

SHANE RESOURCES LTD.

Suite 212 – 116 Research Drive

Saskatoon, SK

S7N 3R3

SHANE RESOURCES LTD.

Unaudited Condensed Interim Financial Statements

For the six months ended June 30, 2012

(Expressed in Canadian Dollars)

SHANE RESOURCES LTD.

UNAUDITED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

	June 30, 2012	December 31, 2011
ASSETS		
Current		
Cash and cash equivalents	\$ 4,673	\$ 15,421
Receivables (Note 7)	7,526	619
Prepaid expenses	4,050	12,150
	16,249	28,190
Exploration and evaluation assets (Note 5)	435,100	435,100
	\$ 451,349	\$ 463,290
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 34,612	\$ 26,704
SHAREHOLDERS' EQUITY		
Capital stock (Note 6)	6,725,012	6,670,238
Other equity reserve	541,401	502,503
Deficit	(6,849,676)	(6,736,155)
	416,737	436,586
	\$ 451,349	\$ 463,290

Going Concern (Note 1)

Measurement Uncertainty (Note 5)

Subsequent Event (Note 9)

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

Approved and authorized by the Board on August 8, 2012:

“KYLE KOZUSKA”

 Director

“MICHAEL DER”

 Director

SHANE RESOURCES LTD.

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

	For the three months ended		For the six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Administration costs				
Bank charges	\$ 260	\$ 231	\$ 455	\$ 431
Filing fees	2,595	5,095	7,795	12,842
Insurance	3,000	3,881	6,000	7,762
Management and consulting fees	7,500	19,150	15,550	28,300
Office expense	1,362	2,349	1,657	6,456
Premises expense	3,150	4,150	6,300	6,300
Professional fees	4,360	5,267	5,396	10,391
Promotion	2,831	1,545	4,541	3,090
Share-based compensation	66,172	-	66,172	-
Telecommunications	420	400	690	1,009
Transfer agent	4,905	674	6,629	5,616
Travel and accommodation	6,246	838	6,336	988
Operating costs for the period	(102,801)	(43,580)	(127,521)	(83,185)
Other income (Note 7)	7,000	7,000	14,000	14,000
Loss on marketable securities	-	29	-	(338)
Net loss and comprehensive loss for the period	(95,801)	(36,551)	(113,521)	(69,523)
Loss per share - basic and diluted	\$ (0.004)	\$ (0.001)	\$ (0.004)	\$ (0.003)
Weighted average common shares	26,446,794	26,240,750	26,343,772	26,240,750

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

SHANE RESOURCES LTD.

UNAUDITED CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the six months ended	
	June 30, 2012	June 30, 2011
Cash flows used in operating activities		
Net loss for the period	\$ (113,521)	\$ (69,523)
Items not involving cash:		
Loss on marketable securities	-	338
Share-based compensation	66,172	-
Non-cash working capital item changes:		
Receivables	(6,907)	40,457
Prepaid expenses	8,100	10,852
Payables and accrued liabilities	7,908	(20,458)
	(38,248)	(38,334)
Cash flows provided by financing activities		
Issuance of share capital	27,500	-
	27,500	-
Decrease in cash and cash equivalents		
	(10,748)	(38,334)
Cash and cash equivalents, beginning of period		
	15,421	115,970
Cash and cash equivalents, end of period		
	\$ 4,673	\$ 77,636
Cash and cash equivalents is comprised of:		
Cash	\$ 4,673	\$ 77,636
Cash (paid) received during the period for income taxes and interest		
	\$ -	\$ -

The following are the non-cash transactions affecting cash flows from operating and financing activities during the six month periods ended June 30, 2012 and 2011:

- 250,000 (2011 – Nil) stock options with a fair value of \$27,274 (2011 - \$Nil) were exercised.

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

SHANE RESOURCES LTD.

**UNAUDITED CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011**

(Expressed in Canadian Dollars)

	Number of Shares	Capital Stock	Other Equity Reserve	Accumulated Deficit	Total Equity
Balance December 31, 2010	26,240,750	\$ 6,670,238	\$ 502,503	\$ (6,567,168)	\$ 605,573
Loss for the period	-	-	-	(69,523)	(69,523)
Balance June 30, 2011	26,240,750	\$ 6,670,238	\$ 502,503	\$ (6,636,691)	\$ 536,050
Balance December 31, 2011	26,240,750	\$ 6,670,238	\$ 502,503	\$ (6,736,155)	\$ 436,586
Share-based compensation	-	-	66,172	-	66,172
Share issuance for exercise of stock options	250,000	54,774	(27,274)	-	27,500
Loss for the period	-	-	-	(113,521)	(113,521)
Balance June 30, 2012	26,490,750	\$ 6,725,012	\$ 541,401	\$ (6,849,676)	\$ 416,737

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

SHANE RESOURCES LTD.

Notes to the Condensed Interim Financial Statements For the six months ended June 30, 2012 and 2011 (Expressed in Canadian Dollars)

1. Going Concern

These financial statements of Shane Resources Ltd. (the “Company”) have been prepared using International Financial Reporting Standards (“IFRS”) on a going-concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities other than in the normal course of business and at amounts which may differ from those shown in the financial statements.

As of June 30, 2012, the Company does not have sufficient cash on hand for settlement of its obligations. 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 amounts shown as exploration and evaluation assets represent costs net of recoveries to date, less amounts written off, and do not represent present or future values. Recoverability of the amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and evaluation of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

2. Nature of Operations

The Company is a corporation continued under the laws of Saskatchewan and has its common shares listed on the TSX Venture Exchange.

The Company is in the process of exploring and evaluating its exploration and evaluation assets and 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 necessary financing to complete the development, and future profitable production from the properties of 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.

To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

SHANE RESOURCES LTD.

Notes to the Condensed Interim Financial Statements For the six months ended June 30, 2012 and 2011 (Expressed in Canadian Dollars)

3. Basis of Preparation

These condensed interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed interim financial statements do not include all the information required for full annual financial statements, and should be read in conjunction with the Company’s December 31, 2011 annual financial statements.

The condensed interim financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

The preparation of these 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The recoverability of receivables and prepayments which are included in the statements of financial position.
- ii) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position.
- iii) Estimates used in the calculation of share-based payments.
- iv) The recognition of deferred tax assets and liabilities.
- v) The estimated useful lives of equipment which are included in the statements of financial position and the related depreciation included in the statements of operations and comprehensive loss.

SHANE RESOURCES LTD.

Notes to the Condensed Interim Financial Statements For the six months ended June 30, 2012 and 2011 (Expressed in Canadian Dollars)

4. Significant Accounting Policies

The accounting policies followed by the Company are set out in Note 4 to the audited financial statements for the year ended December 31, 2011, and have been consistently followed in the preparation of these condensed financial statements.

New Standards and Interpretations not yet adopted:

Amendments to IFRS 7, *Financial Instruments: Disclosures* are effective for annual periods beginning on or after July 1, 2011 and introduce enhanced disclosure around transfer of financial assets and associated risks. These amendments are not anticipated to impact the disclosures made by the Company.

In November 2009 and October 2010, the IASB issued IFRS 9, *Financial Instruments* (“IFRS 9”), which represents the completion of the first part of a three-part project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, with a new standard. Per the new standard, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity’s own credit risk in the other comprehensive income or loss section of the entity’s statement of comprehensive loss, rather than within profit or loss. Additionally, IFRS 9 includes revised guidance related to the derecognition of financial instruments. IFRS 9 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company’s financial statements.

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* (“IFRS 10”), which builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of a parent company. IFRS 10 also provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company’s financial statements.

In May 2011, the IASB issued IFRS 11, *Joint Arrangements* (“IFRS 11”), which enhances accounting for joint arrangements, particularly by focusing on the rights and obligations of the arrangement, rather than the arrangement’s legal form. IFRS 11 also addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities and prohibits proportionate consolidation. IFRS 11 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company’s financial statements.

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities* (“IFRS 12”), which is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. IFRS 12 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company’s financial statements.

SHANE RESOURCES LTD.

Notes to the Condensed Interim Financial Statements For the six months ended June 30, 2012 and 2011 (Expressed in Canadian Dollars)

4. Significant Accounting Policies (cont'd...)

In May 2011, the IASB issued IFRS 13, Fair Value Measurement (“IFRS 13”), which defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity’s own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). IFRS 13 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company’s financial statements.

In June 2011, the IASB amended IAS 1, Presentation of Financial Statements (“IAS 1”), to change the disclosure of items presented in other comprehensive income into two groups, based on whether those items may be recycled to profit or loss in the future. The amendments to IAS 1 apply to financial statements for annual periods beginning after July 1, 2012, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company’s financial statements.

Amendments to IAS 32, *Financial Instruments: Presentation*, are effective for annual periods beginning on or after January 1, 2014. This provides for amendments relating to offsetting financial assets and financial liabilities. These amendments are not anticipated to impact the disclosures made by the Company.

5. Exploration and evaluation assets

The Company has acquired certain exploration and evaluation assets, the costs of which are as follows:

	Brownell Lake	Munroe Lake	Pine East	Total
Balance December 31, 2011 and June 30, 2012	\$ 98,012	\$ 172	\$ 336,916	\$ 435,100
Cumulative Totals				
Acquisition costs	\$ 39,202	\$ 172	\$ 78,149	\$ 117,523
Drilling	58,810	-	258,767	317,577
Balance June 30, 2012	\$ 98,012	\$ 172	\$ 336,916	\$ 435,100

SHANE RESOURCES LTD.

Notes to the Condensed Interim Financial Statements For the six months ended June 30, 2012 and 2011 (Expressed in Canadian Dollars)

5. Exploration and evaluation assets (cont'd...)

A. Brownell Lake

The Company owns a 100% interest in 2 claims in the Brownell Lake area of Saskatchewan. The property hosts a long zone of Copper-zinc mineralization.

B. Munroe Lake

The Company owns a 1.6% interest in the Munroe Lake area of Saskatchewan. 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.

C. Pine East

The Company owns a minimum 49% interest in this property, known as "Pine East" 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 drill programs on this property.

Measurement Uncertainty

The Company has not experienced any property specific adverse impact to date on its operations but has had difficulty in raising sufficient equity capital to effectively explore or develop the Company's mineral property interests.

One or more of the issues described, or other factors beyond management's control, in future periods could adversely affect the Company's operations and could result in future potential or total write downs of the Company's recorded exploration and evaluation assets of \$435,100 as at June 30, 2012. Such write-down amounts could be material.

6. Capital Stock and Other Equity Reserve

The Company issued 250,000 shares during the six month period ending June 30, 2012 through an exercise of stock options at \$0.11 per option, for total proceeds of \$27,500. The fair value of these shares (\$27,274) was re-classified from other equity reserve to capital stock. The Company did not issue any shares during the year ended December 31, 2011.

The authorized share capital of the Company is an unlimited number of common shares and unlimited number of preferred shares issuable in series. As at June 30, 2012, the Company had 26,490,750 common shares outstanding, of which Nil (2011 – 150,000) were held in escrow.

SHANE RESOURCES LTD.

Notes to the Condensed Interim Financial Statements For the six months ended June 30, 2012 and 2011 (Expressed in Canadian Dollars)

6. Capital Stock and Other Equity Reserve (cont'd...)

Stock 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 contractors 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 at least 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 policy.

A summary of the status of the Company incentive stock option plan as at June 30, 2012 is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding December 31, 2011	1,750,000	\$ 0.21
Expired	(50,000)	0.11
Exercised	(250,000)	0.11
Granted	850,000	0.10
Outstanding and exercisable, June 30, 2012	2,300,000	\$ 0.18

Number of Options	Exercise Price	Expiry Date	Remaining life (years)
<u>Outstanding and Exercisable</u>			
150,000	\$ 0.25	December 18, 2012	0.47
150,000	\$ 0.50	December 18, 2012	0.47
150,000	\$ 0.75	December 18, 2012	0.47
1,000,000	\$ 0.11	January 15, 2020	7.55
850,000	\$ 0.10	April 13, 2022	9.79
2,300,000			

Options Granted

During the six months ended June 30, 2012 the Company granted 850,000 stock options exercisable at a price of \$0.10 per share for a period of 10 years from the date of grant. (June 30, 2011 – Nil) and recorded \$66,172 in compensation expenses during the six month periods ended June 30, 2012 (June 30, 2011 – Nil).

SHANE RESOURCES LTD.

Notes to the Condensed Interim Financial Statements For the six months ended June 30, 2012 and 2011 (Expressed in Canadian Dollars)

6. Capital Stock and Other Equity Reserve (cont'd...)

Options Granted (cont'd...)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period:

	June 30 2011	June 30 2011
Risk-free interest rate	1.51%	N/A
Expected life of options	5 years	N/A
Annualized volatility	75%	N/A
Expected forfeitures	0%	N/A
Dividend rate	0%	N/A

Warrants

The Company had no outstanding share purchase warrants as at June 30, 2012 and December 31, 2011.

7. Related Party Transactions

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, Paradigm Portfolio Management Corp. where one owner is a director and management for the Company and May Lake Consulting Corp., where the owner is the CFO of the Company.

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.

SHANE RESOURCES LTD.

Notes to the Condensed Interim Financial Statements For the six months ended June 30, 2012 and 2011 (Expressed in Canadian Dollars)

7. Related Party Transactions (cont'd...)

Key management personnel (cont'd...)

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

	For the six months ended June 30,	
	2012	2011
Share-based compensation	\$ 7,247	\$ -
Short-term benefits*	15,550	28,300
	<u>\$ 42,797</u>	<u>\$ 28,300</u>

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

Other related parties

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

	For the six months ended June 30,	
	2012	2011
BlackSun Inc.	\$ 6,539	\$ 8,838

During the period, the Company received premises rent and office administrative income from the following related parties:

	For the six months ended June 30,	
	2012	2011
Star Uranium Corp.	\$ 7,000	\$ 7,000
United Uranium Corp.	7,000	7,000
	<u>\$ 14,000</u>	<u>\$ 14,000</u>

As at June 30, 2012, receivables includes \$2,450 (December 31, 2011 - \$Nil) due from United Uranium Corp. and \$2,450 (December 31, 2011 - \$Nil) from Star Uranium Corp; companies sharing common directors.

As at June 30, 2012, accounts payable included \$5,250 (December 31, 2011 - \$2,625) due to May Lake Consulting Corp.

The amounts due from the related parties are non-interest bearing, with no fixed terms of repayment.

SHANE RESOURCES LTD.

Notes to the Condensed Interim Financial Statements For the six months ended June 30, 2012 and 2011 (Expressed in Canadian Dollars)

8. Financial Instruments and Capital Risk Management

The Company's financial instruments consist of cash and cash equivalents, receivables, and accounts payable and accrued liabilities. The fair value of the Company's receivables, and accounts payable and accrued liabilities approximate the carrying value, which is the amount on the consolidated statements of financial position due to their short-term maturities or ability of prompt liquidation. The Company's other financial instrument, cash and cash equivalents, under the fair value hierarchy is measured at fair value, 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 equivalents are all held at large Canadian financial institutions 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 June 30, 2012 does not have sufficient cash on hand for settlement of its obligations. 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 placement 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 has no short-term investments included in cash and cash equivalents.

SHANE RESOURCES LTD.

Notes to the Condensed Interim Financial Statements For the six months ended June 30, 2012 and 2011 (Expressed in Canadian Dollars)

8. Financial Instruments and Capital Risk Management (cont'd...)

Market risk (cont'd...)

b) Foreign currency risk

As at June 30, 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.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and evaluation of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its cash and cash equivalent balances.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.