Zacks Small-Cap Research

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Taipan Resources Inc. (V.TPN-TSX-V)

V.TPN: Management issues update: exploration periods on both Blocks extended.

Current Recommendation	**Hold**
Prior Recommendation	Buy
Date of Last Change	02/23/2015
Current Price (05/29/15)	$0.03
Six- Month Target Price	**$0.13**

OUTLOOK

Taipan Resources is an oil & gas exploration company which holds material working interests in two onshore blocks (Block 1 and Block 2B) in Kenya. Block 2B has a NI 51-101 estimate of Gross Mean Un-risked Prospective Resources of 1,593 MMBOE An NI 51-101-compliant estimate on Block 1 has Aggregate Mean Gross Prospective Resources of 1,303 MMBBLS oil. Taipan's first exploratory well on Block 2B failed to find commercial oil or gas deposits and was abandoned as a dry hole. With working capital of over CDN$7 million, management has time to pursue other partners/properties for development. We maintain a Hold rating.

SUMMARY DATA

52-Week High	**$0.55**
52-Week Low	**$0.02**
One-Year Return (%)	**-95.45**
Beta	**-3.30**
Average Daily Volume (shrs.)	**192,156**
Shares Outstanding (million)	**107.0**
Market Capitalization ($mil.)	**$2.67**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**12.0**
Insider Ownership (%)	**11.0**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2015 Estimate	**1.5**
P/E using 2016 Estimate	**N/M**
Zacks Rank	**3**

Risk Level	**Above Average**
Type of Stock	**Small-Value**
Industry	**Oil-C$ E&P**
Zacks Rank in Industry	**8 of 17**

ZACKS ESTIMATES

Revenue
(in millions of $CDN)

	Q1 (Jan)	Q2 (Apr)	Q3 (Jul)	Q4 (Oct)	Year (Oct)
2013	0.0 A	0.0 A	0.0 A	0.0 A	0.0 A
2014	0.0 A	0.0 A	0.0 A	0.0 A	0.0 A
2015	0.0 A	0.0 E	0.0 E	0.0 E	0.0 E
2016					0.0 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Jan)	Q2 (Apr)	Q3 (Jul)	Q4 (Oct)	Year (Oct)
2013	-$0.04 A	-$0.08 A	-$0.02 A	-$0.05 A	-$0.19 A
2014	-$0.00 A	-$0.00 A	-$0.02 A	-$0.01 A	-$0.04 A
2015	$0.04 A	-$0.00 E	-$0.00 E	-$0.02 E	$0.02 E
2016					-$0.02 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

Quarterly EPS may not equal annual EPS total due to rounding.

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KEY POINTS

- Taipan Resources offers exposure to the potential opening of a new major oil play in East Africa.
- Taipan is an oil & gas exploration company which holds working interests in two onshore blocks (Block 1 and Block 2B) in Kenya.
- Management is focusing on prospective Tertiary and Cretaceous hydrocarbon plays in onshore Kenya that have similar geological settings to those in East Africa that have yielded oil and/or gas discoveries in Uganda, Sudan, Ethiopia and Kenya.
  - The management team is now also focused upon reviewing additional opportunities to secure promising assets, both in Africa and elsewhere. The decline in oil prices over the last year has created an environment in which oil assets are beginning to become available at attractive prices.
  - Management anticipates providing additional an update detail in the coming weeks.
- **Block 2B**
  - A NI 51-101-compliant report on **Block 2B** was completed in February 2014, which increased the estimates of the **Gross Mean Un-risked Prospective Resources by 288% to 1,593 MMBOE**.
  - Although Block 2B is considered a potential Cretaceous play since the Anza Basin is on trend with the analogous producing systems in Sudan, management firmly believes the thick Tertiary sand beds will prove analogous to recent oil discoveries in commercial quantities at the "*String of Pearls*" in the Lokichar Tertiary Basin.
  - Spud on January 7, 2015, the exploration well at the **Badada Prospect** in Block 2B reached a depth of 3,500 by February 23rd. Though it targeted a promising structural lead at the basin's edge, the well failed to find commercial oil or gas deposits. Therefore, after logging, the **Badada - 1 well was plugged and abandoned as a dry hole**. Nevertheless, minor gas shows were encountered, and the trace presence of heavier gas molecules indicate thermo-genic source rock. The logs will be integrated into existing seismic information and should provide new insights about the Neogene and older Tertiary segments in the Anza Basin.
  - Effective April 30th 2015, Premier Oil exercised its right to withdraw from the Block 2B license. As a result, Taipan Resources now holds 66.66% working interest (through its Kenya-based subsidiary, Lion Petroleum) and Tower Resources plc holds the remaining 33.34%.
  - The Ministry of Energy of Kenya **granted a six month extension** (to November 30, 2015) to the First Additional Exploration Period for the purpose of completing the technical assessments of the remaining prospectivity of Block 2B. Taipan's management is reviewing its strategy to see if any other prospects merit the drilling of another exploratory well in Block 2B, which is very large, encompassing 5,464 square kilometers.
- **Block 1**
  - In October 2014, a **NI 51-101-compliant report** on Block 1 was announced in which the **Aggregate Mean Gross Prospective Resources** are estimated to be **1,303 MMBBLS** oil (260 MMBBLS net to Taipan Resources).
  - The private placement of Units completed in April 2014 provided sufficient funds to resolve any perceived encumbrance on its rights and entitlements to a 20% participating interest in Block 1 and also to fund its participating interest share of costs in drilling the first exploration well.
  - On February 9, 2015, Taipan Resources began an **arbitration action against East African Exploration** (EAX), a wholly-owned subsidiary of Afren Plc. Taipan believes that there have been certain breaches to the Joint Operating Agreement between EAX and Lion Petroleum (Taipan's wholly-owned subsidiary) with respect work obligation in Block 1. Among other things, Taipan claims EAX failed to diligently pursue joint operations, meet minimum work obligations and follow contract award procedures. **Taipan seeks no less than US$10 million for restitution** of EAX's breaches of contract.
  - Prior to the arbitration action, an exploration well on either the **El Wak** or **Khorof Prospect** was planned for spudding in the second half of 2015.
  - The Ministry of Energy of Kenya **granted a 15-month extension** to the current Exploration Period (extending the end of the Period from October 8, 2014 to January 7, 2016) due to security concerns in the area. Afren/East African Exploration (Taipan's partner on Block 1) and Taipan/Lion have a two well commitment on Block 1 during the current Exploration Period.

- Taipan Resources was **fully funded** through the drilling of Badada-1, the first exploratory well on Block 2B.
  - Through a farm-out agreement on Block 2B, Premier Oil is paying Taipan's working interest share for drilling the first exploratory well (Badada-1) in the block.
- The drilling of exploratory wells in Kenya by Tullow Oil, Africa Oil, Marathon, etc. has created much interest and speculation in the oil plays of East Africa.
- News concerning exploration wells drilled in the Anza Basin will most likely also have a meaningful impact on Taipan's stock.
- In May 2014, Taipan's stock was up-listed to the OTCQX, the OTC market's highest tier. Taipan's TAIPF shares became DTC Eligible on October 24, 2014.

RECENT NEWS

Management Provides Update

On May 28, 2015, the management of Taipan Resources provided an update.

- **Block 2B:** Premier Oil has exercised its right to withdraw from the Block 2B license effective April 30th 2015. As a result, **Taipan Resources now holds 66.66% working interest** (through its Kenya-based subsidiary, Lion Petroleum) and Tower Resources plc holds the remaining 33.34%. Also, The Ministry of Energy of Kenya agreed to a **6-month extension** (to November 30, 2015) **to the First Additional Exploration Period**. During this time, Taipan and Tower time will complete further technical assessments of the remaining prospectivity of Block 2B. Taipan's management is reviewing its strategy to see if any other prospects merit the drilling of another exploratory well in Block 2B.

- **Block 1**: The Ministry of Energy of Kenya granted a 15-month extension to the current Exploration Period (extending the end from October 8, 2014 to January 7, 2016) due to security concerns in the area. Afren/East African Exploration (Taipan's partner on Block 1) and Taipan/Lion have a two well commitment on Block 1 during the current Exploration Period.

- The management team is now also focused upon **reviewing additional opportunities** to secure promising assets **in Africa and abroad**. The decline in oil prices since June 2014 has created an environment in which oil assets are beginning to become available at attractive prices.

- **Management anticipates providing an additional update in the coming weeks.**

Block 2B

On February 23, 2015, Taipan Resources announced that the **Badada-1 well** has been **drilled to a depth of 3,500 meters**; however, the well failed to find commercial oil or gas deposits. Therefore, after logging, the well **was plugged and abandoned as a dry hole**. Following this disappointing announcement, Taipan's shares were under significant pressure. Taipan Resources is the operator of Block 2B with a 30% working interest.

On the positive side, **minor gas shows were encountered**, and the trace presence of heavier gas molecules indicate thermo-genic source rock. Also, encountering the Neogene-age sequence confirmed the pre-drill geological model for the Anza Basin. The Neogene system spans both the Quaternary and Tertiary Periods. The press release insinuated that the Neogene-age sequence was Tertiary in nature, but did not indicate if the sequence was determined to be of the Holocene, Pleistocene, Pliocene or Miocene Epochs. The logs will be integrated into existing seismic information and provide new insights about the Neogene and older Tertiary segments in the Anza Basin.

On the negative side, this first test of Block 2B that obviously targeted the best prospect in the Block (close to the basin-bounding fault) was unsuccessful appearing to indicate a closer analogy to the rift flank of the South Lokichar Basin, where Tullow Oil has discovered moderate reservoirs, along with several dry holes. Badada-1 encountered sandier than expected sections and little, if any, development of sealing claystones, the principal risk for this play.

OVERVIEW

With its head office in Nairobi Kenya and records office in Vancouver Canada, Taipan Resources Inc. (TPN: TSX-V and TAIPF: OTCQX) is an oil & gas exploration company with interests in two onshore blocks in Kenya. Taipan holds a **66.66% participating interest in Block 2B** and a **20% participating interest in Block 1**. Both blocks are highly prospective oil & gas exploration properties that are held through Production Sharing Contract (PSC) agreements with the Government of Kenya through the company's wholly owned subsidiary, Lion Petroleum Corp.

Taipan Resources is participating in the under-explored frontier area of the nascent oil province of Kenya, which has the potential to become a major world-class oil play. The first major oil discovery in Kenya was the Ngamia-1 well drilled by the Tullow Oil (TLW: LSE) in the East Africa Rift system during March 2012. Since then, Tullow has drilled an additional six successful wells based on the "*String of Pearls*" concept. Every successful discovery well (or even a well with significant oil shows) to some extent de-risks East Africa's oil & gas potential.

Holding material positions in two blocks, Taipan Resources is positioned to participate in the opening of Kenya as part of the East Africa oil province. With technical understanding of the complex East African basins still evolving, Taipan is among the vanguard of exploration companies in pursuit of new oil & gas plays with potentially very high upside.

Though no reserves have been assessed for these blocks, **Prospective Petroleum Resources** from yet undiscovered accumulations have been estimated. In February 2014, Taipan Resources announced details of Sproule International's independent assessment of the prospective resources on Block 2B exploration property with an effective date of December 31, 2013. Based on 19 exploration leads, the total estimated **Mean Gross Unrisked** Prospective **Resources** on **Block 2B increased 288%** from 410.4 MMBOE to **1,593 MMBOE** from the prior estimation. This most recent NI 51-101-compliant Prospective Resource Estimate incorporated the interpretation of 439 km of 2D seismic data acquired in early-2013 and the interpretation of reprocessed vintage seismic data.

Taipan Resources

Summary of Licenses and Prospective Oil Resources

Country	License	Taipan's Working Interest (%)	Operator	Operator Working Interest (%)	Other Farm-in Partners	Partner Working Interest (%)	Gross Area (km2)	Gross Mean Prospective Estimate (MMBOE)	Net Mean Prospective Estimate (MMBOE)	51-101 Estimate Effective Date
Kenya	Block 1	**20%**	EAX (Afren plc)	80%	none	N/A	22,246	1,303	261	15-Oct-2014
Kenya	Block 2B	**66.66%**	Taipan Resources	66.66%	Tower Resources	33.34%	5,464	1,593	1,062	31-Dec-2013

A NI 51-101-compliant Prospective Resource Assessment was completed on Block 1 with an effective date of October 15, 2014, which utilized the 1,900 km of 2D seismic data acquired during 2012, along with the 10,696 km airborne high resolution gravity and magnetic survey conducted in 2011. The report

estimated that the **Aggregate Mean Gross <u>Prospective</u> Resources** on **Block 1** are **1,303 MMBBLS oil** (260 MMBBLS net to Taipan Resources).

Having traded on the TSX Venture Exchange (TSXV) with the symbol TPN since the company's IPO in February 2007, Taipan Resources began trading on the OTCQX in May 2014 under the symbol TAIPF.

Merger with Lion Petroleum Corp.

In July 2012, Taipan Resources closed the amalgamation with Lion Petroleum Corp. Shareholders and convertible bridge loan holders of Lion Petroleum received 20,124,817 shares of Taipan Resources, which post-merger represented 39.1% of surviving company. As part of the amalgamation, Taipan Resources provided irrevocable bank guarantees to fund the required work program on Block 2B, along with other commitments on Block 1.

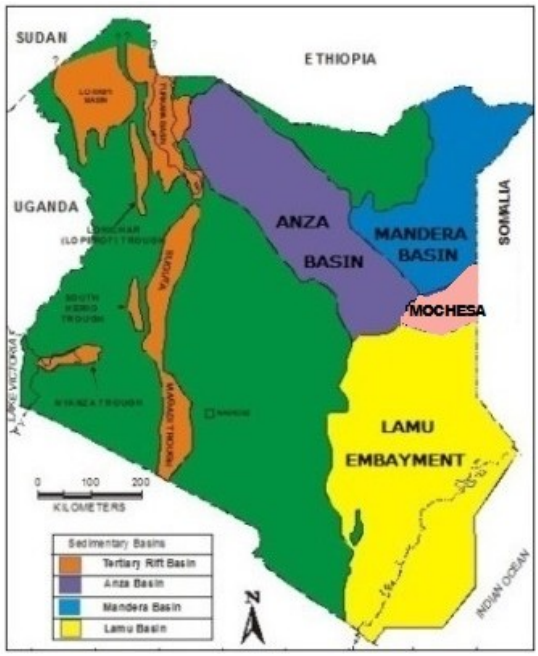
Lion Petroleum had been granted Production Sharing Contract (PSC) agreements by the Ministry of Energy, Republic of Kenya for 100% participating interest in Block 1 (initially comprised of 31,781 km2) in November 2007 and for 100% participating interest in Block 2B (7,807 km2) in September 2008. [N.B. Subsequently, Taipan Resources farmed out 80% interest in Block 1 and 70% interest in Block 2B. In addition, mandated relinquishments reduced the area of both blocks by 30%]

When merged with Lion Petroleum in 2012, total Net Unrisked Prospective Resources on the blocks were **528 MMBOE** based upon the NI 51-101 report prepared by Sproule Associates Limited for Block 2B (387 MMBOE) and by the management of Afren Plc for Block 1 (141 MMBOE).

On May 23, 2014, Taipan Resources (TAIPF) began trading on the OTCQX, the OTC market's highest tier. Thereafter, on October 24, 2014, Taipan Resources secured DTC Eligibility by The Depository Trust Company for its TAIPF shares, allowing for electronic clearing and settlement of TAIPF shares.

SYNOPSIS OF PROJECTS





Block 2B (northeast Kenya)

Taipan Resources holds **66.66% equity interest** of the Production Sharing Contract (PSC) on the 1,348,700-acre Block 2B in northeast Kenya. Taipan initially acquired a 100% interest in Block 2B through the merger with Lion Petroleum in July 2012. Subsequently, Premier Oil earned 55% interest through a farm-out agreement in December 2013, and Tower Resources earned 15% through another separate farm-out agreement in June 2014. A partial relinquishment on October 8, 2013 (the PSC's third anniversary) reduced the area by 30% from 7,807 km2 to 5,465 km2 (current net of 1,639 km2 to Taipan Resources). Effective April 30th 2015, Premier Oil exercised its right to withdraw from the Block 2B license. As a result, Taipan Resources now holds 66.66% working interest (through its Kenya-based subsidiary, Lion Petroleum).

The 2013 farm-out agreement designates Taipan Resources as the operator during the exploration phase. Taipan Resources was fully funded through the drilling of the first exploratory well (Badada -1) on Block 2B. To date, exploration has been focused on western portion of Block 2B associated with the southwestern extension of the Anza Basin.

Block 1 (northeast Kenya)

Taipan Resources holds a 20% working interest in Block 1, which the company also acquired through the merger with Lion Petroleum. EAX, a wholly-owned subsidiary of Afren plc, holds the remaining 80% working interest and is the operator of the project. Situated in the Mandera-Lugh Basin, Block 1 currently encompasses 22,246 km2 (net 4,449 km2), having undergone a partial relinquishment that reduced Block 1 from its original area of 31,781 km2.

On February 9, 2015, Taipan Resources began an **arbitration action against East African Exploration** (EAX), a wholly-owned subsidiary of Afren Plc. Taipan believes that there have been certain breaches to the Joint Operating Agreement between EAX and Lion Petroleum (Taipan's wholly-owned subsidiary) with respect work obligation in Block 1. Among other things, Taipan claims EAX failed to diligently pursue joint operations, meet minimum work obligations and follow contract award procedures. **Taipan seeks no less than US$10 million for restitution** of EAX's breaches of contract. The current Exploration Period was scheduled to end on October 8, 2014, but has been extended to January 7, 2016. Afren/East African Exploration and Taipan/Lion have a two well commitment.

PROSPECTIVITY OF EAST AFRICA

There is a concerted effort to discover oil resources in sedimentary formations in the **rift basins of East Africa**. Fueled by a series of impressive oil discoveries, notably in the **Ogaden Basin** of Ethiopia (1973), **Muglad Basin** of Sudan (1982), **Melut Rift Basin** of Sudan (2002) and **East Africa Rift Basin** [the last of which includes the **Albertine Rift Basin** of Uganda (in 2005) in the Western Branch and the **Lokichar Basin** of Kenya (2012) in the Eastern Branch], East Africa has emerged as an exciting, prospective oil province.

Despite the comparatively limited seismic data and exploratory drilling results, there is strong evidence that petroleum systems exist in the East African Rift System (Ngamia-1 discovery), Ogaden Basin (Calub Field) the Cretaceous Central African Rift Basin in the southern Sudan (Unity 1, Unity 2, Heglig and Great Palogue fields) and the Eastern African Margin (gas production in Tanzania and Mozambique). All these East Africa basins share many characteristics, including source rocks, reservoirs, seals and structure with other similar rift basins that produce significant volumes of oil and gas, including the North Sea with its reserves of 60 BBO and 2,400+ exploration wells. Taipan's Block 2B overlies the Anza Basin on trend with the Cretaceous Rift Basin while Block 1 extends over the Mandera-Lugh Basin on trend with the Ogaden Basin.

Due to the complex nature of the East African basins, the search for oil resources has not yet evolved to the level of conventional analysis common for mature oil fields. Rather, in this frontier area, the analysis and interpretation of the spatial and temporal evolution of rift development, volcanics and sediment deposition guides the strategic search for prospective resources. Thereafter, seismic survey data is acquired to provide a rudimentary configuration of geologic units. Recently, the key to discovering hydrocarbon deposits in East African Rift System has been the utilization of basin development, depositional analogues and correlation of equivalent strata. Ultimately, it appears that the integration of regional tectonics and a more comprehensive stratigraphic database derived from well data will be the keys to unlocking the true hydrocarbon potential of East Africa. Due to the nature of frontier drilling, the discussion on the elements (source, reservoir and seal rocks) and dynamic processes (trap formation, etc.) of the prospective petroleum systems is still rudimentary.

BLOCK 2B (KENYA)

Overview

Taipan Resources currently holds a **66.66% equity interest** of the Production Sharing Contract (PSC) on Block 2B. Taipan initially acquired a 100% interest in Block 2B through the merger with Lion Petroleum in July 2012. Subsequently, through farm-out agreements, Taipan granted Premier Oil the ability to earn a 55% of the PSC (and become operator of the project) and Tower Resources to earn 15%. Taipan Resources is the operator during the exploration phase of Block 2B; however, Premier Oil had the right to assume operatorship during the development phase. Effective April 30th 2015, Premier Oil exercised its right to withdraw from the Block 2B license. As a result, Taipan Resources now holds 66.66% working interest (through its Kenya-based subsidiary, Lion Petroleum) and Tower Resources plc holds the remaining 33.34%.

Originally, when the Production Sharing Contract (PSC) with the Government of Kenya became effective on December 16, 2008, Block 2B encompassed an area of 7,806.53 km2. A partial relinquishment of 30% occurred on June 1, 2013, the end of the Initial Exploration Period, which reduced the area to 5,464.57 km2. The company opted to surrender the eastern 30% of the block. An additional partial 30% relinquishment is scheduled to transpire before the end of the First Additional Exploration Period, namely before June 1, 2015. **Currently, Block 2B encompasses 5,464.57 km2** (or 1,639.37 to Taipan Resources).

The most recent NI 51-101-compliant report (with an effective date of December 31, 2013) estimates that the **Gross Mean Unrisked Prospective Resources** is **1,593 MMBOE** within the 19 exploration leads. With a 30% working interest, the **Net Mean** Unrisked Prospective Resources of Taipan Resources is **1,062 MMBOE.**

Location

Block 2B is located in northeast Kenya and occupies the area of confluence of the Anza, Mochesa and Mandera-Lugh Basins.

To date, exploration has been focused on western portion of Block 2B that is associated with the southwestern extension of the **Anza Basin** (aka Anza graben[i]), which management believes has prospectivity similar to **Tertiary Period plays** that are analogous to discoveries located in the Lokichar Basin of the Eastern Branch of the East Africa Rift and to **Cretaceous Period plays** in the Muglad and Melut Basins of southern Sudan.

Prospective Resource Estimate

Three NI-51-101-compliant Prospective Resource Estimates have been filed on Block 2B, all completed by Sproule Associates. The **initial estimate** of Gross Mean Unrisked Prospective Resources was **387 MMBOE**, which reinterpreted approximately 1,860 km of historic 2D seismic data. Sproule mapped 17 separate leads on three principle stratigraphic horizons (Upper Jurassic, Cretaceous and Lower Tertiary) in the report effective June 1, 2012 and just prior to Taipan's merger with Lion Petroleum. Taipan re-commissioned the report in which the mean of the outcomes from the various leads were arithmetically summed instead of statistically aggregated. As a result, the Gross Mean Unrisked Prospective Resources increased 5.9% to **410 MMBOE** in the updated assessment with an effective date of October 31, 2012.

Taipan Resources

HISTORY of Prospective Oil Resources for BLOCK 2B

Country	License	Operator	Taipan's Working Interest (%)	Gross Area (km2)	Leads (#)	Gross Unrisked Mean Prospective Estimate (MMBOE)	Net Unrisked Mean Prospective Estimate (MMBOE)	Gross Risked Mean Prospective Estimate (MMBOE)	Net Risked Mean Prospective Estimate (MMBOE)	51-101 Estimate Effective Date
Kenya	Block 2B	Taipan Resources	100%	7,807	17	387	387	127	127	1-Jun-2012
Kenya	Block 2B	Taipan Resources	100%	7,807	17	410	410	127	127	31-Oct-2012
Kenya	Block 2B	Taipan Resources	45%	5,458	19	1,593	717	137	62	31-Dec-2013
Kenya	Block 2B	Taipan Resources	30%	5,458	19	1,593	478	137	41	31-Dec-2013
Kenya	Block 2B	Taipan Resources	67%	5,458	19	1,593	1,062	137	91	31-Dec-2013

The most recent NI 51-101-compliant report (with an effective date of December 31, 2013) estimates that the **Gross Mean Unrisked Prospective Resources** is **1,593 MMBOE** within the 19 exploration leads. With a 66.66% working interest, the **Net Mean** Unrisked Prospective Resources of Taipan Resources is **1,062 MMBOE.**

Taipan's Exploratory Well – Badada Prospect (formerly known as Pearl Prospect)

The gravity anomalies interpreted from the data collected from the FTG survey were used in tandem with the 2D seismic results to determine the optimal location for this initial exploration well. The decision process includes the identification of both potential structural traps formed against the basin-bounding fault and probable reservoir zones in the prospective Tertiary and Cretaceous formations. The data from the recently acquired 2D seismic survey was used to finalize the drilling location of Badada-1.

The location of the prospective Badada-1 well is in the southeastern extension of the Anza Basin, near its juncture with the Mandera-Lugh and Mochesa Basins. The primary target is a Tertiary prospect at the basin's edge, which is situated in a geological "*String of Pearls*"-type setting similar to the recent discoveries by Tullow Oil (TLW: LSE) in the rift flank play on the eastern side of the Lokichar Basin. In pursuing the structural lead at the basin's edge, the bore also tested for the existence of oil-prone source rocks and prospective sandstone reservoirs.

The exploratory well was spudded at the Badada Prospect on January 7, 2015. The well targeted the prospect lead that Sproule International estimates (in the NI 51-101 Technical Report dated December 31, 2013) to contain a Mean Gross Unrisked Prospective Resource of 251 MMBOE (see table from Technical Report above). Aberdeen-based Norwell Engineering was contracted to manage the drilling operations of the Badada-1 well, and a contract had been executed with Greatwall Drilling Company to provide the GW-190 land rig.

On February 23, 2015, Taipan Resources announced that the Badada-1 well had been drilled to a depth of 3,500 meters; however, the well failed to find commercial oil or gas deposits. Therefore, after logging, the well will be plugged and abandoned as a dry hole. Following this disappointing announcement, Taipan's shares were under significant pressure. Minor gas shows were encountered, and the trace presence of heavier gas molecules indicated thermo-genic source rock. Also, encountering the Neogene-age sequence confirmed the pre-drill geological model for the Anza Basin. The logs will be integrated into existing seismic information and provide new insights about the Neogene and older Tertiary segments in the Anza Basin.

After drilling Badada-1, Taipan reported that the well was drilled on budget and with no security or lost time incidents and that the de-mobilization of the well was complete.

Funding of Badada Prospect

The estimated gross costs incurred during the First Additional Exploration Period of in Block 2B, including the drilling and testing of the Badada-1 well, was **US$29.5 million**. **Premier Oil was obligated to pay up to US$29.5 million** according to its farm-out agreement, which was negotiated prior to farm-out of an additional 15% to **Tower Resources**, **which was responsible for paying** its participating interest share of costs, which was estimated to be **$4.425 million**. The estimated gross costs for drilling the Badada-1 well were approximately US$25.8 million.

On June 2, 2014, the Taipan's **farm-out agreement with Tower Resources closed**, by which Tower Resources acquired a 15% participating interest in Kenya's Block 2B. **Taipan Resources received $4.5 million in cash** and **4.5 million Ordinary Shares in Tower Resources** (TRP: LSE). An additional 4.5 million shares will be received in early September. As a partner, Tower Resources is obligated to pay its participating interest share of costs going forward.

BLOCK 1 (KENYA)

Overview

On October 20, 2014, Taipan Resources announced that an independent assessment of the Prospective Resources on Block 1 had been completed by RPS Energy. The **51-101-compliant report** estimated that the Aggregate Mean Gross Prospective Resources are **1,303 MMBBLS oil** (260 MMBBLS net to Taipan Resources). The El Wak lead (a four-way dip closed structure) with an estimated Mean Gross Prospective Resource of 728 MMBBLS (146 MMBBLS net to Taipan) is the largest identified feature in Block 1.

Taipan Resources currently holds a **20% working interest** in Block 1, which was acquired through the merger with Lion Petroleum. East Africa Exploration Ltd (aka EAX), a wholly-owned subsidiary of **Afren plc**, holds the remaining 80% working interest and is the **operator of the project**.

When the Production Sharing Contract (PSC) with the Government of Kenya became effective on October 8, 2007, Block 1 encompassed an area of 31,781.68 km2. In accordance with the PSC, a 30% relinquishment of the Block 1 occurred in October 2012. The company opted to surrender area located on the west of the block. An additional partial 30% relinquishment is scheduled to transpire before the end of the First Additional Exploration Period, namely before October 8, 2014. The current Exploration Period was scheduled to end on October 8, 2014, but has been extended to January 7, 2016. **Currently, Block 1 encompasses 22,246.48 km2** (or 4,449.30 net to Taipan Resources).

Block 1 appears to be a highly prospective property signified by the presence of multiple oil seeps in and around the block, along with gas discoveries in the contiguous Ogaden Basin. With 10,696 km airborne

gravity and magnetic data, 850 km of historic 2D seismic data and 1,900 km of relatively recent 2D seismic data having been acquired and interpreted, the Block's partners (Afren plc and Taipan Resources) are **planning on drilling** their first **exploratory well in Block 1** with primary targets being either the El Wak or Khorof leads, both being distinguished by a four-way dip-closure structural trap associated with an oil seep. The private placement of Units completed in April 2014 enabled **Taipan Resources to fully fund** the drilling of the first exploratory well in Block 1.

However, on February 9, 2015, Taipan Resources began an **arbitration action against East African Exploration** (EAX), a wholly-owned subsidiary of Afren Plc. Taipan believes that there have been certain breaches to the Joint Operating Agreement between EAX and Lion Petroleum (Taipan's wholly-owned subsidiary) with respect work obligation in Block 1. Among other things, Taipan claims EAX failed to diligently pursue joint operations, meet minimum work obligations and follow contract award procedures. **Taipan seeks no less than US$10 million for restitution** of EAX's breaches of contract.

The Ministry of Energy of Kenya granted a 15-month extension to the current Exploration Period (extending the end from October 8, 2014 to January 7, 2016) due to security concerns in the area. Afren/East African Exploration and Taipan/Lion have a two well commitment on Block 1 during the current Exploration Period.

Location

Block 1 is situated in northeast Kenya and overlies the western margin of the Mandera-Lugh Basin (aka the Mandera Basin), an under-explored basin that many geologists consider to be the southern extension of the Ogaden Basin in Ethiopia. The Calub and Hilala Gas Fields in the Ogaden Basin are estimated to contain reserves of approximately 4.0 TCF (trillion cubic feet).

Prospectivity

Block 1 is situated on the western margin of the **Mandera-Lugh Basin** in north-eastern Kenya on the borders with both Ethiopia and Somalia. The Mandera-Lugh Basin is continuous with the Ogaden Basin's Calub, Hilala, El Kuran and Genale hydrocarbon occurrences which emanate from **Karoo-aged formations** (which includes units originating in the early Carboniferous, Permian, Triassic and early Jurassic Periods) of the Ogaden Basin. Multiple oil seeps in the Mandera-Lugh Basin confirm the presence of hydrocarbons and indicate the presence of potential petroleum systems. Two plunging structural features have been identified, both of which could exhibit fault-dependent closures. Adding confidence to the area's prospectivity, the Mandera-Lugh Basin is considered to be the southern extension of the Ogaden Basin, which shares many analogous formations with the Mandera-Lugh and has estimated reserves of over 4.0 TCF according to the Ministry of Mines and Energy of Ethiopia.

Prospective Resource Estimate

A NI 51-101-compliant Prospective Resource Assessment was completed on Block 1. On October 20, 2014, Taipan Resources announced that an independent assessment of the Prospective Resources on Block 1 had been completed by RPS Energy. The **51-101-compliant report** estimated that the Aggregate Mean Gross Prospective Resources are **1,303 MMBBLS oil** (260 MMBBLS net to Taipan Resources). The El Wak lead (a four-way dip closed structure) with an estimated Mean Gross Prospective Resource of 728 MMBBLS (146 MMBBLS net to Taipan) is the largest identified feature in Block 1. The gravity high anomaly overlying El Wak encompasses 1,200 sq. km.

It should be noted that the managements of Afren plc and Taipan Resources have periodically proffered differing Prospective Resource estimates for Block 1. The most recent the gross mean prospective resource estimate offered by the management of Afren is **2,422 MMBOE** (or 484 MMBOE net to Taipan).[ii] However, Taipan's management more conservatively had estimated (prior to the recent 51-101 assessment) that the gross unrisked prospective resource was 1,300 MMBOE.[iii] Incidentally, the

management of Afren estimates that the Gross Unrisked Prospective Resource of the Khorof prospect is 270 MMBOE (which would imply 54 MMBOE net to Taipan).[iv]

When Taipan Resources was in the process of acquiring Lion Petroleum in mid-2012**,** the total net unrisked prospective resources on the both blocks was 528 MMBOE, which was based upon the NI 51-101 report prepared by Sproule Associates for Block 2B and an estimate by Afren's management for Block 1. Since the gross unrisked prospective resources of Block 2B was 410 MMBOE at the time, it implies that the net unrisked prospective resources on Block1 was **118 MMBOE** to Taipan in mid-2012.

Default in Block 1 Resolved

During the first quarter of fiscal 2013, Taipan Resources and the operator of Block 1 (East Africa Exploration Ltd aka EAX) entered into a dispute over noncompliance with the terms of the farm-out agreement, the deed of assignment and the joint operating agreement. As a result, declined to pay its share of cash calls and EAX retaliated by issuing a Notice of Default. Subsequently, in May 2014, the situation was resolved, and Taipan Resources earned back its 20% participating interest by paying the cash calls plus accrued interest (which totaled $3,566,377) to Afren. As a result, Taipan received the technical data on the block from Afren, and management began the process of commissioning an initial NI 51-101 Technical Report on the block. The 51-10-compliant assessment was released five months later in October.

Funding

As a result of the private placement of Units completed in April 2014, Taipan Resources was able to resolve any encumbrance of its 20% participating interest in Block 1 due to the Notice of Default and is **fully funded through the drilling of the first exploratory well** by Afren.

VALUATION

East Africa (and Kenya in particular) is widely regarded as a frontier area for oil & gas exploration and is generating considerable interest. Though there were some discoveries in the 1970s and 1980s, relatively recent exploration prospects have stimulated sizable investor interest, especially ever since the series of impressive oil discoveries by Heritage Oil (HOIL: LSE) and Tullow Oil (TLW: LSE) starting in November 2006 through mid-2007 in Uganda's Albertine Basin and particularly in Kenya's South Lokichar Basin by Tullow Oil and Africa Oil (AOI: TSXV) beginning in March 2012. In addition, heightened attention in the passive margin and rift plays has motivated some major oil companies (ExxonMobil, Total, Marathon and Statoil to name a few) to acquire interests in certain blocks, indicating a high level of prospectivity from experienced professional buyers. This corporate interest is also evident from many farm-in agreements by junior producers over the last few years. As a frontier exploration play in the emerging petroleum province of East Africa, Taipan Resources has significant upside potential.

Valuation analysis of exploration companies with Prospective Resources in frontier areas is a challenging exercise. Not only are the resource estimates tentative, but also the uncertainties of discovery and economic development are large. However, the utilization of **comparative analysis** of other junior exploration companies with Prospective Resources appears to be a reasonable methodology to ascertain valuation parameters to estimate a target price. Also, through **scenario analysis**, the stock's price potential can be assessed under various scenarios of developmental success and failure.

Comparative Analysis

Comparable valuation data points for peer frontier companies are fairly limited. Companies similar to Taipan Resources (exploration companies with prospective resources and not generating revenues) often, but not always, provide prospective resource data, and in some cases contingent resource

information. The resource information is fraught with concerns of consistency as management's tend to selectively release information and prospective resource data, which may or may not be NI 51-101-compliant. Nevertheless, peer valuation multiples of frontier oil & gas exploration companies with Net Risked Contingent Resources have generally valued between $4.50 and $2.50 per barrel. **Companies with only Prospective Resources are currently valued between $0.03** (Taipan Resources) **and $0.89** (FAR Ltd.) **per barrel of Net Risked Prospective Resources**.

COMPARABLE COMPANIES

Company	Type	Primary Resource Location	Ticker	Currency	5/29/15 Price	TTM High Price	TTM Low Price	Mkt Cap ($MM)	Net Risked Contingent Resources (MMBOE) Best	Net Risked Prospective Resource (MMBOE Best	Net Unrisked Prospective Resource (MMBOE Best	Current Mkt Cap/ Net Risked Resources ($/BOE)	High Mkt Cap/ Net Risked Resource ($/BOE)	Low Mkt Cap/ Net Risked Resource ($/BOE)
PRIMARILY CONTINGENT RESOURCES														
Ophir Energy	Deep water	Africa	OPHR.L	GBp	131.40	268.60	112.70	1,415	801	125	585	1.53	3.12	1.31
PRIMARILY PROSPECTIVE RESOURCES														
Jacka Resources Ltd	Onshore	Africa	JKA.AX	AUD	0.034	0.030	0.050	10	4	8	54	0.85	0.75	1.24
Africa Oil	Onshore	Africa	AOI.V	CDN	2.410	9.740	1.980	604	231	1,369	3,301	0.38	1.53	0.31
88 Energy Limited	Off shore	Africa	TPT.AX	AUD	0.009	0.009	0.330	8	0	33	217	0.24	0.24	8.83
Pancontinental	On & off shore	Africa	PCL.AX	AUD	0.011	0.014	0.060	10	0	38	751	0.26	0.33	1.41
Taipan Resources	Onshore	Africa	TPN.V	CDN	0.025	0.550	0.020	2	0	63	739	0.03	0.74	0.03
Simba Energy	Onshore	Africa	SMB.V	CDN	0.025	0.090	0.010	6	0	27	445	0.22	0.80	0.09
Azonto Petroleum	Off shore	Africa	AZO.L	GBp	0.275	1.350	0.150	5	9	39	182	0.10	0.50	0.06
FAR Ltd	On & off shore	Africa	FAR.AX	AUD	0.100	0.157	0.033	239	35	235	5,400	0.89	1.39	0.29
											Average	**0.37**	**0.78**	**1.53**
										Average	**ex JKA & TPN**	**1.31**	**0.80**	**1.83**

The relative wide range of valuation multiples can also be attributed to the inconsistency of various metrics among the comparative companies, including the potential size of prospects and the probability of success. For example, prior to 2000, the global average frontier exploration success rate was approximately 10%; however, over the last decade, the success rate has risen to around 20%, primarily from advances in technology, especially concerning the processing and interpretation techniques of seismic data. Also, macro-economic-driven and political event-driven multiple expansion and compression have affected the valuation range of oil & gas stocks over time. In addition, the high valuations can be caused by events that act as catalysts for increased investor interest e.g. a successful discovery well.

Our **primary valuation methodology** for junior exploration companies with prospective resources in frontier areas is **based risked NAV (Net Asset Value)**, which utilizes an appropriate price per BOE multiple on the risked value of prospective resource potential. The price per BOE multiple is derived from the historical multiple ranges from comparative oil & gas exploration companies with prospective resources.

Taipan Resources has interests in two properties in Kenya, both with a 51-101-compliant estimate of Prospective Resources. The most recent 51-101-compliant Competent Person's Report on Block 2B of Prospective Resources (as of December 31, 2013) estimates a net mean risked prospective resource of 41.0 MMBOE based on 19 leads;[v] however, recently Taipan's working interest increased to 66.66%, increasing the net mean risked prospective resource to 91.2 MMBOE .On Block 1, the Assessment of Prospective Resources (as of October 15, 2014) estimates that Aggregate Mean Gross Prospective Resources are 1,303 MMBBLS oil (261 MMBBLS net to Taipan Resources). We estimate that Net Mean Risked Prospective Resources on Block 1 to be 22.4 MMBOE. Therefore, the **total Net Mean Risked Prospective Resources on both blocks is 113.6 MMBOE**. Currently, the valuation of the entire comparable Prospective Resource group is depressed. Therefore, we are using a reversion-to-the mean multiple in our target assessment. **The average multiple in the last 12 months has been 1.31 per BOE** (removing Jacka Resources which has a high proportion of Contingent Resources). Due to the lower confidence level (aka probability of geological success) on the Prospective Oil Resources from the drilling results of Badada-1 and to account for the recent decline in oil prices of nearly 50%, we are utilizing the lowest quartile valuation parameter of 0.10 on Net Risked Resources. This Prospective Resource valuation methodology results in a **NAV-based target of CDN$0.13**.

M&A Analysis

Another valuation methodology involves Merger and Acquisition (M&A) valuation. Majors, mid-tiers and juniors are seeking to enter, complement and diversify by acquiring prospective acreage in East Africa. Transactions from 2006 to the present have averaged $2.30 per BOE, which would imply a **transaction-based target of CDN $3.04**. However, this valuation parameter is only applicable after a commercial well has been drilled.

Scenario analysis

Scenario analysis offers insight into the potential impact of transformational exploration catalysts. Over the next 12 months, two high impact exploration wells aim to de-risk the 837 MMBLS of gross unrisked prospective resources related to the Badada and Khorof/El Wok prospects.

A significant discovery would boost Taipan's valuation dramatically. A positive evaluation a well in either of Taipan's East African Blocks would affect the opportunity value of the remaining prospective resources in both Block 2B and Block 1. A commercial-sized discovery would not only open another basin, but also improve the chance of commerciality, thereby converting a larger percentage of the unrisked prospective resources into risked prospective resources and most likely upgrading and increasing the overall resource estimate.

When successful wells are drilled by major oil companies, such as ExxonMobil (NYSE: XOM) or Royal Dutch Shell (NYSE: RDS.B), the impact on share prices is negligible in comparison to discoveries announced by junior exploration companies. Even among juniors, new major discoveries can result in varying degrees of share price movement.

A recent notable example was the announcement on March 26, 2012 that the Ngamia-1 well (the first oil discovery that opened the Lokichar Basin in Kenya) hit 100 meters of net play. Africa Oil (AOI: TSXV) rallied 43% the next day from $2.34 to $3.35. Within 10 weeks, Africa Oil's stock peaked at $11.35 on May 28th, during which time Africa Oil's stock traded from a valuation of 0.43 per BOE on Net Risked Prospective Resources to 2.09 per BOE. At the same time, the ADR of Africa Oil's more diversified partner, Tullow Oil (TUWOY: OTC Pink) hovered in the $11.50-to-$12.50 range (roughly 1,450-to-1,550 GBp TLW: LSE). Since both Africa Oil and Tullow Oil hold a 50% working interest in Block 10BB where the Ngamia-1 well is located, the discrepancy in the price action can be attributed to Africa Oil's aggressive exploration strategy with no production revenues versus Tullow's diversified portfolio of oil & gas projects with producing, exploration and appraisal properties. If one of Taipan's exploratory wells is as successful as Ngamia-1, a commensurate multiple expansion would imply a **commercial well discovery target of CDN $2.77.**

Other events could potentially de-risk Taipan's prospects, such as other oil & gas exploration companies announcing oil and/or gas discoveries in Kenya or elsewhere in East Africa. In addition, a seismic campaign that increases the geological chance of success and/or expands the resource estimate in a technical study could serve as a positive near-term catalyst.

Risk Analysis

Whether called frontier investing or elephant hunting, the attendant risks are likewise high when the potential payoff is large. Unquestionably, the exploratory wells to be drilled on Taipan's blocks not only have huge potential, but also carry more risk. For example, on November 26, 2012, shares of Africa Oil declined precipitously after the announcement that its Twiga South-1 exploration well located in Block 13T encountered 30 meters of net oil pay, which was a disappointment after the 100-200 meters of net pay encountered at Ngamia-1 earlier that year. Africa Oil's stock plummeted 43.5% from $10.62 to $6.00 over three weeks before stabilizing in the $6.50-$7.25 range. A few months later, on March 1, 2013, Africa Oil's stock again declined significantly after the announcement that the Paipai-1 exploration well in Kenya's in Block 10A was temporarily suspended for "ongoing evaluation." Over the ensuing seven

weeks, Africa Oil's stock declined 23.0% from $7.16 to $5.51 before recovering. Another example is Taipan Resources, itself. On February 23, 2015, the company announced that the Badada-1 exploratory well in Block 2B reached a depth of 3,500, but failed to find commercial oil or gas deposits. Therefore, after logging, the well would be plugged and abandoned as a dry hole. Despite minor gas shows being encountered and the trace presence of heavier gas molecules indicating thermo-genic source rock, the stock declined 73.7% on that day from CDN$0.95 to CDN$0.025.

Other risks to valuation include delays of the drilling program, higher than expected expenditures, political/military factors and dilution from share offerings and/or additional farm-outs.

Conclusion

In summary, our valuation approach utilizes risk-adjusted net prospective resource estimates of the delineated exploration prospects. **Our risked NAV valuation of Taipan Resources is CDN $0.13** with upside potential of up to CDN $3.04 on the discovery of a commercial well and a transaction-based target of CDN $2.77. Taipan Resources offers exposure to potential transformational exploration play openers in the Anza and Mandera-Lugh Basins.

RISKS

- The exploration for hydrocarbons is a high-risk venture with many uncertainties, but especially the risks associated with discovery and economic recoverability. The frontier status of the East African region elevates the risks associated with the exploration for oil & gas.
- Both Block 2B and Block 1 are in the exploration stage and contain no reserves or contingent resources. The NI 51-101-compliant reports on Block 2B and Block 1 provide estimates on Prospective Resources (see Prospective Resources Primer section).
- Kenya's nascent petroleum industry has not yet established the infrastructure required to fully exploit the country's petroleum resources.
- The company's first attempt to open the Anza Basin resulted in the drilling of a dry hole, putting additional drilling plans for Block 2B in question.
- Also, the company's filing of an arbitration action against East African Exploration/Afren (due to breaches of work obligations) raises doubts concerning the timetable for drilling an exploratory well in Block 1. However, if successful in the action, Taipan Resources could be awarded US$10+ million in restitution, adding to the company's working capital.

BALANCE SHEET & INCOME STATEMENT

TAIPAN RESOURCES INC.

(in $ Canadian)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	1Q FY2015
Fiscal Years ending October 31st	10/31/2007	10/31/2008	10/31/2009	10/31/2010	10/31/2011	10/31/2012	10/31/2013	10/31/2014	01/31/2015
ASSETS									
Cash and cash equivalents	322,957	258,354	395,597	1,599,063	1,492,971	2,690,299	271,931	1,504,078	10,005,291
Deposits and prepaid expense	1,067	1,667	3,150	6,110	4,596	52,748	104,735	221,537	328,467
Marketable securities	-	-	-	-	-	-	-	133,735	85,991
GST receivable	306	504	3,697	-	-	-	-	-	-
Receivables	-	-	-	29,192	31,137	37,513	10,858	3,803,865	33,040
Restricted cash	-	-	-	-	-	3,250,000	-	-	-
Total current assets	**324,330**	**260,525**	**402,444**	**1,634,365**	**1,528,704**	**6,030,560**	**387,524**	**5,663,215**	**10,452,789**
Property and equipment - net	-	-	-	-	-	-	-	51,945	48,160
Mineral property (Lucky Joe Property)	-	-	25,000	-	-	-	-	-	-
Exploration and evaluation assets (Kenya)	-	-	-	-	-	15,912,061	15,912,061	12,203,101	12,203,101
Total assets	**324,330**	**260,525**	**427,444**	**1,634,365**	**1,528,704**	**21,942,621**	**16,299,585**	**17,918,261**	**22,704,050**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)									
Accounts payable and accrued liabilities	10,115	8,508	55,010	10,908	11,195	1,567,434	6,705,158	3,268,290	2,885,179
Due to directors	-	627	-	-	-	-	-	-	-
Total current liabilities	**10,115**	**9,135**	**55,010**	**10,908**	**11,195**	**1,567,434**	**6,705,158**	**3,268,290**	**2,885,179**
Long-term liabilities	-	-	-	-	-	-	-	-	-
Total liabilities	**10,115**	**9,135**	**55,010**	**10,908**	**11,195**	**1,567,434**	**6,705,158**	**3,268,290**	**2,885,179**
Common stock	349,672	350,482	350,482	2,332,221	2,332,221	23,009,842	26,188,849	34,212,536	34,212,536
Share subscriptions (receivables)	-	-	259,800	-	-	-	-	(604,500)	(604,500)
Additional paid-in-capital	51,204	66,044	66,044	66,044	66,044	383,449	2,231,189	2,541,020	2,541,020
Accumulated other comprehensive loss	-	-	-	-	-	-	-	1,346,781	2,431,057
Accumulated deficit	(86,661)	(165,136)	(303,892)	(774,808)	(880,756)	(3,018,104)	(18,825,611)	(22,845,866)	(18,761,242)
Total shareholders' equity (deficit)	314,215	251,390	372,434	1,623,457	1,517,509	20,375,187	9,594,427	14,649,971	19,818,871
Total equity (deficit)	314,215	251,390	372,434	1,623,457	1,517,509	20,375,187	9,594,427	14,649,971	19,818,871
Total liabilities and shareholders' equity	**324,330**	**260,525**	**427,444**	**1,634,365**	**1,528,704**	**21,942,621**	**16,299,585**	**17,918,261**	**22,704,050**
Shares outstanding	6,009,950	6,014,450	6,014,450	31,374,450	31,374,450	74,789,667	85,299,363	106,986,317	106,986,317

TAIPAN RESOURCES INC.

Consol. Statements of Ops & Comprehensi (in $ Canadian)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
For the years ending October 31	10/31/2007	10/31/2008	10/31/2009	10/31/2010	10/31/2011	10/31/2012	10/31/2013	10/31/2014
Revenue:	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Expenses:								
Exploration expenditures (recovery)	-	-	-	-	-	1,333,389	12,728,099	(94,197)
Filing and regulatory	13,600	7,171	21,310	23,552	7,895	85,241	48,766	131,244
Management and consulting fees	0	1,610	0	55,000	36,111	267,028	338,867	790,489
Office, rent and administrative	10,275	17,019	26,005	34,588	8,615	138,415	181,781	549,986
Accounting, legal & professional fees	8,641	20,607	75,222	50,479	24,708	173,032	248,420	398,781
Property evaluation expenses	3,376	0	0	0	0	0	0	-
Promotion and shareholder relations	8,243	9,033	15,796	14,505	36,965	47,262	270,081	635,714
Receivable allowance	-	-	-	-	-	-	71,898	31,106
Stock-based compensation	32,800	15,200	0	0	0	28,532	1,687,192	947,470
Travel and accommodations	5,440	7,632	0	0	0	231,506	196,112	386,943
Operating expenses	**82,375**	**78,272**	**138,333**	**178,124**	**114,294**	**2,304,405**	**15,771,216**	**3,777,536**
Loss from operations	**(82,375)**	**(78,272)**	**(138,333)**	**(178,124)**	**(114,294)**	**(2,304,405)**	**(15,771,216)**	**(3,777,536)**
Interest income (expense)	(265)	(203)	(423)	6,947	8,970	0	0	0
Write-off of mineral property interest	-	-	-	(355,952)	-	-	-	-
Write-off of AP and acc. liabilities	-	-	-	-	-	-	-	55,553
Gain (loss) on marketable securities	-	-	-	-	-	-	-	(164,384)
Gain (loss) on settlement of debt	-	-	-	-	-	80,239	-	-
Foreign exchange gain (loss)	-	-	-	-	(624)	20,774	(36,291)	(133,888)
Total other income (expense)	**(265)**	**(203)**	**(423)**	**(349,005)**	**8,346**	**101,013**	**(36,291)**	**(242,719)**
Gain (loss) before income taxes	**(82,640)**	**(78,475)**	**(138,756)**	**(527,129)**	**(105,948)**	**(2,203,392)**	**(15,807,507)**	**(4,020,255)**
Future income tax (recovery)	0	0	0	(56,213)	0	0	0	0
Net Gain (Loss)	**(82,640)**	**(78,475)**	**(138,756)**	**(470,916)**	**(105,948)**	**(2,203,392)**	**(15,807,507)**	**(4,020,255)**
Change in cumulative translation adjustment								**1,346,781**
Total comprehensive loss	**(82,640)**	**(78,475)**	**(138,756)**	**(470,916)**	**(105,948)**	**(2,203,392)**	**(15,807,507)**	**(2,673,474)**
Diluted net income per common share	**(0.02)**	**(0.01)**	**(0.02)**	**(0.02)**	**(0.00)**	**(0.05)**	**(0.19)**	**(0.04)**
Wgtd avg. com. shares out.- diluted	5,032,264	6,011,947	6,014,450	22,653,135	31,374,450	44,011,330	81,972,913	96,899,235

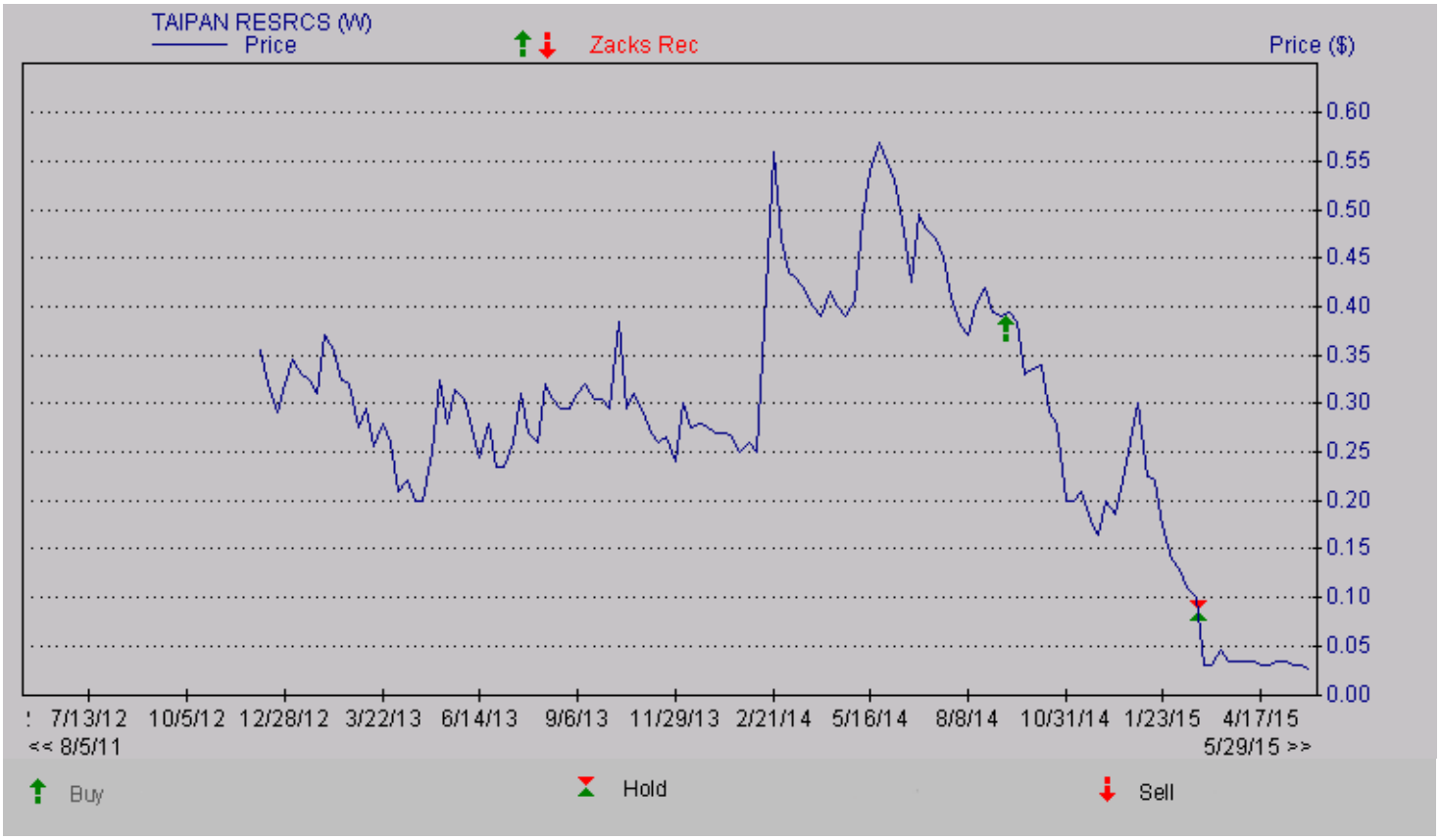
TAIPAN RESOURCES INC.

Consolidated Statements of Operations and Comprehensive Income

(in $ Canadian) For the years ending October 31	Fiscal Year 2012	FY 2013 NDJ 1Q	FY 2013 FMA 2Q	FY 2013 MJJ 3Q	FY 2013 ASO 4Q	Fiscal Year 2013
Revenue:	**0**	**0**	**0**	**0**	**0**	**0**
Expenses:						
Exploration expenditures (recovery)	1,333,389	917,752	6,814,821	898,687	4,096,839	12,728,099
Filing and regulatory	85,241	14,458	24,495	7,496	2,317	48,766
Management and consulting fees	267,028	191,249	72,971	140,087	(65,440)	338,867
Office, rent and administrative	138,415	109,289	5,107	23,659	43,726	181,781
Accounting & legal fees (professional fees)	173,032	112,748	26,355	40,992	68,325	248,420
Property evaluation expenses	0	0	0	0	0	0
Promotion and shareholder relations	47,262	73,228	69,562	73,419	53,872	270,081
Receivable allowance	0	0	0	0	71,898	71,898
Stock-based compensation	28,532	1,196,875	20,185	313,416	156,716	1,687,192
Travel and accommodations	231,506	55,223	35,445	45,068	60,376	196,112
Operating expenses	**2,304,405**	**2,670,822**	**7,068,941**	**1,542,824**	**4,488,629**	**15,771,216**
Loss from operations	**(2,304,405)**	**(2,670,822)**	**(7,068,941)**	**(1,542,824)**	**(4,488,629)**	**(15,771,216)**
Interest income (expense)	0	0	0	0	0	0
Write-off of mineral property interest	-	-	-	-	-	-
Gain (loss) on settlement of debt	80,239	-	-	-	-	-
Foreign exchange gain (loss)	20,774	(9,505)	(79,468)	89,325	(36,643)	(36,291)
Total other income (expense)	**101,013**	**(9,505)**	**(79,468)**	**89,325**	**(36,643)**	**(36,291)**
Gain (loss) before income taxes	**(2,203,392)**	**(2,680,327)**	**(7,148,409)**	**(1,453,499)**	**(4,525,272)**	**(15,807,507)**
Future income tax (recovery)	0	0	0	0	0	0
Net Gain (Loss)	**(2,203,392)**	**(2,680,327)**	**(7,148,409)**	**(1,453,499)**	**(4,525,272)**	**(15,807,507)**
Total comprehensive loss	**(2,203,392)**	**(2,680,327)**	**(7,148,409)**	**(1,453,499)**	**(4,525,272)**	**(15,807,507)**
Diluted net income per common share	**(0.05)**	**(0.04)**	**(0.09)**	**(0.02)**	**(0.05)**	**(0.19)**
Wgtd avg. com. shares out.- diluted	44,011,330	74,789,667	82,588,563	85,149,363	85,364,059	81,972,913

For the years ending October 31	Fiscal Year 2013	FY 2014 NDJ 1Q	FY 2014 FMA 2Q	FY 2014 MJJ 3Q	FY 2014 ASO 4Q	Fiscal Year 2014
Revenue:	**0**	**0**	**0**	**0**	**0**	**0**
Expenses:						
Exploration expenditures (recovery)	12,728,099	(424,102)	(1,078,908)	1,730,027	(321,214)	(94,197)
Filing and regulatory	48,766	4,244	29,368	59,623	38,009	131,244
Management and consulting fees	338,867	87,814	158,023	130,807	413,845	790,489
Office, rent and administrative	181,781	74,150	130,405	215,868	129,563	549,986
Accounting & legal fees (professional fees)	248,420	74,164	122,799	78,262	123,556	398,781
Property evaluation expenses	0	0	0	0	0	-
Promotion and shareholder relations	270,081	142,867	237,953	126,395	128,499	635,714
Receivable allowance	71,898	0	10,686	11,658	8,762	31,106
Stock-based compensation	1,687,192	0	432,078	0	515,392	947,470
Travel and accommodations	196,112	100,203	126,749	15,438	144,553	386,943
Operating expenses	**15,771,216**	**59,340**	**169,153**	**2,368,078**	**1,180,965**	**3,777,536**
Loss from operations	**(15,771,216)**	**(59,340)**	**(169,153)**	**(2,368,078)**	**(1,180,965)**	**(3,777,536)**
Interest income (expense)	0	0	0	0	0	0
Write-off of mineral property interest	-	-	-	-	-	-
Write-off of AP and acc. liabilities	-	0	55,293	0	260	55,553
Gain (loss) on marketable securities	-	-	-	(155,549)	(8,835)	(164,384)
Gain (loss) on settlement of debt	-	-	-	-	-	-
Foreign exchange gain (loss)	(36,291)	(259,205)	(13,974)	27,783	111,508	(133,888)
Total other income (expense)	**(36,291)**	**(259,205)**	**41,319**	**(127,766)**	**102,933**	**(242,719)**
Gain (loss) before income taxes	**(15,807,507)**	**(318,545)**	**(127,834)**	**(2,495,844)**	**(1,078,032)**	**(4,020,255)**
Future income tax (recovery)	0	0	0	0	0	0
Net Gain (Loss)	**(15,807,507)**	**(318,545)**	**(127,834)**	**(2,495,844)**	**(1,078,032)**	**(4,020,255)**
Change in cumulative translation adjustment		-	-	-	1,346,781	**1,346,781**
Total comprehensive loss	**(15,807,507)**	**(318,545)**	**(127,834)**	**(2,495,844)**	**(1,078,032)**	**(2,673,474)**
Diluted net income per common share	**(0.19)**	**(0.00)**	**(0.00)**	**(0.02)**	**(0.01)**	**(0.04)**
Wgtd avg. com. shares out.- diluted	81,972,913	85,299,363	90,498,691	104,713,170	105,037,619	96,899,235

HISTORICAL ZACKS RECOMMENDATIONS



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The current distribution is as follows: Buy/Outperform- 24.3%, Hold/Neutral- 58.5%, Sell/Underperform – 14.6%. Data is as of midnight on the business day immediately prior to this publication.

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[i] A graben is a depressed block of the earth's crust that is bounded on at least two sides by faults, such as a rift valley.
[ii] Afren plc's 2014 Half-yearly Results Presentation, August 29, 2014, page 42.
[iii] Taipan Resources Investor Presentation, September 2014.
[iv] Afren plc's 2013 Full Year Results Presentation dated March 27, 2014, page 28.
[v] 51-101-compliant Resource Estimate of Block 2B in Kenya (as of December 31, 2013), Table S-2B, page 6