538,027</b>	<b>3,729,738</b>
<b>Effect of foreign exchange on cash</b>	<b>695,232</b>	<b>-</b>
<b>Cash, beginning of the period</b>	<b>1,504,078</b>	<b>271,931</b>
<b>Cash, end of the period</b>	<b>\$ 7,737,336</b>	<b>\$ 4,001,669</b>
<b>Cash paid for taxes</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash paid for interest</b>	<b>\$ -</b>	<b>\$ -</b>

Supplemental disclosure with respect to cash flows (Note 12)

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

**TAIPAN RESOURCES INC.**
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

(Expressed in Canadian Dollars)

(Unaudited)

	<u>Share capital</u>							
	Number	Amount	Subscription Receivable	Accumulated Other Comprehensive Loss	Reserves	Deficit	Total	
<b>Balance - October 31, 2014</b>	<b>106,986,317</b>	<b>\$ 34,212,536</b>	<b>\$ (604,500)</b>	<b>\$ 1,346,781</b>	<b>\$ 2,541,020</b>	<b>\$ (22,845,866)</b>	<b>\$ 14,649,971</b>	
Private placements			-	-	-	-	-	
Cumulative translation adjustment	-	-	-	695,232	-	-	695,232	
Loss for the period	-	-	-	-	-	(1,724,768)	(1,724,768)	
<b>Balance – April 30, 2015</b>	<b>106,986,317</b>	<b>34,212,536</b>	<b>(604,500)</b>	<b>2,042,013</b>	<b>2,541,020</b>	<b>(24,570,634)</b>	<b>13,620,435</b>	
Balance - October 31, 2013	85,299,363	26,188,849	-	-	2,231,189	(18,825,611)	9,594,427	
Private placements	17,824,812	6,416,934	(133,200)	-	-	-	6,283,734	
Share issuance costs – cash	-	(168,883)	-	-	-	-	(168,883)	
Share issuance costs – shares	178,444	64,240	-	-	-	-	64,240	
Share issuance costs – shares	-	(64,240)	-	-	-	-	(64,240)	
Share issuance costs – warrants	-	(111,960)	-	-	111,960	-	-	
Share-based payments	-	-	-	-	432,078	-	432,078	
Loss for the period	-	-	-	-	-	(446,379)	(446,379)	
<b>Balance – April 30, 2014</b>	<b>103,302,619</b>	<b>\$ 32,324,940</b>	<b>\$ (133,200)</b>	<b>\$ -</b>	<b>\$ 2,775,227</b>	<b>\$ (19,271,990)</b>	<b>\$ 15,694,977</b>	

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

# **TAIPAN RESOURCES INC.**

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

April 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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

Taipan Resources Inc. (the "Company") was incorporated on June 5, 2006 in British Columbia under the Business Corporations Act. The Company is in the business of exploring for and evaluating economically viable oil and gas resource deposits in East Africa.

The Company's head office and principal address is 2630 – 1075 West Georgia Street, Vancouver, BC, V6E 3C9. The Company's operational office (Lion Petroleum Corp.) is 1<sup>st</sup> Floor, Empress Plaza, Corner of Ring Road and Jalaram Road, Westlands, Nairobi, Kenya.

The Company's consolidated financial statements and those of its wholly controlled subsidiaries are presented in Canadian dollars.

The Company is in the process of exploring and evaluating its resource properties and has not yet determined whether the properties contain oil and gas reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated 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. The Company has incurred losses from 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 consolidated 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 consolidated 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 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, 2014. These Financial Statements have been prepared following the same accounting policies as the Company's audited financial statements for the year ended October 31, 2014.

The Board of Directors approved these Financial Statements on June 29, 2015.

#### **Basis of Consolidation and Presentation**

The consolidated 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.

These consolidated financial statements incorporate the financial statements of the Company and its wholly controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

**TAIPAN RESOURCES INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

April 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

**2. BASIS OF PREPARATION** *(cont'd...)***Use of Estimates and Judgments**

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

*Critical Accounting Estimates*

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected share price volatility. Because the Company's warrants have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

*Critical Accounting Judgments*

The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project.

The Company has subsidiaries and must use judgment to determine the functional currency of each subsidiary and consolidates accordingly.

From time to time, certain claims, suits, and complaints may arise in the ordinary course of operations against the Company which require management to make certain estimates, judgments, and assumptions about the suit. In the opinion of management, any provisions related to such claims, if any, will be accrued when the claims meet the recognition criteria for contingent liabilities. Management is not aware of any material contingent liabilities which require recording in the financial statements.

**3. RECEIVABLES**

Receivables are as follows:

	April 30, 2015	October 31, 2014
Trade receivables	\$ 573,585	\$ 29,632
Cash call receivable	<u>947,198</u>	<u>3,774,233</u>
Total	<u>\$ 1,521,092</u>	<u>\$ 3,803,865</u>



**TAIPAN RESOURCES INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

April 30, 2015

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**4. MARKETABLE SECURITIES**

The Company holds 9,000,000 common shares of Tower Resources Plc., received pursuant to the farm-in agreement (Note 7) that have been designated as fair value through profit and loss. The securities were received in the year ended October 31, 2014 at a value of \$298,119 which was adjusted to a fair market value of \$36,776 as at April 30, 2015 resulting in an unrealized loss of \$96,959.

**5. EQUIPMENT**

	Furniture and Office Equipment	Motor Vehicles	Total
<b>Period ended April 30, 2015</b>			
Opening net book value at November 1, 2014	\$ 4,426	\$ 47,519	\$ 51,945
Depreciation charge	(443)	(7,128)	(7,570)
Closing net book value	<u>3,983</u>	<u>40,391</u>	<u>44,375</u>
<b>At April 30, 2015</b>			
Cost	\$ 4,918	\$ 55,904	\$ 60,822
Accumulated Depreciation	(935)	(15,513)	(16,447)
Closing net book value	<u>3,983</u>	<u>40,391</u>	<u>44,375</u>
<b>Year ended October 31, 2014</b>			
Opening net book value at November 1, 2013	\$ -	\$ -	\$ -
Additions for the year	4,918	55,904	60,822
Depreciation charge	(492)	(8,385)	(8,877)
Closing net book value	<u>\$ 4,426</u>	<u>\$ 47,519</u>	<u>\$ 51,945</u>
<b>At October 31, 2014</b>			
Cost	\$ 4,918	\$ 55,904	\$ 60,822
Accumulated Depreciation	(492)	(8,385)	(8,877)
Closing net book value	<u>\$ 4,426</u>	<u>\$ 47,519</u>	<u>\$ 51,945</u>

Depreciation expense for the period ended April 30, 2015 of \$7,570 (2014 - \$NIL) has been included in exploration and evaluation expenditures.

**6. EXPLORATION AND EVALUATION ASSETS****Block 1 Property, Kenya**

The Company has a 20% participating interest in a Production Sharing Contract ("PSC") with the government of Kenya for Block 1.

On November 19, 2007, Lion Petroleum Corp. ("Lion") signed a PSC with the government of Kenya and acquired an undivided 100% participating interest in Block 1. Lion was obligated to incur exploration expenditures of US\$9,550,000 during the initial three-year exploration period. The majority of this expenditure obligation was transferred to a farm-in partner, East African Exploration (Kenya) Ltd, ("EAX"), a subsidiary of Afren PLC, who acquired a 50% interest in Block 1, acting as the operator, by taking over the expenditure obligations capped at US\$6,000,000 plus certain other costs capped at US\$500,000. Lion and EAX equally split all other expenditure obligations. EAX acquired an additional 30% interest in Block 1 by incurring an additional US\$6,000,000 in exploration expenditures. Following an extension of the

## TAIPAN RESOURCES INC.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

April 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

#### 6. EXPLORATION AND EVALUATION ASSETS (cont'd...)

##### Block 1 Property, Kenya (cont'd...)

initial exploration period to November 19, 2012 and the acquisition of a total of 1,900 kilometres of 2D seismic data meeting all outstanding commitments, Lion and EAX exercised their option to continue into the first additional exploration period of two contract years with a minimum expenditure obligation of US\$6,000,000.

The first additional exploration period expired on October 31, 2014. Prior to the expiry, EAX reached an agreement with government of Kenya to roll the commitments under the first additional exploration period the into a second additional exploration period which expires October 31, 2016. EAX is in the second additional exploration period with a minimum expenditure obligation of US\$6,000,000 and a commitment to drill two wells as part of the arrangement with the government.

Before the end of the initial exploration period, 30% of the original area of Block 1 was surrendered to the government of Kenya. As part of the agreement reached with the government, EAX was not required to relinquish an additional 30% of the remaining area of Block 1 before the end of the first additional exploration period. The government of Kenya has the option acquire an interest of up to 18% of the total interest in any development area. The government of Kenya will assume its share of costs, expenses and obligations based on its participating interest.

If and when the Lion is able to produce oil from Block 1, the government of Kenya will be given the following share of profit oil, in addition to any share arising under its participating interest:

Daily Production	Government Share
First 0 – 20,000 bopd	55%
Next 20,001 – 30,000 bopd	60%
Next 30,001 – 50,000 bopd	63%
Next 50,001 – 100,000 bopd	68%
Over 100,000 bopd	78%
*bopd - barrels of oil per day	

Taipan resolved its default on the Block with Afren PLC by paying US\$3,566,377, restoring the Company's rights and entitlements to a 20% interest in Block 1.

On February 09, 2015 the Company commenced an arbitration action against EAX. In addition, Taipan has been notified by Afren/East African Exploration, its partner on Block 1, Kenya that as a result of security concerns in the area, the Government of Kenya, Ministry of Energy have granted a fifteen-month extension to the current Second Additional Exploration Period from the 8th October 2014 to the 7th January 2016. At the expiry of the extension period, the situation will be further reviewed. Afren/EAX and Lion continue to have a two well commitment on the block during the current exploration period.

##### Block 2B Property, Kenya

On September 17, 2008, Lion signed a PSC with the government of Kenya and acquired the option to obtain an undivided 100% participating interest in Block 2B, located in North East Kenya. Lion negotiated a study period whereby Lion could determine if it would take on the minimum expenditure obligations of the initial exploration period. On May 5, 2010, Lion decided to move from the study period into the initial exploration period of the PSC.

The initial exploration period of three contract years originally had a minimum expenditure obligation of US\$11,750,000 of which US\$6,000,000 represented a contingent well. The Company paid to the Ministry of Energy a US\$4,000,000 extension fee to extend the initial exploration period to June 1, 2013. In doing so, the minimum work program for the initial exploration period was agreed at 400 kilometres of 2D seismic for US\$4,500,000 and a block wide FTG survey for US\$2,000,000 (completed).

**TAIPAN RESOURCES INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

April 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)****Block 2B Property, Kenya (cont'd...)**

The Company has notified the government of Kenya that the Company has entered the first additional exploration period of two contract years with a minimum expenditure obligation of US\$13,000,000. The work program in the first additional exploration period would include the acquisition of 25 square kilometres of 3D seismic and the drilling of one well to 3,000 metres. After completion of the first additional exploration period, a second additional exploration period of two contract years will also be available to the Company with an estimated expenditure obligation of US\$19,000,000 including further seismic and two exploration wells to 3,000 metres each.

The Company has notified the government of Kenya of its intention to relinquish 30% of the original area of Block 2B less any area under development per the PSC and are in discussions with the government of Kenya concerned the particulars of their arrangement. Before the end of the first additional exploration period, an additional 30% of the remaining area of Block 2B will be required to be surrendered to the government of Kenya. The government of Kenya has the option to acquire a participating interest of up to 18% of the total interest in any development area. The government of Kenya will assume its share of costs, expenses and obligations based on its participating interest. If and when the Lion is able to produce oil from Block 2B, the government of Kenya will be given the following share of profit oil, in addition to any share arising from its participating interest:

Daily Production	Government Share
First 0 – 20,000 bopd	55%
Next 20,001 – 30,000 bopd	60%
Next 30,001 – 50,000 bopd	63%
Next 50,001 – 100,000 bopd	68%
Over 100,000 bopd	78%
*bopd - barrels of oil per day	

***Farm-out agreement with Premier Oil Investments Ltd.***

During the year ended October 31, 2014, the Company entered into a farm-out agreement with Premier Oil Investments Ltd. ("Premier") a subsidiary of Premier Oil PLC whereby Premier has acquired a 55% participating interest in Block 2B. Under the terms of the farm-out, Premier will carry the Company through the cost of work for the first additional exploration period. Premier will also provide a guarantee for the minimum work and expenditure obligations for the first additional exploration period of US\$13,000,000 and paid US\$1,000,000 to the Kenyan Revenue Agency for taxes related to the transaction. During the six-month period ended April 30, 2015 the Company cash called and received US\$19,634,377 (2014 - US\$6,543,793) which has been recorded as a reduction of exploration and evaluation expenditures in the statement of loss and comprehensive loss.

***Farm-out agreement with Tower Resources (Kenya) Ltd.***

During the year ended October 31, 2014, the Company completed a farm-out agreement with Tower Resources (Kenya) Ltd., a subsidiary of Tower Resources plc ("Tower"), whereby Tower has acquired a 15% participating interest in Block 2B. As part of the agreement, Tower paid US\$4,500,000 (received US\$4,025,000 with the balance remitted to the Kenyan Revenue Agency for taxes related to the transaction) and issued 9,000,000 common shares of Tower (Note 5) to the Company. Tower will make a contingent payment of US\$1,000,000 upon the spud of a second well on Block 2B. Consideration received of \$5,176,839 was shown as a recovery against exploration and evaluation assets on the statement of financial position. During the six-month period ended April 30, 2015 the Company cash called US\$ 3,437,734 (2014 - \$NIL) and received US\$2,652,589.85 which has been recorded as a reduction of exploration and evaluation expenditures in the statement of loss and comprehensive loss

Following completion of operations on the Badada-1 well on Block 2B, Kenya, Premier Oil have exercised their right to withdraw from the license effective April 30th 2015. As a result, the working interests for Taipan through its Kenya-based subsidiary Lion Petroleum and Tower Resources plc in the Block will be adjusted on a pro-rata basis (Lion 66.66%, Tower 33.34%) for the remaining approximately six months of the current license phase (unless otherwise agreed).

**TAIPAN RESOURCES INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

April 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

**6. EXPLORATION AND EVALUATION ASSETS (cont'd...)****Block 2B Property, Kenya (cont'd...)**

	April 30, 2015	October 31, 2014
Opening exploration and evaluation asset balance	\$ 12,203,101	\$ 15,912,061
Consideration received from farm-out agreements	-	(5,176,839)
Effect of foreign exchange	-	1,467,879
Ending exploration and evaluation asset balance	\$ 12,203,101	\$ 12,203,101

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities are as follows:

	April 30, 2015	October 31, 2014
Trade payables	\$ 6,616,048	\$ 1,587,478
VAT and withholding tax payable	1,473,238	1,680,812
Total	8,089,286	\$ 3,268,290

The Company is currently assessing the liability in collaboration with its Kenyan tax advisors in light of the exemption letters the Company has from the Kenyan treasury department. The Company feels that if any liability exists, it will be reduced significantly by working through the relevant VAT exemptions together with the assessment of applicable payments attracting withholding tax.

**8. SHARE CAPITAL AND RESERVES**

## a) Authorized share capital

Unlimited number of common and preferred shares without par value.

## b) Issued share capital

There were no transactions during the period ended April 30, 2015.

During the year ended October 31, 2014:

- a) The Company completed a non-brokered private placement issuing 17,824,812 units at a price of \$0.36 per unit for gross proceeds of \$6,416,934. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.50 until April 4, 2018. In connection with the offering, the Company paid certain finders a cash commission and other costs totaling \$167,980, issued 413,444 units valued at \$186,440, and issued to the finders 127,734 common share purchase warrants exercisable with the same terms as the warrants attached to the units. A fair value of \$37,061 was attributed to these warrants using the Black-Scholes pricing model with an expected life of 4 years, volatility of 119%, dividend rate of 0%, and discount rate of 1.50%.

**TAIPAN RESOURCES INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

April 30, 2015

(Expressed in Canadian Dollars)

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**8. SHARE CAPITAL AND RESERVES (cont'd...)***Stock options and warrants (cont'd...)*

As of October 31, 2014 and April 30, 2015, \$117,000 in subscriptions is still receivable related to this private placement.

b) The Company issued 448,698 common shares with a value of \$162,094 to the CEO (Note 10) as part of their annual compensation.

c) The Company issued 3,000,000 common shares due to the exercise of stock options. The \$487,500 receivable at October 31, 2014 and April 31, 2015 related to the exercise of these options has been subsequently received.

## c) Escrow agreements

As at April 30, 2015, 1,215,824 common shares of the Company were subject to escrow as per two separate escrow agreements.

## d) Stock options and warrants

On May 3, 2010, the TSX Venture Exchange accepted for filing the Company's Stock Option Plan which was approved by the Company's shareholders at the Annual General Meeting held April 26, 2010. 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, 2013	8,100,000	0.34	53,285,886	0.41
Granted	3,400,000	0.36	18,600,990	0.50
Exercised	(3,000,000)	0.33	-	-
Cancelled	(50,000)	0.33	-	-
Balance - October 31, 2014	8,450,000	\$ 0.35	71,886,876	\$ 0.45
Expired	(250,000)	0.50	(19,400,000)	0.12
Balance – April 30, 2015 exercisable	8,200,000	\$ 0.35	52,486,876	\$ 0.52

**TAIPAN RESOURCES INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

April 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

**8. SHARE CAPITAL AND RESERVES (cont'd...)**

## Stock options and warrants (cont'd...)

As at April 30, 2015, incentive stock options were outstanding as follows:

	Number	Exercise price	Expiry date
<b>Stock Options</b>	2,500,000	0.325	January 21, 2017
	1,800,000	0.325	July 17, 2017
	500,000	0.50	September 27, 2017
	1,250,000	0.36	April 14, 2019
	<u>2,150,000</u>	0.36	October 8, 2019
	8,200,000		

As at April 30, 2015, share purchase warrants were outstanding as follows:

	Number	Exercise price	Expiry date
<b>Share Purchase Warrants</b>	23,523,540	0.60	July 16, 2017
	10,362,346	0.50	February 13, 2018
	17,029,878	0.50	April 4, 2018
	1,336,112	0.50	April 8, 2018
	<u>235,000</u>	0.50	April 8, 2018
	52,486,876		

During the period ended April 30, 2015 the Company granted Nil (2014 – 1,250,000) stock options to officers, consultants and directors. The weighted-average fair value of options granted and vested during the period was \$Nil per option (2014 - \$0.34). Total share-based payments recognized in the statement of loss and comprehensive loss for the period ended April 30, 2015 was \$Nil (2014 – \$432,078) for incentive options granted and vested. There were no amounts recorded as reserves on the statement of financial position for both periods.

**9. RELATED PARTY TRANSACTIONS**

The financial statements include the financial statements of Taipan Resources Inc. and its 100% owned subsidiary, Lion Petroleum Corp. a company incorporated in British Columbia.

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:

- Paid or accrued management, consulting, and exploration expenditures of \$520,599 (2014 - \$485,240) to the CEO, CFO and a non-executive director.
- Paid or accrued office, rent, and administration fees of \$36,000 (2014 - \$36,000) to a company controlled by the CFO and director of the Company.
- Issued NIL (2014 – 1,000,000) stock options with a fair value of \$NIL (2014 - \$345,662).

The amount of \$104,651 (2014 - \$441,905) is due to related parties. All balances are unsecured, non-interest bearing, have no fixed repayment terms, and are due on demand.

**TAIPAN RESOURCES INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**10. SEGMENTED INFORMATION**

The Company operates in one industry segment, the oil and gas industry, and in two geographical segments, Canada and Kenya. All current exploration activities are conducted in Kenya. The net loss and assets identifiable with these geographic areas are as follows:

Profit (loss) for the periods ended April 30	2015	2014
Canada	\$(1,609,691)	\$ 1,425,441
Kenya	<u>(115,077)</u>	<u>(979,062)</u>
	<u>\$(1,724,768)</u>	<u>\$ 446,379</u>
Long-term assets as at	April 30, 2015	October 31, 2014
Canada	\$ -	\$ -
Kenya	<u>12,247,476</u>	<u>12,255,046</u>
	<u>\$ 12,247,476</u>	<u>\$ 12,255,046</u>

**11. COMMITMENTS AND CONTINGENCIES**

- a) The Company signed a consulting agreement with a Company ("CEO Holdco") controlled by the CEO of Taipan for a period of twelve months ending July 31, 2015 (renewed automatically unless terminated by either party). The Company may terminate the agreement at any time without further obligation, by providing CEO Holdco with a payment equal to the value of 6 (six) times the monthly fees which will amount to US\$307,400.
- a) The Company received a formal notice from the High Court of Kenya of a temporary injunction at its Block 2B property that was later reversed as the court agreed to allow the Company to continue drilling Block 2B. The Drilling of the well is now complete and in the opinion of management, the ultimate disposition of these matters is not likely to have a material adverse effect on the Company.
- b) The Company is involved in a claim for consultancy fees under an alleged consultancy contract in the ordinary course of business. Parties are making attempts at an amicable, out of court settlement. In the opinion of management, the ultimate disposition of these matters is not likely to have a material adverse effect on the Company.

**12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

There were no significant non-cash transactions for the six-month periods ended April 30, 2015. During the period ended April 30, 2014, the Company issued 178,444 units of stock at a value of \$64,240 as finder's fees related to a private placement.

## TAIPAN RESOURCES INC.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

April 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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## 13. 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 and accrued liabilities 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 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, 2015, the Company had a cash balance of \$7,737,336 to settle current liabilities of \$8,089,286. The Company is currently investigating financing and farm-out 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 anticipated it will need additional capital in the future to finance on-going exploration of its properties, such capital to be derived from the exercise of outstanding warrants and the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and 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 exploration success. 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.

#### *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 cash equivalents and short-term investments. 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 GST receivable from the Government of Canada and cash calls from farm out partners. The Company has been successful in recovering cash calls and input tax credits 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 will be 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, 2015, the Company had US\$5,000,000 in investment-grade short-term deposit certificates.



**TAIPAN RESOURCES INC.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)***Market risk*

## b) Foreign currency risk

The majority of the Company's business is conducted in Kenya in United States dollars and Kenyan Shillings. As such, the Company is exposed to foreign currency risk in fluctuations among the Canadian dollar, the Kenyan Shilling and the US dollar. Fluctuations in the exchange rate among the Canadian dollar, the Kenyan Shilling and the US dollar may have a material adverse effect on the Company's business and financial condition. 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 mineral 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.

**14. 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 mineral 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.