ABN: 16 152 726 595

SHENTON RESOURCES LIMITED

ANNUAL REPORT

PERIOD
ENDED 30 JUNE 2012

Corporate Directory	3
Review of Operations	4
Directors' Report	6
Auditor's Independence Declaration	9
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to and forming part of the Financial Statements	14
Directors' Declaration	26
Independent Auditor's Report	27
Tenement Schedule	28

CORPORATE DIRECTORY

DIRECTORS

Jeremy David Shervington (Non-Executive Chairman)
Bradley Gordon John Abbott (Executive Director)
Robert Alastair St John Beeck (Non-Executive Director)

COMPANY SECRETARY

Bradley Gordon John Abbott

REGISTERED OFFICE

813 Wellington Street WEST PERTH WA 6005

WEBSITE

Shentonresources.com.au

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PRINCIPAL & REGISTERED OFFICE

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SOLICITORS

Jeremy Shervington
Barrister & Solicitor
52 Ord Street
WEST PERTH WA 6005

BANKERS
National Australia Bank
Capital Office
Ground Floor, 100St George Terrace
Perth WA 6000

AUDITORS
Somes Cooke
1304 Hay Street
WEST PERTH WA 6005

REVIEW OF OPERATIONS

The Company was incorporated in Western Australia on 17 August 2011 and had an issued capital comprising 8 million fully paid shares and 6 million options which are held by entities associated with J D Shervington (1.6 million shares & 2 million options), B G J Abbott (1.6 million shares & 2 million options) and R A S Beeck (1.6 million shares and 2 million options) (the Directors of the Company), an entity associated with Mr Harjinder Kehal, one of the Vendors (1.6 million shares) and by an entity associated with Mr C G H Higham also one of the Vendors and a business partner of Mr Bradley Abbott (1.6 million shares). These 8 million shares were issued to the above mentioned persons at a price of 0.06 cents each.

Pursuant to a prospectus dated and lodged with the Australian Securities & Investments Commission on 8 September 2011 the company issued a further 2,587,500 ordinary shares at 16 cents and raised $414,000 before costs for working capital purposes, to fund mineral exploration activities. Contemporaneous to this transaction a further 2,500,000 shares were issued to entities associated with Mr BGJ Abbott (562,500 shares); Mr RAS Beeck (1 million shares); Mr H Kehal (375,000 shares) and Mr CGH Higham (562500 shares) (the vendors) to acquire a 100% interest in mineral exploration tenement E29/746. Should $1 million be spent on the tenement by 8 September 2016, the vendors are entitled to a further allotment of 2.5 million shares.

Details of the "Goongarrie Project" are set out below.

PROJECT SUMMARY

GOONGARRIE PROJECT

The Company has entered into the Goongarrie Agreement pursuant to which the Company has acquired a 100% interest in E29/746. The Board considers the Goongarrie Project to be prospective for gold mineralisation and will seek further capital in due course to explore the Project in a comprehensive way.

The Goongarrie Project comprises Exploration Licence 29/746 covering an area of 144 sq km. It is located, approximately 90km north from Kalgoorlie along the Menzies Highway. Access to the project area is gained by travelling west along the gravel access road to the Goongarrie Station.
The project lies in the northwest of the Kalgoorlie Terrain, in the northern half of the Menzies-Kambalda region of the Norseman-Wiluna Belt in the Archaean Yilgarn Craton of Western Australia. The project is almost wholly located over gneissic granitoid rocks of the Mt Pleasant-Goongarrie Complex. Mafic and ultramafic rocks possibly occur under cover in the eastern margins of the tenement in the Bardoc Tectonic Zone.

The Goongarrie-Mt Pleasant granitic dome is thought to be a pre-regional folding, domal granitoid, of granodiorite-to-monzogranite composition which was emplaced throughout the compressional phase of deformation. The granite is massive to weakly foliated and typically, is medium-to-coarse grained. The central part of the tenement contains the only outcrop in the district and is mostly "subcrop" covered by a veneer of granitic and pisolitic-laterite sands.

Granite rocks themselves are generally not significant host rocks for gold production in the Menzies-Kambalda region, though they are locally significant. The Lady Bountiful gold deposit occurring in the Liberty Granodiorite was mined in the late 1980s. More recently Golden Cities deposits located approximately 40 km north of Kalgoorlie and the adjacent Federal deposit were discovered in the late 1990's, wholly within the Scotia-Kanowna internal granitoid. Nearby to the northeast the Rainbow Dam Granodiorite hosts the new gold discovery of Mt Jewell. Other examples include Comet Vale, Dixie, Missouri and Theil Well deposits (all in the Goongarrie-Mt Pleasant region and all of which have had moderate historical gold production) located in areas where the principal gold-mineralized structures appear to be related to the forceful emplacement of granitoids.

Modern exploration by previous explorers in the Goongarrie Project area has focussed on testing for both the granite-hosted and 'structural-deformation-related-to-granite-emplacement' styles as well as placer style palaeochannel deposits, which could be considered to be locally important.
Exploration by previous explorers has included detailed 50m line spaced aeromagnetic surveys, aerial photographic surveys, and LANDSAT TM remote sensing data interpretation. Auger-soil geochemistry has been undertaken over selected areas interpreted as displaying the most favourable structural framework using aeromagnetics and geological mapping analysis. This has been followed up using aircore and RC drilling of the soil geochemistry gold anomalies.

The previous aircore (total of 152 vertical holes) and RC (one hole) drilling activities have encountered granitic basement varying from mafic, green biotite/chlorite/hornblende granitoids, probably of a more granodiorite and monzonitic composition (more calc-alkali

REVIEW OF OPERATIONS

feldspar and ferromagnesium minerals), to more quartz-rich granites (sensu *stricto*). Some holes intersected granitoids with a weak sericitic/chloritic style alteration of ferromagnesium minerals. Most holes encountered thick transported palaeochannel sequences of puggy lake clays and sand (up to 30m). The amount of recognizable residual basement saprolite varies.

Anomalous 4metre-composite aircore intercepts have included 3417ppb Au, 1910 ppb Au and 1621 ppb Au at the transported and saprock interface. 1metre re-samples, using fire assay, returned a best value of 3m @ 2.75g/t Au, including 1m @ 5.89g/t Au. Analysis of the detailed aeromagnetics data suggests that the anomalous drill holes are situated along structural features within the internal Mt Pleasant Goongarrie granitoid. Based on the earlier completed exploration work, the Goongarrie Project area is prospective for discovery of granite hosted gold deposits similar to the Golden Cities, 'structural- deformation-related-to-granite-emplacement' styles and also the placer style palaeochannel, which may be locally important.

Jeremy Shervington - Chairman

1st August 2012

DIRECTORS' REPORT

Your directors present their report on the Company for the period from incorporation on 17 August 2011 to 30 June 2012.

DIRECTORS
The following persons were directors of Shenton Resources Limited ("Shenton") from the company's incorporation on 17 August 2011 and up to the date of this report.

Jeremy David Shervington (Non-Executive Chairman)
Bradley Gordon John Abbott (Executive Director)
Robert Alastair St John Beeck (Non-Executive Director)

PRINCIPAL ACTIVITIES
The principal activities of the Company during the year were the exploration of mineral tenements prospective for gold in Western Australia.

RESULTS FROM OPERATIONS
During the year the Company recorded an operating loss of $8,534.

DIVIDENDS
No amounts have been paid or declared by way of dividend by the Company and the Directors do not recommend the payment of any dividend.

REVIEW OF OPERATIONS
A review of operations is covered at pages 4 & 5 in this Annual Report.

EARNINGS PER SHARE
Basic Loss per share for the financial period was 0.09 cents. Diluted Loss per share in respect of the year ended 30 June 2012 is the same as the Basic Loss per share.

FINANCIAL POSITION
The Company's cash position as at 30 June 2012 was $394,078. The cash position is adequate to fund committed exploration expenditure.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS
Significant changes in the state of affairs of the Company during the financial period were the capital raising referred to in the Review of Operations that raised $414,000 in cash prior to costs and acquired a 100% interest in mineral exploration tenement E29/746.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR
No material matters have occurred subsequent to the end of the financial period.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS
Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Company.

ENVIRONMENTAL ISSUES
The Company carries out operations in Australia which are subject to environmental regulations under both Commonwealth and State legislation in relation to those exploration activities.

The Company's exploration manager is responsible for being aware of and monitoring compliance with regulations. During or since the financial period there have been no known breaches of these regulations.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS AND COMPANY SECRETARIES

J D Shervington B.Juris, LLB. – Non Executive Chairman

Mr Shervington operates a legal practice in Western Australia. He specialises in the laws regulating companies and the securities industry in Australia. Mr Shervington has 30 years experience as a lawyer, gained since his admission as a Barrister and Solicitor of the Supreme Court of Western Australia. Mr Shervington has since 1983 served as a director of various ASX listed companies as well as a number of unlisted public and private companies. Mr Shervington is currently also a director of the following ASX listed companies: Australian Zircon NL, Emerald Oil & Gas NL, Horseshoe Metals Limited and Ridge Resources Limited. During his commercial and legal careers Mr Shervington has been involved in numerous capital raisings both as adviser and as a director of the raising entity. He has a thorough understanding of the equity capital markets insofar as the raising of equity is concerned and has a clear appreciation and working knowledge of the mechanical requirements and steps involved.

Mr Shervington has a relevant interest in 1,637,500 fully paid ordinary shares and 2 million options to acquire fully paid ordinary shares.

B G J Abbott – Executive Director/ Company Secretary

Mr Abbott is currently Managing Director of Abbott's Pty Ltd a boutique accounting practice in West Perth that specializes in providing advice for small to medium businesses. Mr Abbott has since 1980 served as a director and/or secretary of several listed and unlisted public companies and numerous private companies.
Mr Abbott holds a Bachelor of Business degree from Curtin University and is a fellow of The Institute of Chartered Accountants and The Taxation Institute of Australia as well as a registered Tax Agent and Company Auditor.

Mr Abbott has been involved in resource companies and gold prospecting syndicates in Australia and Asia for over 15 years including capital raisings therein.

Mr Abbott has a relevant interest In 2,287,500 ordinary fully paid shares and 2 million options to acquire fully paid ordinary shares.

R A S Beeck – Non-Executive Director

Mr Beeck has in excess of 25 years experience in mineral processing operations management in Australia related to nickel, diamonds, gold and iron ore. He has previously worked for Western Mining Corporation, Argyle Diamond Mines Ltd, Pegasus Gold, AMX Resources Ltd and HWE Mining.
He has had senior roles in mine site operations, management of feasibility studies, management of engineering design and construction of ore processing and infrastructure projects and is presently manager of engineering at Leighton Contractor's Resources Division. Mr Beeck is an Associate Member of the AusIMM Minerals Institute and has completed a Master of Business Administration degree from the University of Western Australia. Mr Beeck has been involved in grass roots gold prospecting for over 15 years in Western Australia which also involved capital raising to fund exploration expenditure thereon.

Mr Beeck has a relevant interest in 2,675,000 ordinary fully paid shares and 2 million options to acquire fully paid ordinary shares.

REMUNERATION OF DIRECTORS

The Directors have resolved not to award themselves any form of remuneration until such time that the company lists on the Australian Stock Exchange.

AUDIT COMMITTEE

The Company chose to form a separately constituted Audit Committee comprising of Jeremy Shervington and Robert Beeck to review and consider the financial statements and all matters normally considered by an audit committee.

MEETINGS OF DIRECTORS

During the financial year ended 30 June 2012, there was one meeting of directors and 7 circulating resolutions passed, all of which were either attended by all the directors or circulating resolutions signed by all directors.

DIRECTORS' REPORT

CORPORATE STRUCTURE

Shenton Resources is a limited company incorporated and domiciled in Australia.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into agreements indemnifying, to the extent permitted by law, all the directors and officers of the Company against all losses or liabilities incurred by each director and officer in their capacity as directors and officers of the Company. During the period an amount of $2,320 was incurred in insurance premiums for this purpose.

OPTIONS

As at the date of this report there are the following unquoted options over unissued ordinary shares in the Company:

6million options exercisable at $0.20 per option on or before a period of 5 years has elapsed since the company has made a significant capital raising of more than $500,000. A significant capital raising has not yet occurred at the date of this report.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out in this annual report.

Signed in accordance with a resolution of the directors

Bradley Gordon John Abbott
Managing Director
Perth
1st August 2012

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Chartered Accountants
Business Consultants
Financial Advisors

Auditor's Independence Declaration

To those charged with governance of Shenton Resources Limited

As auditor for the audit of Shenton Resources Limited for the period ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Nicholas Hollens

Nicholas Hollens
Partner

Perth

1 August 2012

Liability limited by a scheme approved under Professional Standards Legislation
An independent member of KS International

STATEMENT OF COMPREHENSIVE INCOME
For the period 17 August 2011 to 30 June 2012

	Notes	($)
Revenue:		
Interest income		9,840
Expenses:		
Depreciation expense		-
Exploration and tenement expenses		-
Share based payments expense		-
Other expenses	3	(18,374)
(Loss) before income tax expense		(8,534)
Income tax expense	4	-
(Loss) from continuing operations		(8,534)
Other comprehensive income for the year, net of tax		-
Total comprehensive income for the year		(8,534)
Total comprehensive income for year attributable to members of the Company		(8,534)
Basic (loss) per share (cents per share)	7	(0.09)
Diluted (loss) per share (cents per share)	7	(0.09)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

	Notes	($)
Current Assets		
Cash and cash equivalents	8	394,078
Trade and other receivables	9	2,974
Total Current Assets		397,052
Non-Current Assets		
Mining Properties	10	425,031
Total Non-Current Assets		425,031
TOTAL ASSETS		822,083
Current Liabilities		
Trade and other payables	11	8,006
Total Current Liabilities		8,006
TOTAL LIABILITIES		8,006
NET ASSETS		814,077
Equity		
Contributed equity	12	822,611
Accumulated (losses)		(8,534)
TOTAL EQUITY		814,077

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the period 17 August 2011 to 30 June 2012

	Contributed Equity (Net of Costs) ($)	Accumulated Losses ($)	Total ($)
Balance at 17.8.2011	-	-	-
Operating (loss) for the period		(8,534)	(8,534)
Shares and options issued during the period	871,500	-	871,500
Share issue costs	(48,889)	-	(48,889)
Balance at 30.6.2012	**822,611**	**(8,534)**	**814,077**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the period 17 August 2011 to 30 June 2012

	Notes	($)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash payments to suppliers and contractors		(12,737)
Interest received		9,235
Net cash (used in) operating activities	13	(3,502)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of new tenement	13	(25,031)
Net cash (used in) investing activities		(25,031)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from new issues of shares & options	13	471,500
Share issue expenses		(48,889)
Net cash provided by financing activities		422,611
Net increase in cash held		394,078
Cash and cash equivalents at the beginning of the financial period		-
Cash and cash equivalents at the end of the financial period	8	394,078

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2012

This financial report includes the financial statements and notes of the Company.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements were authorised for issue on the date of the director's report.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Going Concern

The directors have prepared the financial statements of the Company on a going concern basis. In arriving at this position, the directors have considered the following pertinent matters:

(a) cash and cash equivalents on hand at the date of this report is approximately $394,078;

(b) current cash resources are considered adequate to fund the entity's immediate operating and exploration activities which approximate $101,000 in the period to 31 August 2013.

In the directors' opinion, the Company is able to continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

Accounting Policies

(a) Revenue

Interest revenue is recognised on a proportional basis taking into account interest rates applicable to the financial asset. All revenue is stated net of the amount of goods and services tax (GST).

(b) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by non-casual employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. There is no liability for long service leave entitlements.

(c) Mining Properties

The costs of acquisition are carried forward as an asset provided one of the following conditions are met:
- Such costs are expected to be recouped through the successful development and exploitation of the area of interest, or alternatively, by its sale; or
- Exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence of otherwise of recoverable reserves, and active and significant operations in relation to the area are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2012

(d) Acquisition of Assets

The cost method is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of assets given up at the date of acquisition plus costs incidental to the acquisition.

Costs relating to the acquisition of new areas of interest are classified as either exploration and evaluation expenditure or mine properties based on the stage of development reached at the date of acquisition.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(f) Income Tax

The income tax expense for the period comprises current income tax expense and deferred tax expense.

Current income tax expense charged to the Statement of Comprehensive Income is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities and assets are therefore measured at the amounts expected to be paid to or recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses, if any in fact are brought to account.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(h) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2012

(i) Earnings per Share

(i) *Basic Earnings per Share* – Basic earnings per share is determined by dividing the loss from continuing operations after related income tax expense by the weighted average number of ordinary shares outstanding during the financial period.

(ii) *Diluted Earnings per Share* – Diluted EPS is calculated as net loss attributable to members, adjusted for:
- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

(j) Property, plant and equipment

Each class of plant, equipment and motor vehicles is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant, equipment and motor vehicles are measured on the cost basis.

The carrying amounts of plant, equipment and motor vehicles are reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all plant, equipment and motor vehicles are depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for the class of plant, equipment and motor vehicle depreciable assets range between 20% and 100%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(k) Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit and loss, in which case transaction costs are expensed to profit and loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

the amount at which the financial asset or financial liability is measured at initial recognition;

less principal repayments;

plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

less any reduction for Impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit and loss.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2012

The Company does not designate any interests in joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains and losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit and loss.

Available-for-sale financial assets are included in current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as non-current assets.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit or loss.

Financial Guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.
The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.
The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

the likelihood of the guaranteed party defaulting in a year period;
the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
the maximum loss exposed if the guaranteed party were to default.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(l) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Leases

Lease payments for operating leases (where substantially all the risks and benefits remain with the lessor) are charged as an expense in the periods in which they are incurred.

Lease incentives under operating leases, if any, are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2012

(n) Interest in Joint Ventures

Interest in joint venture operations are brought to account by including in the respective classifications, the share of individual assets employed, liabilities and expenses incurred and revenue from the sale of joint venture output. Interest in joint venture operations are brought to account by including assets and liabilities in their respective classifications using the cost method.

(o) Contributed Equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(p) Share-based Payments and Value Attribution to Equity Remuneration/Benefits

Share-based compensation benefits provided to directors are approved in general meeting by members. Share-based benefits provided to non-directors are approved by the Board of Directors and form part of that employee's remuneration package.

The International Financial Reporting Standards specifies that a valuation technique must be applied in determining the fair value of employees' or directors' stock options as at their grant date. No particular model is specified.

In respect of share options granted, the (theoretical) fair value is recognised over the vesting period as an employee benefit expense with a corresponding increase in equity. The theoretical fair value of the options is calculated at the date of grant taking into account the terms and conditions upon which the options were granted, the effects of non-transferability, exercise restrictions and behavioural considerations. Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(q) Comparative Figures

No comparative figures have been presented as the company was only incorporated on 17 August 2011.

(r) Segment Reporting

Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the company as the Managing Director and other members of the Board of directors.

(s) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and from within the Company.

Key Estimates - Taxation

Balances disclosed in the financial statements and the notes thereto related to taxation are based on best estimates by directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income tax legislation and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current tax position represents the directors' best estimate pending an assessment being received from the Australian Taxation Office.

Key Judgment – Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact, the directors believe such treatment is reasonable and appropriate.

Key Estimates - Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2012

NOTE 2 OPERATING SEGMENTS

Segment Information
Identification of reportable segments

The Company has identified that it operates in only one segment based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Company's principal activity is mineral exploration.

Revenue and assets by geographical region

The Company's revenue is received from sources and assets are located wholly within Western Australia.

Major customers

Due to the nature of its current operations, the Company does not provide products and services.

NOTE 3 REVENUE AND EXPENDITURE

	2012 ($)
REVENUE	
Other Income	-
	-
EXPENDITURE	
Other Expenses	
Occupancy costs	-
Filing and ASX Fees	-
Corporate and management	18,374
Other expenses from continuing operations	-
	18,374

NOTE 4 INCOME TAX EXPENSE

	2012 ($)
The components of tax expense comprise:	
Current tax	-
Deferred tax asset/liability	-
	-
The prima facie tax on loss from ordinary activities before income tax is reconciled to income tax as follows:	
Loss from continuing operations before income tax	(8,534)
Prima facie tax benefit attributable to loss from continuing operations before income tax at 30%	(2,560)
Tax effect of -	
• Decline in value deduction	(127,509)
• Capital raising costs deduction	(1,232)
• Other accruals	2,126
Deferred tax benefit on tax losses not brought to account	129,175
Income tax attributable to operating loss	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2012

Unrecognised temporary differences

Net deferred tax assets (calculated at 30%) have not been recognised in respect of the following items:	
Accruals	2,126
Unrecognised deferred tax assets relating to the above temporary differences	2,126

Unrecognised deferred tax assets

The Company has accumulated tax losses of $430,585.

The potential deferred tax asset of these losses $129,175 will only be recognised if:

(i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the losses and deductions to be released;

(ii) the Company continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

NOTE 5 KEY MANAGEMENT PERSONNEL COMPENSATION	2012 ($)
Short-term employee benefits	-
Post-employment benefits	-
Equity-settled share based payments	-
	-

Options held by Key Management Personnel

The number of options over fully paid ordinary shares in the Company held **during the financial period** by key management personnel and/or their statutorily related entities are set out below:

30 June 2012:

Name of Director (includes entities associated with the Directors)		Granted during the period	Exercised during the period	Other changes during the period	Balance at the end of the period	Vested & exercisable at the end of the period
Mr Shervington		2,000,000	-	-	2,000,000	2,000,000
Mr Abbott		2,000,000	-	-	2,000,000	2,000,000
Mr Beeck		2,000,000	-	-	2,000,000	2,000,000

Shares held by Key Management Personnel

The number of shares in the company held **during the financial year** by key management personnel and/or their related entities are set out below:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2012

30 June 2012:

Name of Director (includes entities associated with the Directors)		Share movements	Balance at the end of the period
Mr Shervington Ordinary shares		1,637,500	1,637,500
Mr Abbott Ordinary shares		2,287,500	2,287,500
Mr Beeck Ordinary shares		2,675,000	2,675,000

NOTE 6 AUDITORS REMUNERATION

	2012 ($)
Amounts received or due and receivable by the auditors of the Company for:	
Auditing of the financial report	5,000
Investigating accountants report	4,000
	9,000

NOTE 7 EARNINGS PER SHARE

	2012 ($)
The following reflects the earnings and share data used in the calculation of basic and diluted earnings per share	
Loss for the period	(8,534)
Earnings used in calculating basic and diluted earnings per share	(8,534)
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	9,506,644

The Company had 6,000,000 options over fully paid ordinary shares on issue at balance date. Options and contributing shares are considered to be potential ordinary shares. However, they are not considered to be dilutive in this period and accordingly have not been included in the determination of diluted earnings per share.

NOTE 8 CASH AND CASH EQUIVALENTS

	2012 ($)
Cash at bank	15,157
Deposits at call	378,921
	394,078

NOTE 9 TRADE AND OTHER RECEIVABLES

	2012 ($)
Trade receivables	605
GST and tax refundable	2,369
	2,974

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2012

NOTE 10 MINING PROPERTIES	2012 ($)
Mining Tenement - E29/746	425,031
Total Mining Properties	425,031

NOTE 11 TRADE AND OTHER PAYABLES	2012 ($)
Trade creditors and accruals	8,006

NOTE 12 EQUITY

	2012	
	No.	$
Contributed Equity – Ordinary Shares		
At the beginning of year	-	-
Shares issued during the year at $0.00625 each	8,000,000	50,000
Shares issued during the year at $0.16 each	5,087,500	814,000
Share issuance costs		(48,889)
Closing balance:	13,087,500	815,111
Options		
The Company had the following options over un-issued fully paid ordinary shares at the end of the year:		
Options exercisable at $0.20 on or before 31.10.2016 to acquire fully paid ordinary shares	6,000,000	7,500
Balance		822,611

Terms and condition of contributed equity

Ordinary Fully Paid Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held, regardless of the amount paid up thereon.

On a show of hands, every holder of fully paid ordinary shares present at a meeting in person or by proxy, is entitled to one vote and upon a poll, each member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each fully paid ordinary share.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2012

NOTE 13 CASH FLOW INFORMATION

	2012 ($)
Reconciliation of operating loss after income tax with funds used in operating activities	
Operating (loss) after income tax	(8,534)
Depreciation and amortisation	-
Exploration expenditure written off	-
Loss on available-for-sale financial assets	-
Share based payments	-
Changes in operating assets and liabilities:	
(Increase) in trade and other receivables relating to operating activities	(2,974)
(Increase)/decrease in prepayments	-
Increase in trade and other payables relating to operating activities	8,006
Increase in provisions	-
Cash flow from operations	3,502

Non-cash investing activity: During the financial period a tenement was purchased with consideration being 2,500,000 shares of $0.16 per share.

NOTE 14 TENEMENT EXPENDITURES AND LEASING COMMITMENTS

The Company has entered into certain obligations to perform minimum exploration work on tenements held or joint ventured into. These obligations vary from time to time in accordance with contracts signed. Tenement rentals and minimum expenditure obligations which may be varied or deferred on application, are expected to be met in the normal course of business. The minimum statutory expenditure requirement on the granted tenements for the next twelve months amounts to $50,000. The Tenements are located in Western Australia, and are subject to legislative requirements with respect to the processes for application, grant, conversion and renewal. Tenements are also subject to the payment of annual rent and the meeting of minimum annual expenditure commitments. There is no guarantee that any applications, conversions or renewals for the Company's tenements will be granted. The inability of the Company to meet rent and expenditure requirements may adversely affect the standing of its tenements.

NOTE 15 TENEMENT ACCESS

The interests of holders of freehold land encroached by the Tenements are given special recognition by the Mining Act (WA). As a general proposition, a tenement holder must obtain the consent of the owner of freehold before conducting operations on the freehold land. Unless it already has secured such rights, there can be no assurance that the Company will secure rights to access those portions of the Tenements encroaching freehold land but, importantly, any native title was extinguished by the grant of freehold so wherever the Tenements encroach freehold the Company is in the position of not having to abide by the Native Title Act albeit aboriginal heritage matters still be of concern.

NOTE 16 EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

NOTE 17 RELATED ENTITY AND RELATED ENTITY TRANSACTIONS

Transactions with directors, director-related parties and related entities other than those disclosed elsewhere are as follows:

Legal Fees paid to Jeremy Shervington, a Director of the company, in his professional capacity as a Barrister & Solicitor $10,426.

Accounting fees paid to Abbotts Pty Ltd $11,169. Bradley Abbott is a Director of the company and is also a Director of Abbotts Pty Ltd.

NOTE 18 CONTINGENT LIABILITIES

Native Title

The Company is not in a position to assess the likely effect of any native title claim impacting the Company.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2012

NOTE 19 FINANCIAL INSTRUMENTS DISCLOSURE

(a) Financial Risk Management Policies

The Company's financial instruments consist of deposits with banks, receivables, available-for-sale financial assets and payables.

Risk management policies are approved and reviewed by the board. The use of hedging derivative instruments is not contemplated at this stage of the Company's development.

Specific Financial Risk Exposure and Management

The main risks the Company is exposed to through its financial instruments, are interest rate and liquidity risks.

Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

Liquidity Risk

The Company manages liquidity risk by monitoring forecast cash flows, cash reserves, liquid investments, receivables and payables.

Capital Risk

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Company's activities being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raising as required.

The working capital position of the Company at 30 June 2012.

	2012 ($)
Cash and cash equivalents	394,078
Trade and other receivables	2,974
Trade and other payables	(8,006)
Working capital position	389,046

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

There is no material amounts of collateral held as security at balance date

The credit risk for counterparties included in trade and other receivables at balance date is detailed below.

	2012 ($)
Trade and other receivables	
Trade and other receivables	605
GST and tax refundable	2,369
	2,974

(b) Financial Instruments

The Company holds no derivative instruments, forward exchange contracts and interest rate swaps.

Financial Instrument composition and maturity analysis

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the period ended 30 June 2012

The table below reflects the undiscounted contractual settlement terms for financial instruments.

2012	Weighted Average Effective Interest Rate %	Floating Interest Rate ($)	Non-Interest Bearing ($)	Total ($)
Financial Assets				
Cash and cash equivalents	4.42	378,921	15,157	394,078
Other receivables	-	-	2,974	2,974
Available-for sale financials assets	-	-	-	-
Total Financial Assets	4.42	378,921	18,131	397,052
Financial Liabilities				
Trade and other payables		-	8,006	8,006
Net Financial Assets		378,921	10,125	389,046

	2012 ($)
Trade and other payables are expected to be paid as follows:	
Less than 6 months	8,006
	8,006

(c) **Net Fair Values**

Fair value estimation

The fair values of financial assets and liabilities are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms' length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted bid prices

The carrying values of financial assets and liabilities as presented in the statement of financial position approximate their fair value.

(d) **Sensitivity Analysis – Interest rate risk**

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

As at balance date, the effect on loss and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2012 ($)
Change in loss – increase/(decrease):	
- Increase in interest rate by 2%	4,453
- Decrease in interest rate by 2%	(4,453)
Change in equity – increase/(decrease):	
- Increase in interest rate by 2%	4,453
- Decrease in interest rate by 2%	(4,453)

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards and the Corporations Act 2001; and
   (b) give a true and fair view of the financial position as at 30 June 2012 and performance for the period ended on that date of the Company;
2. the Chief Financial Officer has declared pursuant to section 295A(2) of the Corporations Act 2001 that:
   (a) the financial records of the company for the financial period have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   (b) the financial statements and the notes for the financial period comply with Accounting Standards; and
   (c) the financial statements and notes for the financial period give a true and fair view.
3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. the directors have included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors.

Mr Bradley Abbott
MANAGING DIRECTOR

PERTH
Dated this 1st day of August 2012

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Chartered Accountants
Business Consultants
Financial Advisors

Independent Auditor's Report
To the members of Shenton Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Shenton Resources Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Shenton Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Liability limited by a scheme approved under Professional Standards Legislation
An independent member of RSI International

Opinion

In our opinion:

(a) the financial report of Shenton Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the entity's financial position as at 30 June 2012 and of its performance for the period ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Somes Cooke



Nicholas Hollens
Partner

Perth
1 August 2012

Tenement	Nature of Interest	Project	Equity (%)
E29/746	Exploration License	Goongarrie Project	100%