

**FORM 51-102F1**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**SHANE RESOURCES LTD.**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019**

This Management's Discussion and Analysis ("MD&A") covers the condensed interim financial statements of Shane Resources Ltd. (the "Company") as at March 31, 2019, and for the three months then ended (the "Financial Statements"). This MD&A should be read in conjunction with the audited annual financial statements and notes thereto for the years ended December 31, 2018 and 2017 (the "Annual Financial Statements"). The information contained in this report is current to June 27, 2019 and has not been reviewed by the Company's auditors.

The accompanying condensed interim financial statements have been prepared by management and are in accordance with International Financial Reporting Standards ("IFRS") and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Annual Financial Statements.

The Company's certifying officers are responsible for ensuring that the Financial Statements and MD&A do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made. The Company's officers certify that the Financial Statements and MD&A fairly present, in all material respects, the financial condition, result of operations and cash flows, of the Company as the date hereof.

The Board of Directors approves the Financial Statements and MD&A, and ensures that the Company's officers have discharged their financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which reviews and approves all financial reports prior to filing.

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 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; 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

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**

On January 31, 2014, the shareholders, on a “majority of minority” basis, authorized the delisting of the Company’s shares from the NEX board of the TSX Venture Exchange. Shareholders also approved the sale of substantially all of the assets of the Company and the winding up of the Company.

On June 20, 2014, the Company was dissolved.

On December 21, 2018 the Company was revived. On May 9, 2019, the Securities Division of the Financial and Consumer Affairs Authority of Saskatchewan issued a variation order of its cease trade order dated June 11, 2014, which variation order: (i) authorized the Company to enter into a loan agreement with an arm’s length lender in the amount of \$10,000 which is convertible into 20,000,000 common shares of the Company at \$0.0005 per share and 20,000,000 warrants of the Company at an exercise price of \$0.002 per share; and (ii) authorized the Company to distribute common shares to raise a total of \$62,000, of which the Company proposes to issue 46,226,875 common shares at \$0.0005 per share and 19,443,285 common shares at \$0.002 per share.

On June 25, 2019 the Company announced that it has entered into a loan agreement (the “loan agreement”) with an arm’s length lender to borrow \$10,000 (the “loan”) which loan has been converted into 20,000,000 units of the Company at a price of \$0.0005 per unit. Each unit consists of one common share and one common share purchase warrant (“warrant”), each warrant entitling the holder to purchase one additional common share at an exercise price of \$0.002 per share until May 27, 2024. The common shares, the warrants and the common shares issuable upon exercise of the warrants are subject to a statutory four-month holder period and the CTO defined below.

The Company has also closed the private placement where the Company issues (i) 46,226,875 common shares, at a subscription price of \$0.0005 per common share; and (ii) 19,443,285 common shares, at a subscription price of \$0.002 per common share. The common shares are subject to a statutory four month hold period and the CTO defined below.

On May 9, 2019, the Securities Division of the Financial and Consumer Affairs Authority of Saskatchewan issued a variation order (the “variation order”) to vary a cease trade order issued against the Company on June 11, 2014 (the “CTO”), which variation order was solely for the purpose of allowing the Company to enter into the loan agreement, the conversion of the loan and the private placement. The securities issued pursuant to the conversion of loan and the private placement are subject to the CTO. There is no guarantee that the CTO will be fully revoked and until such time as the CTO is fully revoked, the securities will remain subject to the CTO.

## PERFORMANCE SUMMARY

There are no business activities during the current fiscal year.

## RESULTS OF OPERATIONS

### For the three months ended March 31, 2019

The following analysis of the Company's operating results in the three months ended March 31, 2019, includes a comparison against the previously completed three months ended March 31, 2018.

#### Revenue:

The company has no revenue, as there are no active business operations.

#### Expenses:

**General and administration** costs for the three months ended March 31, 2019 were \$500 compared to \$nil for the three months ended March 31, 2018. The increase in costs is reflective of the Company's regulatory fees relating to the Saskatchewan filing fees in the current period.

**Management and professional fees** for the three months ended March 31, 2019 were \$2,926 compared to \$nil for the three months ended March 31, 2018. The increase in costs is reflective of the Company's CFO and legal fees in the current period.

#### Loss for the period

The net loss for the three months ended March 31, 2019 was \$3,426 as compared to \$nil, for the three months ended March 31, 2018. This represents an increase of net loss of \$3,426 and is primarily due to the items discussed above.

## SELECTED ANNUAL INFORMATION

	Year ended Dec. 31/18	Year ended Dec. 31/17	Year ended Dec. 31/16
Gain (loss) from other items	\$ (12,500)	\$ -	\$ -
Net loss	\$ 12,500	\$ -	\$ -
Basic & diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)
Total assets	\$ 626	\$ 626	\$ 626

## 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. 31/19	Dec. 31/18	Sept. 30/18	June 30/18
Total assets	\$ 8,700	\$ 626	\$ 626	\$ 626
Working capital (deficiency)	(15,300)	(11,874)	-	-
Shareholders' equity	(15,300)	(11,874)	626	626
Net loss	3,426	12,500	-	-
Loss per share	\$0.000	\$0.000	\$0.000	\$0.000

	Mar.31/18	Dec. 31/17	Sept. 30/17	June 30/17
Total assets	\$ 626	\$ 626	\$ 626	\$ 626
Working capital (deficiency)	-	-	-	-
Shareholders' equity	626	626	626	626
Net loss (income)	-	-	-	-
Loss (earnings) per share	\$0.000	\$0.000	\$0.000	\$0.000

## LIQUIDITY AND CAPITAL RESOURCES

	December 31, 2018	December 31, 2017	December 31, 2016
Working capital (deficiency)	\$(11,874)	\$ -	\$ -
Deficit	(6,694,287)	(6,681,787)	(6,681,787)

The Company's financial instruments consist of cash, receivables 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. See "Risk Factors" of this MD&A.

As of March 31, 2019, the Company had \$8,023 in cash and \$24,000 in current liabilities. The Company intends to raise capital by future financings. However, current market conditions make

it difficult to raise funds by private placements of shares. There is no guarantee that additional financing will be available or that it will be available on terms acceptable to management of the Company. 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 June 27, 2019, and March 31, 2019, the Company had 26,490,750 common shares outstanding with a value of \$6,725,012.

##### **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.

The Company had no outstanding stock options of the Company as at June 27, 2019, and March 31, 2019.

##### **Warrants**

The Company had no outstanding share purchase warrants of the Company as at June 27, 2019 March 31, 2019.

#### **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</b>	
	<b>March 31, 2019</b>	<b>March 31, 2018</b>
Consulting and professional fees	\$ 1,500	\$ -
	<u>\$ 1,500</u>	<u>\$ -</u>

## Other related parties

As at March 31, 2019, \$9,000 (December 31, 2018, \$7,500) was included in accounts payable due to the CFO of the Company.

## 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 instrument, cash, 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.

#### *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, 2019 does not have cash and has \$24,000 in current liabilities. 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 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 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 equivalents.

##### b) Foreign currency risk

As at March 31, 2019, 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

Price risk is related to equity and commodity price risks. 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. As the Company holds no equity or commodity related investments or assets, the Company has no exposure to price risk.

## **RISK FACTORS**

### **Financing**

The Company does not currently have any operations generating cash. The Company is therefore dependent upon debt and equity financing to carry out its plans. There can be no assurance that such financing will be available to the Company.

## **CORPORATE GOVERNANCE**

Corporate governance relates to the activities of the board of directors, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the board of directors and who are charged with the day-to-day management of the Company. The Board is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making.

Pursuant to National Instrument 58-101 - *Disclosure of Corporate Governance Practices* (“**NI 58-101**”) the Company is required to disclose its corporate governance practices, as summarized below. The Board will continue to monitor such practices on an ongoing basis and when necessary implement such additional practices as it deems appropriate.

### **Board of Directors**

The board of directors is currently composed of three directors, Messrs. Kyle Kozuska, Michael Der and Gregory Birch. NI 58-101 suggests that the board of directors of a public company should be constituted with a majority of individuals who qualify as “independent” directors. An “independent” director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the director’s ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding.

The board of directors is responsible for determining whether a director is an independent director. Kyle Kozuska, as a member of management, is not an independent director. Michael Der, as a lawyer providing legal services to the Company, is not an independent director. Gregory Birch is an independent director of the Company, as he does not hold a management position with the Company. Mr. Birch has no ongoing interest or relationship with the Company other than serving as a director.

### **Orientation and Continuing Education**

Each new director is given an outline of the nature of the Company’s business, its corporate strategy, and current issues within the Company. New directors are also required to meet with management of the Company to discuss and better understand the Company’s business and are given the opportunity to meet with counsel to the Company to discuss their legal obligations as directors of the Company.

In addition, management of the Company takes steps to ensure that its directors and officers are continually updated as to the latest corporate and securities policies which may affect the directors, officers and committee members of the Company as a whole. The Company continually reviews the latest securities rules and policies. Any such changes or new requirements are then



brought to the attention of the Company's directors either by way of director or committee meetings or by direct communications from management to the directors.

### **Ethical Business Conduct**

The Board promotes ethical business conduct through the nomination of board members it considers ethical. The Board has also established a "whistleblower" policy which details complaint procedure for financial concern.

In addition, as the directors of the Company also serve as directors and officers of other companies engaged in similar business activities, the Board must comply with the conflict of interest provisions of *The Business Corporations Act* (Saskatchewan) (the "SBCA"), as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke any such conflict.

### **Nomination of Directors**

The Company's management is continually in contact with individuals involved in public sector issuers. From these sources the Company has made numerous contacts and, in the event that the Company were in a position to nominate any new directors, such individuals would be brought to the attention of the board of directors. The Company conducts the due diligence, reference and background checks on any suitable candidate. New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Company, the ability to devote the time required and a willingness to serve.

### **Compensation**

The Board has the responsibility for determining the compensation of the CEO and does so with reference to industry standards and the Company's financial situation. The Board has the responsibility for determining the compensation of the directors who currently are not compensated in their capacity as directors but do receive stock options.

### **Other Board Committees**

The Company does not have any committees other than an Audit Committee.

### **Assessments**

Being a venture issuer with limited administration resources, the Board works closely with management and, accordingly, are in a position to assess individual director's performance on an ongoing basis.

### **AUDIT COMMITTEE**

Pursuant to the provisions of Section 165 of the SBCA, the Company is required to have an Audit Committee comprised of at least three directors, the majority of whom must not be officers or employees of the Company.

The Company must also, pursuant to the provisions of National Instrument 52-110 - *Audit Committees* ("NI 52-110"), have a written charter which sets out the duties and responsibilities of its audit committee. In providing the following disclosure, the Company is relying on the exemption provided under NI 52-110, which allows for the short form disclosure of the audit

committee procedures of venture issuers. A copy of the Company's Audit Committee Charter is attached as Schedule "A".

#### **Composition of the Audit Committee**

For the purposes of the following, the terms "Independent" and "Financially Literate" have the meaning ascribed to them in NI 52-110. The following are the members of the Audit Committee:

- (a) Kyle Kozuska, Not Independent, Financially Literate;
- (b) Michael Der, Not Independent, Financially Literate; and
- (c) Gregory Birch, Independent, Financially Literate.

#### **Relevant Education and Experience**

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as follows:

Kyle Kozuska – Mr. Kyle Kozuska is an independent business consultant, and has reviewed the financial performance of corporations for many years.

Michael Der – Mr. Michael Der is a commercial and securities lawyer who specializes in transactions involving listed issuers.

Gregory Birch – Mr. Gregory Birch is an independent businessman who holds a CGA designation along with a Bachelor of Administration from Simon Fraser University. He provides consulting services to public and private companies in a variety of industries.

#### **Audit Committee Oversight**

At no time since the commencement of the Company's most recent completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

#### **Reliance on Certain Exemptions**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

#### **Pre-Approval Policies and Procedures**

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in Schedule "A" under the heading "*External Auditors*".

### External Auditor Service Fees

The aggregate fees billed by the Company’s external auditors in each of the last two fiscal years for audit fees are as follows:

Financial Ending	Year	Audit Fees	Audit Fees(1)	Related	Tax Fees(2)	All Other Fees(3)
2018		\$12,500	nil		nil	nil
2017		nil	nil		nil	nil

Notes:

- (1) Fees charged for assurance and related services reasonably related to the performance of an audit, and not included under “Audit Fees”.
- (2) Fees charged for tax compliance, tax advice and tax planning services.
- (3) Fees for services other than disclosed in any other column.

### Schedule “A”

#### AUDIT COMMITTEE CHARTER

##### *Mandate*

The company is relying on the exemption contained in Part 6.1 of National Instrument 52-110. The primary function of the audit committee (the “**Audit Committee**”) is to assist the Board in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company’s systems of internal controls regarding finance and accounting, and the Company’s auditing, accounting and financial reporting processes. Consistent with this function, the Audit Committee will encourage continuous improvement of, and should foster adherence to, the Company’s policies, procedures and practices at all levels. The Audit Committee’s primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the Company’s financial reporting and internal control systems and review the Company’s financial statements;
- review and appraise the performance of the Company’s external auditors; and
- provide an open avenue of communication among the Company’s auditors, financial and senior management and the Board.

##### *Composition*

The Audit Committee shall be comprised of three directors as determined by the Board of Directors, the majority of whom shall be free from any relationship that, in the opinion of the Board of Directors, would reasonably interfere with the exercise of his or her independent judgment as a member of the Audit Committee. At least one member of the Audit Committee shall have accounting or related financial management expertise. All members of the Audit Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Audit Committee’s Charter, the definition of “financially literate” is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company’s financial statements. The members of the Audit Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders’ meeting.

### *Meetings*

The Audit Committee shall meet at least four times annually, or more frequently if circumstances dictate. The Committee also discusses items by telephone and signs resolutions in lieu of meetings, as circumstances dictate. As part of its job to foster open communication, the Audit Committee will meet at least annually with the CEO and the external auditors in separate sessions.

### *Responsibilities and Duties*

To fulfill its responsibilities and duties, the Audit Committee shall:

#### Documents/Reports Review

- (a) Review and update this Charter annually.
- (b) Review the Company's financial statements, MD&A and any annual and interim earnings, press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors. Confirm that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements.

#### External Auditors

- (a) Review annually, the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Audit Committee as representatives of the shareholders of the Company.
- (b) Obtain annually, a formal written statement of the external auditors setting forth all relationships between the external auditors and the Company, consistent with the Independence Standards Board Standard 1.
- (c) Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
- (d) Take, or recommend that the full Board of Directors, take appropriate action to oversee the independence of the external auditors.
- (e) Recommend to the Board of Directors the selection and compensation and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.
- (f) At each meeting, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.
- (g) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.
- (h) Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
- (i) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
  - a. the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of fees paid by the

- Company to its external auditors during the fiscal year in which the non-audit services are provided;
- b. such services were not recognized by the Company at the time of the engagement to be non-audit services; and
  - c. such services are promptly brought to the attention of the Audit Committee by the Company and approved prior to the completion of the audit by the Audit Committee or by one or more members of the Audit Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Audit Committee. Provided the pre-approval of the non-audit services is presented to the Audit Committee's first scheduled meeting following such approval, such authority may be delegated by the Audit Committee to one or more independent members of the Audit Committee.

*Financial Reporting Processes*

- (a) In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.
- (b) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
- (c) Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.
- (d) Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.
- (e) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- (f) Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.
- (g) Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- (h) Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.
- (i) Review certification process.
- (j) Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

*Other*

Review any related-party transactions.

## **Addendum “A” to the Audit Committee Charter Whistle Blower Policy**

### **Introduction**

Shane Resources Ltd. (“**Shane Resources**” or the “**Company**”) is committed to the highest standards of openness, honesty and accountability. In line with that commitment, we expect employees and others that we deal with who have serious concerns about any aspect of the Company’s activities and operations to come forward and voice those concerns.

Employees are often the first to realize that there may be something seriously wrong within a Company. However, they may decide not to express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Company. They may also fear recrimination, harassment or victimization. In these circumstances, they may feel it would be easier to ignore the concern rather than report what may just be a suspicion of wrong-doing.

This policy document makes it clear that employees can report wrong-doings or suspected wrong-doings without fear of victimization, subsequent discrimination or disadvantage. This Whistle Blowing Policy is intended to encourage and enable employees to raise serious concerns within the Company rather than overlooking a problem or seeking a resolution of the problem outside the Company.

This Policy applies to all employees and those contractors working for Shane Resources. It is also intended to provide a method for other stakeholders (suppliers, customers, shareholders etc.) to voice their concerns regarding the Company’s business conduct.

The Policy is also intended as a clear statement that if any wrongdoing by the Company or any of its employees or by any of its contractors or suppliers is identified and reported to the Company, it will be dealt with expeditiously and thoroughly investigated and remedied. The Company will further examine and implement the means of ensuring that such wrongdoing can be prevented in future.

A whistleblowing or reporting mechanism invites all employees and other stakeholders to act responsibly to uphold the reputation of their organization and maintain public confidence. Encouraging a culture of openness within the organization will also help this process. This Policy aims to ensure that serious concerns are properly raised and addressed within the Company.

### **Background**

#### **1. What is Whistleblowing?**

Employees are usually the first to know when something is going seriously wrong. A culture of turning a “blind eye” to such problems means that the alarm is not sounded and those in charge do not get the chance to take action before real damage is done. Whistleblowing can therefore be described as giving information about potentially illegal and/or underhanded practices i.e. wrong doing.

#### **2. What is wrong doing?**

Wrong doing involves any unlawful, illegal or otherwise improper behavior and can include:

- An unlawful act whether civil or criminal;
- Breach of or failure to implement or comply with any approved policy of Shane Resources, including the internal financial controls approved by Shane Resources;
- Knowingly breaching federal or provincial laws or regulations;
- Unprofessional conduct or conduct that is not consistent with recognized, established standards of practice;
- Questionable accounting or auditing practices;

- Dangerous practice likely to cause physical harm/damage to any person/property;
- Failure to rectify or take reasonable steps to report a matter likely to give rise to a significant and avoidable cost or loss to the Company;
- Abuse of power or authority for any unauthorized or ulterior purpose;
- Unfair discrimination in the course of employment or provision of services.

This list is not definitive, but is intended to give an indication of the kind of conduct which might be considered as “wrong doing”.

### **3. Who is protected?**

This Policy is set in the context of the regulatory provisions of National Instrument 52-110 - *Audit Committees* (“NI 52-110”). Any employee who makes a disclosure or raises a concern under this Policy will be protected if the employee:

- Discloses the information in good faith;
- Believes it to be substantially true;
- Does not act maliciously or make knowingly false allegations; and
- Does not seek any personal or financial gain.
- 

### **4. Who should you contact?**

Anyone with a complaint or concern about the Company should try to contact the Chief Executive Officer or Chief Financial Officer at (604) 562-5516.

### **5. How the Company will respond?**

The Company will respond positively to your concerns. Where appropriate, the matters raised may:

- (a) be investigated by management, the Board of Directors, internal audit (when implemented), or through the disciplinary process;
- (b) be referred to the police;
- (c) be referred to the external auditor or external legal counsel;
- (d) form the subject of an independent inquiry.

In order to protect individuals and those accused of misdeeds or possible malpractice, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required, this will be taken before any investigation is conducted.

Within ten working days of a concern being raised, the responsible officer will write to you:

- (a) acknowledging that the concern has been received;
- (b) indicating how he/she proposes to deal with the matter;
- (c) giving an estimate of how long it will take to provide a response;
- (d) telling you whether any initial enquiries have been made; and
- (e) telling you whether further investigations will take place and if not, why not.

The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the Company will seek further information from you.

The Company will take steps to minimize any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Company will arrange for you to receive advice about the procedure.

The Company accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, we will inform you of the outcomes of any investigation.

## **6. Time Frames**

Concerns will be investigated as quickly as possible. It should be borne in mind that it may be necessary to refer a matter to an external agency and this may result in an extension of the investigative process. It should also be borne in mind that the seriousness and complexity of any complaint may have an impact on the time taken to investigate a matter. A designated person will indicate at the outset the anticipated time frame for investigating the complaint.

## **7. Prevention of Recriminations, Victimization or Harassment**

The Company will not tolerate an attempt on the part of anyone to apply any sanction or detriment to any person who has reported to the Company a serious and genuine concern that they may have about an apparent wrongdoing.

## **8. Confidentiality and Anonymity**

The Company will respect the confidentiality of any whistle blowing complaint received by the Company where the complainant requests that confidentiality. However, it must be appreciated that it will be easier to follow up and to verify complaints if the complainant is prepared to give his or her name.

## **9. False and Malicious Allegations**

The Company is proud of its reputation with the highest standards of honesty. It will therefore ensure that substantial and adequate resources are put into investigating any complaint which it receives. However, the Company will regard the making of any deliberately false or malicious allegations by any employee of the Company as a serious disciplinary offence which may result in disciplinary action, up to and including dismissal for cause.