

**SHANE RESOURCES LTD.**

Suite 1201A, 201 First Avenue South,  
Saskatoon, SK  
S7K 1J5

**SHANE RESOURCES LTD.**

**Unaudited Condensed Interim Financial Statements**

**For the nine months ended September 30, 2013**

**(Expressed in Canadian Dollars)**

**SHANE RESOURCES LTD.**

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

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 125	\$ 338
Receivables (Note 5)	713	4,035
Prepaid expenses	1,984	1,000
	<u>2,822</u>	<u>5,373</u>
<b>Exploration and evaluation assets</b> (Note 7)	435,100	435,100
	<u>\$ 437,922</u>	<u>\$ 440,473</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 122,188	\$ 63,419
<b>EQUITY</b>		
Capital stock (Note 8)	6,725,012	6,725,012
Other equity reserve (Note 8)	541,401	541,401
Deficit	(6,950,679)	(6,889,359)
	<u>315,734</u>	<u>377,054</u>
	<u>\$ 437,922</u>	<u>\$ 440,473</u>

**Nature of operations** (Note 1)

**Going Concern** (Note 2)

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

Approved and authorized by the Board of Directors on November 15, 2013:

“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 nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
<b>Administration costs</b>				
Bank charges	\$ 574	\$ 254	\$ 1,222	\$ 709
Filing fees	-	525	7,828	8,320
Insurance	2,969	4,560	8,899	10,560
Management and consulting fees (Note 9)	7,500	7,500	22,500	23,050
Office expense	-	1,458	81	3,115
Premises expense	150	3,150	450	9,450
Professional fees	10,958	5,906	21,723	11,302
Promotion	-	(2,500)	-	2,041
Share-based compensation	-	-	-	66,172
Telecommunications	239	485	508	1,175
Transfer agent	606	733	2,109	7,362
Travel and accommodation	-	-	-	6,336
	(22,996)	(22,071)	(65,320)	(149,592)
Other income (Note 9)	-	6,334	4,000	20,334
<b>Net loss and comprehensive loss for the period</b>	(22,996)	(15,737)	(61,320)	(129,258)
<b>Loss per share - basic and diluted</b>	\$ (0.001)	\$ (0.001)	\$ (0.002)	\$ (0.005)
<b>Weighted average common shares</b>	26,490,750	26,490,750	26,490,750	26,393,122

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

**SHANE RESOURCES LTD.**

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

	<b>For the nine months ended</b>	
	<b>September 30,</b>	<b>September 30,</b>
	<b>2013</b>	<b>2012</b>
<b>Cash flows provided by (used in) operating activities</b>		
Net loss for the period	\$ (61,320)	\$ (129,258)
Items not involving cash:		
Share-based compensation	-	66,172
Non-cash working capital item changes:		
Receivables	3,322	(1,729)
Prepaid expenses	(984)	8,142
Accounts payable and accrued liabilities	58,769	16,801
	(213)	(39,872)
<b>Cash flows provided by financing activities</b>		
Issuance of share capital	-	27,500
	-	27,500
<b>Decrease in cash</b>	(213)	(12,372)
<b>Cash, beginning of period</b>	338	15,421
<b>Cash, end of period</b>	\$ 125	\$ 3,049
<b>Cash (paid) received during the period for income taxes and interest</b>	\$ -	\$ -

The following are the non-cash transactions affecting cash flows for operating and financing activities during the nine month periods ended September 30, 2013 and 2012:

- Nil (2012-250,000) stock options with a fair value of \$Nil (2012-\$27,274) were exercised.

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

**SHANE RESOURCES LTD.**

**UNAUDITED CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012**

**(Expressed in Canadian Dollars)**

	<b>Number of Shares</b>	<b>Capital Stock</b>	<b>Other Equity Reserve</b>	<b>Deficit</b>	<b>Total Equity</b>
<b>Balance December 31, 2011</b>	<b>26,240,750</b>	<b>\$ 6,670,238</b>	<b>\$ 502,503</b>	<b>\$ (6,736,155)</b>	<b>\$ 436,586</b>
Share-based compensation	-	-	66,172	-	66,172
Share issuance for exercise of options	250,000	54,774	(27,274)	-	27,500
Loss for the period	-	-	-	(129,258)	(129,258)
<b>Balance September 30, 2012</b>	<b>26,490,750</b>	<b>\$ 6,725,012</b>	<b>\$ 541,401</b>	<b>\$ (6,865,413)</b>	<b>\$ 401,000</b>
<b>Balance December 31, 2012</b>	<b>26,490,750</b>	<b>\$ 6,725,012</b>	<b>\$ 541,401</b>	<b>\$ (6,889,359)</b>	<b>\$ 377,054</b>
Loss for the period	-	-	-	(61,320)	(61,320)
<b>Balance September 30, 2013</b>	<b>26,490,750</b>	<b>\$ 6,725,012</b>	<b>\$ 541,401</b>	<b>\$ (6,950,679)</b>	<b>\$ 315,734</b>

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

# SHANE RESOURCES LTD.

## Notes to the Condensed Interim Financial Statements For the nine months ended September 30, 2013 and 2012 (Expressed in Canadian Dollars) (Unaudited)

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### 1. Nature of Operations

Shane Resources Ltd. (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 yet determined whether these properties contain any resources or any reserves which are economically recoverable.

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

### 2. Going Concern

These financial statements of 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.

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 resources, the conversion thereof to 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.

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.

As of September 30, 2013, 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. These conditions may cast significant doubt upon the Company’s ability to continue as a going concern.

# SHANE RESOURCES LTD.

## Notes to the Condensed Interim Financial Statements For the nine months ended September 30, 2013 and 2012 (Expressed in Canadian Dollars) (Unaudited)

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### 3. Basis of Presentation

These financial statements have been prepared in accordance with IFRS and in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or 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, 2012 annual financial statements.

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

#### Critical accounting estimates and judgements

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 year. Actual results could differ from these estimates.

#### Critical Judgments

The preparation of our financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 2.

#### Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting the financial statements include:

#### *Share-based payments*

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

# SHANE RESOURCES LTD.

## Notes to the Condensed Interim Financial Statements For the nine months ended September 30, 2013 and 2012 (Expressed in Canadian Dollars) (Unaudited)

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### 3. Basis of Presentation (cont'd...)

#### *Deferred tax assets & liabilities*

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets or liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets and liabilities, and deferred income tax provisions or recoveries could be affected.

#### *Recoverability of exploration & evaluation assets*

The Company is in the process of exploring and evaluating its exploration and evaluation assets and has not yet determined whether the properties contain any mineral resources or reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves and upon future production or proceeds from the disposition thereof.

### 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, 2012, and have been consistently followed in the preparation of these condensed interim financial statements, except as discussed below.

As at January 1, 2013 the Company adopted the amended or revised accounting standards of IAS 1, IAS 19, IAS 27, IAS 28, IFRS 7, IFRS 10, IFRS 11, IFRS 12 and IFRS 13. There was no effect on the Company's financial statements as a result of adopting these updated standards.

#### **New standards and interpretations not yet adopted:**

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, 2015, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on its financial statements.

## SHANE RESOURCES LTD.

### Notes to the Condensed Interim Financial Statements For the nine months ended September 30, 2013 and 2012 (Expressed in Canadian Dollars) (Unaudited)

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

##### New standards and interpretations not yet adopted: (cont'd...)

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. Receivables

	September 30, 2013	December 31, 2012
GST receivable	\$ 713	\$ 535
Due from related parties (Note 9)	-	3,500
	<u>\$ 713</u>	<u>\$ 4,035</u>

#### 6. Accounts Payable and Accrued Liabilities

	September 30, 2013	December 31, 2012
Due to vendors	\$ 77,563	\$ 42,419
Due to related parties (Note 9)	44,625	21,000
	<u>\$ 122,188</u>	<u>\$ 63,419</u>

#### 7. Exploration and Evaluation Assets

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

	Brownell Lake	Munro Lake	Pine East	Total
<b>Balance December 31, 2012 and September 30, 2013</b>	<u>\$ 98,012</u>	<u>\$ 172</u>	<u>\$ 336,916</u>	<u>\$ 435,100</u>
<b>Cumulative Totals</b>				
Acquisition costs	\$ 39,202	\$ 172	\$ 78,149	\$ 117,523
Drilling	58,810	-	258,767	317,577
<b>Balance September 30, 2013</b>	<u>\$ 98,012</u>	<u>\$ 172</u>	<u>\$ 336,916</u>	<u>\$ 435,100</u>

# SHANE RESOURCES LTD.

## Notes to the Condensed Interim Financial Statements For the nine months ended September 30, 2013 and 2012 (Expressed in Canadian Dollars) (Unaudited)

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### 7. Exploration and Evaluation Assets

#### 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. Munro Lake

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

### 8. Capital Stock and Other Equity Reserve

The authorized capital stock of the Company is an unlimited number of common shares and unlimited number of preferred shares issuable in series. As at September 30, 2013, the Company had 26,490,750 common shares outstanding.

The Company did not issue any shares during the nine month periods ended September 30, 2013.

The Company issued 250,000 shares during the nine month period ended September 30, 2012 through an exercise of stock options at \$0.11 per option, for total proceeds of \$27,500. The fair value of these options (\$27,274) was re-classified from other equity reserve to capital stock.

#### 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.

## SHANE RESOURCES LTD.

### Notes to the Condensed Interim Financial Statements For the nine months ended September 30, 2013 and 2012 (Expressed in Canadian Dollars) (Unaudited)

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

##### Stock Options (cont'd...)

A summary of the Company's incentive stock options as at September 30, 2013 is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2011	1,750,000	\$ 0.21
Expired	(450,000)	0.50
Exercised	(250,000)	0.11
Forfeited	(550,000)	0.10
Granted	850,000	0.10
Outstanding, December 31, 2012	1,350,000	\$ 0.11
Forfeited	(200,000)	0.11
Outstanding and exercisable, September 30, 2013	1,150,000	\$ 0.11

Number of Options	Exercise Price	Expiry Date	Remaining life (years)
Outstanding and Exercisable			
800,000	\$ 0.11	January 15, 2020	6.30
350,000	\$ 0.10	April 13, 2022	8.54
1,150,000			

##### Options Granted

No options were granted during the nine months ended September 30, 2013, and as a result recorded no share-based compensation expense during the period ended September 30, 2013.

During the nine months ended September 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. The Company recorded \$66,172 in share-based compensation expense during the nine month period ended September 30, 2012.

##### Warrants

The Company had no outstanding share purchase warrants as at September 30, 2013 and 2012.

# SHANE RESOURCES LTD.

## Notes to the Condensed Interim Financial Statements For the nine months ended September 30, 2013 and 2012 (Expressed in Canadian Dollars) (Unaudited)

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

#### Other Equity Reserve

Other equity reserve includes the value of all past stock options granted and vested.

### 9. 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 nine months ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
Short-term benefits*	\$ 22,500	\$ 23,050
Share-based compensation	-	27,247
	<u>\$ 22,500</u>	<u>\$ 50,297</u>

\*included in management and consulting fees

#### **Other related parties**

Other related parties include BlackSun Inc. where one owner is a former director for the Company, Star Minerals Group Ltd. and Karoo Exploration Corp., which share common directors and management with the Company.

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

	<b>For the nine months ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
BlackSun Inc.	\$ -	\$ 9,836
Davis LLP	-	660
	<u>\$ -</u>	<u>\$ 10,496</u>

During the nine months ended September 30, 2013 and 2012, the Company received premises rent and office administrative income from the following related parties:

# SHANE RESOURCES LTD.

## Notes to the Condensed Interim Financial Statements For the nine months ended September 30, 2013 and 2012 (Expressed in Canadian Dollars) (Unaudited)

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### 9. Related Party Transactions (cont'd...)

#### Other related parties (cont'd...)

	For the nine months ended September 30,	
	2013	2012
Star Minerals Group Ltd.	\$ 2,000	\$ 10,167
United Uranium Corp.	2,000	10,167
	<u>\$ 4,000</u>	<u>\$ 20,334</u>

As at September 30, 2013, receivables includes \$Nil (December 31, 2012 - \$1,750) due from Karoo Exploration Corp. and \$Nil (December 31, 2012 - \$1,750) from Star Minerals Group Ltd.; companies sharing common directors.

As at September 30, 2013, accounts payable and accrued liabilities included \$44,625 (December 31, 2012 - \$21,000) due to a company owned by the CFO.

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

### 10. Financial Instruments and Capital Risk Management

The Company's financial instruments consist of cash, 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 condensed interim statement of financial position, due to their short terms to maturity, or ability of prompt liquidation. The Company's other financial instrument, cash, 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 is 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.

# SHANE RESOURCES LTD.

## Notes to the Condensed Interim Financial Statements For the nine months ended September 30, 2013 and 2012 (Expressed in Canadian Dollars) (Unaudited)

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

#### *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 September 30, 2013 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 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 interest rate is low, as the Company has no investments with variable interest rates.

##### b) Foreign currency risk

As at September 30, 2013, 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.

#### *Market risk*

##### 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.

# SHANE RESOURCES LTD.

## Notes to the Condensed Interim Financial Statements For the nine months ended September 30, 2013 and 2012 (Expressed in Canadian Dollars) (Unaudited)

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

#### *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 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 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.

### 11. Segmented Information

The Company operates in one reportable segment, being the acquisition, exploration and evaluation of mineral resources. All of the Company's resource properties are located in Canada.