

**FORM 51-102F1**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**SHANE RESOURCES LTD.**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2012**

The following management discussion and analysis, prepared as of May 25, 2012, should be read together with the unaudited financial statements for the three month period ended March 31, 2012 and related notes attached thereto, for Shane Resources Ltd. (the "Company"). All amounts are stated in Canadian dollars unless otherwise indicated.

Financial statements and summary information derived therefrom are prepared in accordance with International Financial Reporting Standards ("IFRS"). The disclosures concerning the transition from Canadian generally accepted accounting standards ("Canadian GAAP") to IFRS are included in Note 12 of the audited financial statements for the year ended December 31, 2011.

The reader should also refer to the Company's annual audited financial statements for the year ended December 31, 2011 and the Management Discussion and Analysis for that year.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **FORWARD LOOKING STATEMENTS**

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the size and timing

of future resource estimates, anticipated future expenses, the completion of a scoping study and the future exploration on and the development of properties are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or other future

events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with mineral exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the potential for conflicts of interest among certain officers, directors or promoters with certain other projects; the absence of dividends; competition; dilution; the volatility of our common share price and volume and the additional risks identified in the “Risk Factors” section of this MD&A or other reports and filings with the TSX Venture Exchange and applicable Canadian securities regulations. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. Investors are cautioned against attributing undue certainty to forward-looking statements.

## **DESCRIPTION OF BUSINESS AND OVERVIEW**

The principal business of the Company, directly and through joint ventures, is the acquisition, exploration and evaluation of mineral resource properties. The Company has not determined whether these properties contain ore reserves which are economically recoverable.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary approvals and financing to complete the development, and future profitable production from the properties or proceeds from disposition.

Ownership in mineral interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, such ownership interests are in good standing. The Company has all of its properties in the province of Saskatchewan.

All of the properties in which the Company has an interest or the right to acquire an interest are currently in the exploration stage and, therefore, the Company has no source of operating cash flow. As a result, the Company has been dependent on raising cash through the sale of its common shares, either by way of private placement or through the exercise of warrants or options. The Company does not expect to deviate from this practice, and fully anticipates undertaking further private placements or public offerings in the future in order to finance the investigation and taking advantage of business opportunities which may arise.

The Company trades on the TSX Venture Exchange under the symbol SEI.

## **PERFORMANCE SUMMARY**

On February 14, 2012, the Company announced it is planning a full data compilation and resource assessment of the historic drilling conducted to date on the Pine East property for Q1 2012. After the data compilation and the assessment of the resource potential, the Company plans on conducting an aggressive exploration program during Q2 and Q3 of 2012, including ground geophysics and drilling.

The Company's planned exploration activities are subject to change as described below under the heading "Liquidity".

Also, on February 14, 2012, Ms. Loranna Laing resigned as the corporate secretary of the Company.

The Company has no news to report this period.

## **EXPLORATION PROPERTIES**

### **Brownell Lake**

The Company owns a 100% interest in 2 claims numbered S-101336 and S-108957 consisting of approximately 900 hectares in the Brownell Lake area of Saskatchewan. The property hosts a long zone of copper-zinc mineralization which has been explored by several companies since the 1950's. To March 31, 2012, the Company had expended \$39,202 on acquisition and \$58,810 on exploration of these claims.

### **Munroe Lake**

The Company owns a 1.6% interest in a 6,000 acre claim (S-101081) in the Munroe Lake area. The property was optioned to Wescan Gold Fields Inc., which deals with the Company on an arm's-length basis, and which earned a 92% interest in the property by spending \$246,627 on the property in 2008. No exploration activities have been conducted on the property. To March 31, 2012, the Company had expended \$172 on acquisition of the claims.

### **Pine East**

The Company owns a minimum 49% interest in this property, known as "Pine East" (S-105301) and Claude Resources Inc. ("Claude") owns a minimum 30% interest in the property, with the remaining interest subject to the terms of an option agreement dated June 7, 1999 (as amended). To date the Company has conducted a prospecting, stripping and trenching program on the property and Claude has conducted four drill programs on this property which resulted in an aggregate of 38 core holes and approximately 9,607 meters of core samples. In addition, Claude has carried out a high-sensitivity three-axis magnetic survey. To March 31, 2012, the Company had expended a total of \$78,149 on acquisition and \$258,767 on exploration of the claims.

## **CHANGES IN ACCOUNTING POLICIES**

There have been no changes to the Company's accounting policies from the year ended December 31, 2011.

For a complete summary of the Company's accounting policies and future accounting policies, see Note 4 of the audited financial statements for the year ended December 31, 2011.

## SELECTED ANNUAL INFORMATION

	Year ended Dec. 31/11	Year ended Dec. 31/10	Year ended Dec. 31/09 (Canadian GAAP)
	(IFRS)	(IFRS)	
Gain (loss) from other items	27,633	51,867	(317,235)
Net loss	168,987	255,231	494,810
Basic & diluted loss per share	(\$0.01)	(\$0.01)	(\$0.02)
Total assets	463,290	627,837	759,491

## RESULTS OF OPERATIONS

### First quarter results

The Company's net loss for the quarter ended March 31, 2012 of \$17,720 was lower compared to \$32,972 for the quarter ended March 31, 2011. The following is a comparison of significant items from operations: loss on marketable securities of \$Nil in 2012 (\$367 in 2011), filing fees of \$5,200 (\$7,747 in 2011 includes Sedar filing fees), insurance of \$3,000 in 2012 premium reduced from previous year (\$3,881 in 2011), management and consulting fees of \$8,050 in 2012 (\$9,150 in 2011), office expense of \$295 in 2012 (\$4,107 in 2011 includes AGM costs), premises rent of \$3,150 in 2012 (\$2,150 in 2011), professional fees of \$1,036 (\$5,124 in 2011 includes AGM legal fees), and transfer agent fees of \$1,724 (\$4,942 in 2011 includes AGM costs).

### Annual results

The Company's net loss for the year ended December 31, 2011 of \$168,987 was significantly lower compared to \$255,231 for the year ended December 31, 2010. The following is a comparison of significant items from operations: write-down of property and equipment \$Nil in 2011 (\$1,381 in 2010), unrealized loss on investments \$367 in 2011 (\$24,776 in 2010 from fair market value adjustment), management and other income \$28,000 in 2011 (\$78,000 in 2010 offset by management fees), professional fees \$49,802 in 2011 (\$22,689 in 2010), filing fees \$13,432 in 2011 (\$13,375 in 2010), office expense \$9,450 in 2011 includes annual meeting costs (\$7,315 in 2010), professional fees \$49,802 in 2011 includes IFRS related audit fees and additional annual meeting legal fees (\$22,689 in 2010), promotion expense \$8,450 in 2011 includes financial advisors fees (\$6,735 in 2010), management fees \$75,150 in 2011 (\$79,150 in 2010 includes geological consulting), transfer agent \$6,842 in 2011 includes annual general meeting fees (\$4,405 in 2010), share-based compensation \$Nil in 2011 (\$141,823 in 2010 includes options granted) and travel and accommodations \$3,262 in 2011 (\$877 in 2010).

## SUMMARY OF QUARTERLY RESULTS

The following quarterly financial data is derived from the annual audited financial statements of Shane Resources Ltd. for the three month periods ended on the dates indicated below. The information should be read in conjunction with the Company's annual audited financial statements and the accompanying notes thereto.

	Mar.31/12	Dec. 31/11	Sept. 30/11	June 30/11
Total assets	446,391	463,290	507,944	537,856
Exploration and evaluation assets	435,100	435,100	435,100	435,100
Working capital (deficiency)	(16,234)	1,485	69,516	100,950
Shareholders' equity	418,866	436,586	504,616	536,050
Management and other income	7,000	7,000	7,000	7,000
Net loss	17,720	68,032	31,434	36,551
Loss per share	\$0.001	\$0.003	\$0.001	\$0.001

	Mar.31/11	Dec. 31/10	Sept. 30/10	June 30/10
Total assets	602,435	627,837	667,485	662,495
Exploration and evaluation assets	435,100	435,100	435,100	435,100
Working capital (deficiency)	137,501	170,473	210,303	224,209
Shareholders' equity	572,601	605,573	646,247	660,235
Management and other income	7,000	19,500	19,500	19,500
Net loss (income)	32,972	117,498	13,988	32,070
Loss (earnings) per share	\$0.001	\$0.004	\$0.001	\$0.001

## LIQUIDITY AND CAPITAL RESOURCES

	March 31, 2012	December 31, 2011	December 31, 2010
Working capital (deficiency)	(16,234)	1,485	170,473
Deficit	(6,753,875)	(6,736,156)	(6,567,168)

The Company's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values, unless otherwise noted. The Company is not exposed to significant interest, currency, or credit risk arising from financial instruments

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing. If the Company is not successful in raising sufficient capital, the Company may have to curtail or otherwise limit its operations. From time to time the Company works to raise additional capital through private placements or other equity financing. The Company is a

junior exploration company without operating revenues and therefore, the Company must utilize its current cash reserves, funds obtained from the exercise of warrants and stock options and other financing transactions to maintain the Company's capacity to meet working capital requirements and ongoing exploration program, or to fund any further development activities. See "Risk Factors" of this MD&A.

As of March 31, 2012, the Company does not have sufficient cash on hand for settlement of its obligations. However, subsequent to March 31, 2012, the Company received \$27,500 from an exercise of options. The Company intends to raise capital by future financings. However, the low price of the Company's common shares and current market conditions makes it difficult to raise funds by private placements of shares. The Company does not expect to generate material revenue from mining operations or to achieve self-sustaining commercial mining operations for several years. Consequently, the Company may seek future financing by means of private placements or debt financing in order to fund its exploration activities. There is no guarantee that additional financing will be available or that it will be available on terms acceptable to management of the Company. No assurance can be given that the Company will be successful in raising the funds required to realize on the Company's exploration programs. These factors all cast doubt about the liquidity of the Company and its ability to continue as a going concern.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not utilize off-balance sheet transactions.

#### **PROPOSED TRANSACTIONS**

There are no proposed transactions that will materially affect the Company.

#### **CAPITAL STOCK**

The authorized capital stock of the company is an unlimited number of common shares and an unlimited number of preferred shares issuable in series. As at May 25, 2012, and March 31, 2012, the Company had 26,240,750 common shares outstanding, of which 150,000 were held in escrow; with a value of \$6,670,238.

#### **Options**

The Company has established a share based compensation plan pursuant to which options to purchase common shares may be granted to certain officers, directors and employees of the Company as well as persons providing ongoing services to the Company. The aggregate number of shares issuable under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. Unless otherwise determined by the board of directors of the Company (the "Board"), the exercise price of options equals the closing price of the common shares on the day prior to the date of the grant. Stock options vest in accordance with the determination of the Board at the time of the grant and may be granted for up to a ten year term in accordance with TSX Venture Exchange policies.

A summary of the status of the Company incentive stock option plan as at May 25, 2012 and March 31, 2012 is as follows:

Number of Shares under Option	Exercise Price	Expiry Date
150,000	\$0.25	December 18, 2012
150,000	\$0.50	December 18, 2012
150,000	\$0.75	December 18, 2012
1,300,000	\$0.11	January 15, 2020
1,750,000		

	Number of Shares	Weighted Average Exercise Price
Outstanding January 1, 2010	600,000	0.50
Granted	1,300,000	0.11
Expired	(150,000)	0.50
Outstanding December 31, 2011 and March 31, 2012	1,750,000	0.21

### **Warrants**

The Company had no outstanding share purchase warrants of the Company as at May 25, 2012, March 31, 2012, and December 31, 2011.

### **RELATED PARTY TRANSACTIONS**

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

#### **Key management personnel**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	<b>For the three months ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Share-based compensation	\$ -	\$ -
Short-term benefits*	8,050	9,150
Travel, entertainment and office expenses	90	440
	<u>\$ 8,140</u>	<u>\$ 9,590</u>

\*include base salaries, pursuant to contractual employment or consultancy arrangements

### **Other related parties**

Related parties include BlackSun Inc. where one owner is a director for the Company, Star Uranium Corp. and United Uranium Corp. which shares common directors and management with the Company, Davis LLP where one employee is a director for the Company and Paradigm Portfolio Management Corp. where one owner is a director and management for the Company.

Transactions entered into with related parties other than key management personnel include the following:

	<b>For the three months ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
BlackSun Inc.	\$ 3,239	\$ 3,201
	<hr/>	<hr/>
	\$ 3,239	\$ 3,201

As at March 31, 2012 the accounts payable and accrued liabilities includes \$Nil (December 31, 2011 - \$Nil) owing for professional fees to Davis LLP of which a director is an employee.

As at March 31, 2012 the receivables includes \$1,224 (December 31, 2011 - \$Nil) due from United Uranium Corp. and \$1,226 (December 31, 2011 - \$Nil) from Star Uranium Corp.; companies sharing common directors. The related parties refer to consultants, professional services and directors.

The amounts due to and from the related parties are non-interest bearing, with no fixed terms of repayment. The fair values of the amounts due to and from the related parties cannot be determined as there are no specific terms of repayment.

## **ACCOUNTING POLICIES**

### **International Financial Reporting Standards (IFRS)**

#### **Transition to IFRS from Canadian GAAP**

The Company's IFRS transition plan addressed matters including changes in accounting policies, IT and data systems, restatement of comparative periods, organizational and internal controls and any required changes to business processes. To facilitate this process and ensure the full impact of the conversion is understood and managed reasonably, the accounting staff attended several training courses on the adoption and implementation of IFRS. Through in-depth training and detailed analysis of IFRS standards, the Company's accounting personnel obtained a thorough understanding of IFRS and possesses sufficient financial reporting expertise to support the Company's future needs. The Company also reviewed its internal and disclosure control processes and believes they will not need significant modification as a result of the conversion to IFRS. Further, the Company assessed the impact on IT and data systems and concluded there was no significant impact to applications arising from the transition to IFRS.

The financial statements for the three month period ended March 31, 2012 are prepared in accordance with IFRS, as stated in Note 3 of the financial statements. The accounting policies in Note 4 of the audited financial statements for the year ended December 31, 2011 have been consistently applied in preparing the financial statements for the three month period ended March 31, 2012.

In preparing the opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position is set out below. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

- a) to apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date
- b) to apply the requirements of IFRS 3, Business Combinations, on a prospective basis from the Transition Date

There are no significant differences between IFRS and Canadian GAAP in connection with the Company's statements of financial position as at January 1, 2010, and December 31, 2010.

There are also no significant differences between IFRS and Canadian GAAP in connection with the Company's statements of comprehensive loss or cash flows for the year ended December 31, 2010.

## **FINANCIAL INSTRUMENTS**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables, accounts payable and accrued liabilities, approximate carrying value, which is the amount payable on the statement of financial position. The Company's other financial instruments, cash and cash equivalents, and marketable securities, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets or liabilities.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

*Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are all held at large Canadian financial institution in interest bearing accounts. The Company has no investment in asset-backed commercial paper.

The Company's receivables consist mainly of receivables from related companies and GST/HST receivable due from the government of Canada. The Company does not believe it is exposed to significant credit risk.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company as of March 31, 2012 does not have sufficient cash on hand for settlement of its obligations. However, subsequent to March 31, 2012, the Company received \$27,500 from an exercise of stock options. The Company also intends to raise capital by future financings, however, the low price of the Company's common shares and current market conditions may make it difficult to raise funds by private placements of shares.

*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.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk that the Company will realize a loss as a result of a decline in the fair value of its financial instruments is low, as the Company no longer has any marketable securities, and has no short-term investments included in cash and equivalents.

b) Foreign currency risk

As at March 31, 2012, the Company's expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars. As a result, the Company believes its currency risk to be minimal.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the

level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

## **RISK FACTORS**

### **Exploration and Evaluation**

Mineral exploration and evaluation involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and evaluation activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that presently identified mineralization can be mined at a profit. Discovery of mineral deposits is dependent upon a number of factors and significantly influenced by the technical skill of the exploration personnel involved.

The commercial viability of a mineral deposit is also dependent upon a number of factors, some of which are beyond the Company's control such as, commodity prices, exchange rates, government policies and regulation and environmental protection.

### **Financing**

The Company does not currently have any operations generating cash to fund projected levels of exploration and development activity and associated overhead costs. The Company is therefore dependent upon debt and equity financing to carry out its exploration and development plans. There can be no assurance that such financing will be available to the Company. In the future the Company will require additional funding to maintain its mineral properties in good standing.

The lack of additional financing could result in delay or indefinite postponement of further exploration and possible, partial, or total loss of the Company's interest in its exploration and evaluation assets.

### **Commodity Price Volatility**

The market prices for commodities, over which the Company has no control, are volatile. There is no assurance that if commercial quantities of these commodities are discovered, a profitable market will exist for a production decision to be made or for the ultimate sale of production at a profit. As the Company is currently not in production, no sensitivity analysis for price changes has been provided.

### **Resource Estimates**

There is a degree of uncertainty attributable to the calculation of resource tonnages and grades. Resource estimates are dependent partially on statistical inferences drawn from drilling, sampling and other data. The measured and indicated and inferred resource figures set forth by the Company are estimates, and there is no certainty that these resources can be converted into reserves with profitable extraction. Declines in the market prices for metals may adversely affect the economics of converting a resource estimate into a reserve.

## **SUBSEQUENT EVENTS**

On April 13, 2012, subject to regulatory approval, the Company granted 850,000 stock options to directors, officers, and consultants of the Company. The stock options will be exercisable at a price of \$0.10 per share for a period of 10 years from the date of grant.

Subsequent to March 31, 2012, 250,000 stock options were exercised at a price of \$0.11 per option for total proceeds of \$27,500.

## **INTERNAL CONTROLS AND PROCEDURES**

The Company evaluated the design of its internal controls and procedures over financial reporting.

The Company identified certain material weaknesses and the need for improvement of policies, controls and procedures in areas such as the segregation of duties, taxation and awareness of the accounting implications of certain transactions and decisions. These weaknesses and their related risks are not uncommon in a company the size of Shane Resources Ltd. because of limitations of size and number of staff.

Management is taking steps to further analyze areas of weakness, improve controls and reduce risks by taking active steps to design and implement procedures, including written documentation of these procedures and where appropriate retaining external independent advice on certain key accounting, taxation and legal issues, as the Company does not presently have internal personnel with all of the technical accounting or legal knowledge to address the more complex issues. While these measures may reduce the likelihood of a material misstatement or untimely disclosure in financial reporting, there is no assurance that a material misstatement will not occur.

## **CORPORATE GOVERNANCE**

Management of the Company is responsible for the preparation and presentation of the financial statements and the accompanying notes, the MD&A, and other information contained in this report.

Management also has the responsibility for the maintenance of adequate accounting records and internal controls, prevention and detection of fraud and errors, safeguarding of assets, selection, and application of suitable policies, and appropriate disclosure and the timely disclosure of financial information in the financial statements. The preparation of the financial statements in accordance with generally accepted accounting principles is also the responsibility of management.