

Consolidated Interim Financial Statements

**CANADIAN SHIELD RESOURCES LTD.**

(Formerly "Canadian Shield Resources Inc.")

March 31, 2009 and 2008

(Unaudited)

The consolidated interim balance sheet of Canadian Shield Resources Ltd. (formerly "Canadian Shield Resources Inc.") as at March 31, 2009 and the consolidated interim statements of operations, deficit and cash flows for the three months then ended have not been reviewed by the Company's auditors. These financial statements are the responsibility of the management and have been reviewed and approved by the Company's Audit Committee.

# **CANADIAN SHIELD RESOURCES LTD.**

(Formerly "Canadian Shield Resources Inc.")

March 31, 2009 and 2008

(Unaudited)

## **Notice to Reader**

Management has compiled the interim financial statements of Canadian Shield Resources Ltd. ("Canadian Shield" or the "Company") consisting of the Consolidated Interim Balance Sheets as at March 31, 2009 and the Interim Statements of Deficit, Operations, and Cash Flows for the three months ended then. All amounts are stated in Canadian dollars. An accounting firm has not reviewed or audited these interim financial statements and management discussion and analysis thereon.

# CANADIAN SHIELD RESOURCES LTD.

(Formerly "Canadian Shield Resources Inc.")

March 31, 2009 and 2008

(Unaudited)

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# CANADIAN SHIELD RESOURCES LTD.

(Formerly "Canadian Shield Resources Inc.")

Consolidated Interim Balance Sheets

(Unaudited)

	March 31 2009	December 31 2008
<b>Assets</b>		
Current:		
Cash	\$ 29,063	\$ 32,763
Sundry assets	89,624	85,788
	118,687	118,551
Property and equipment, net	17,669	18,492
Mining properties and deferred exploration expenditures (note 2)	2,765,514	2,704,509
	\$ 2,901,870	\$ 2,841,552
<b>Liabilities and Shareholders' Equity</b>		
Current:		
Accounts payable and accrued liabilities	\$ 459,153	\$ 387,884
Loan payable (note 3)	708,790	598,512
	1,167,943	986,396
Non-controlling interest	27,626	27,626
Shareholders' equity:		
Capital stock (Note 4)	8,007,536	8,007,536
Warrants	45,804	45,804
Contributed surplus	1,008,624	952,619
Deficit	(7,355,664)	(7,178,429)
	1,706,300	1,827,530
	\$ 2,901,870	\$ 2,841,552

See accompanying notes to consolidated interim financial statements.

Approved on behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# CANADIAN SHIELD RESOURCES LTD.

(Formerly "Canadian Shield Resources Inc.")

Consolidated interim Statements of Deficit

(Unaudited)

For the period ended March 31	2009	2008
Deficit, beginning of period	\$ (7,178,429)	\$ (4,413,530)
Net loss for the period	(177,235)	(182,481)
Deficit, end of period	\$ (7,355,664)	\$ (4,596,011)

See accompanying notes to consolidated interim financial statements.

# CANADIAN SHIELD RESOURCES LTD.

(Formerly "Canadian Shield Resources Inc.")  
Consolidated interim Statements of Operations  
(Unaudited)

For the three-months period ended March 31	2009	2008
Revenue:		
Interest Income	\$ -	\$ -
Expenses:		
General and administrative	77,052	95,471
Stock-based compensation	56,005	37,200
Shareholder services	17,450	9,098
Professional fees	9,000	36,328
Interest	13,037	1,634
Amortization	4,691	2,750
	177,235	182,481
Net loss for the period	(177,235)	(182,481)
Loss per share – basic and diluted	\$ (0.07)	\$ (0.07)
Weighted average number of common shares outstanding	2,602,273	2,528,506

See accompanying notes to consolidated interim financial statements.

# CANADIAN SHIELD RESOURCES LTD.

(Formerly "Canadian Shield Resources Inc.")  
 Consolidated interim Statements of Cash Flows  
 (Unaudited)

For the three-month period ended March 31	2009	2008
Cash flows provided by (used in):		
Operations:		
Net loss for the period	\$ (177,235)	\$ (182,481)
Items not affecting cash:		
Mining property and exploration expenditure written off	-	-
Amortization	4,691	2,750
Stock-based compensation	56,005	37,200
Change in non-cash balances related to operations:		
Sundry assets	(3,836)	(5,298)
Accounts payable and accrued liabilities	71,269	232,080
<u>Cash (used in) operating activities</u>	<u>(49,105)</u>	<u>84,251</u>
Financing:		
Issuance of shares and warrants	-	89,323
Share issue costs	-	-
Loans Payable	110,278	71,634
<u>Cash provided by financing activities</u>	<u>110,278</u>	<u>160,957</u>
Investing:		
Property and equipment	(3,868)	(2,922)
Mining properties and deferred exploration expenditures (note 2)	(61,005)	(343,505)
<u>Cash (used in) investing activities</u>	<u>(64,873)</u>	<u>(346,427)</u>
Decrease in cash	(3,700)	(101,218)
Cash, beginning of period	32,763	127,890
<u>Cash, end of period</u>	<u>\$ 29,063</u>	<u>\$ 26,672</u>
Supplemental cash flow information:		
Interest received	\$ -	\$ -
Interest paid	\$ -	\$ -

See accompanying notes to consolidated interim financial statements.

# CANADIAN SHIELD RESOURCES LTD.

(Formerly "Canadian Shield Resources Inc.")  
Notes to Interim Consolidated Financial Statements  
(Unaudited)  
March 31, 2009 and 2008

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Canadian Shield Resources Ltd. (formerly "Canadian Shield Resources Inc.") (the "Canadian Shield" or "Company") is engaged in the business of locating and exploring mineral resource properties. Substantially all of the efforts of the Company are devoted to these business activities. To date, the Company has not earned revenue from its mineral properties and is considered to be in the exploration stage.

## 1. Significant accounting policies:

### (a) Basis of presentation:

The disclosures contained in these consolidated interim financial statements do not include all requirements of generally accepted accounting principles (GAAP) for annual financial statements. These consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2008.

The consolidated interim financial statements reflect all adjustments, consisting only of normal recurring accruals, which are, in the opinion of management, necessary to present fairly the financial position of the company as of March 31, 2009 and the results of operations and cash flows for the three months ended March 31, 2009 and 2008.

## 2. Mining properties and deferred exploration expenditures:

Following is the breakdown of Mining properties and deferred exploration expenditures by property:

	December 31, 2008	Deferred (Recovered) Exploration Expenditures	March 31, 2009
Canada:			
Erickson Lake *	\$ -	\$ -	\$ -
Peru:			
Humajala *	-	-	-
Cerro Cori	325,327	7,000	332,327
Ccello Ccello	507,629	6,895	514,523
Apune-Pucarana	503,465	6,895	510,359
La Estrella	627,751	7,421	635,173
Pampa Poroma	194,042	7,399	201,441
Colpayoc	312,994	22,427	335,421
La Tola	73,023	2,968	75,991
Other	17,756	-	17,756
Chile:			
Trol	142,522	-	142,522
	\$ 2,704,509	\$ 61,005	\$ 2,765,514

\* Deferred exploration expenditures related to Humajala Property and Erickson Lake Property were written-off after discontinuation of exploration activities in 2008.

## 3. Loans payable:

Loans from shareholders bear interest at 12% per annum are unsecured and due on demand.

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## 4. Capital stock:

### (a) Issued:

	Common shares	
	Number	Amount
Balance, January 1, 2008	49,906,066	7,619,242
Issued:		
Private placement	1,007,002	151,050
Options exercised	1,132,387	310,511
Less: Share issue costs		(35,505)
Less: Warrants		(37,763)
Balance, January 1, 2009	52,045,455	\$ 8,007,536
Share Consolidation (20 old for 1 new)		
Balance, March 31, 2009	2,602,273	8,007,536

The following summarizes the stock options outstanding:

	Number of options	Weighted average exercise price
Outstanding, March 31, 2009	349,500	\$ 2.80
Options exercisable, end of period	210,667	\$ 3.20

### (b) Warrants:

The following summarizes the Warrants outstanding:

	Weighted average remaining contractual life (years)	Number of warrants	Weighted average exercise price
January 1, 2009	1.19	52,675	\$ 6.57
Less: Expired options		(27,500)	8.00
March 31, 2009	0.94	25,175	\$ 5.00

### (c) Compensation Warrants:

The following summarizes the Compensation Warrants outstanding:

	Weighted average remaining contractual life (years)	Number of warrants	Weighted average exercise price
January 1, 2009	1.10	4,035	\$ 3.80
March 31, 2009	0.85	4,035	\$ 3.80

## 5. Segmented Information:

### (a) Reportable Segments:

In 2009 and 2008, the Company has one operating segment in mineral exploration.

### (b) Enterprise wide disclosure – Geographic Information:

As at March 31, 2009, \$2,842,930 (December 2008: \$2,761,937) of the Company's assets were held in Peru.

## 6. Financial instruments and risk management:

### (a) Fair values:

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Notes to Interim Consolidated Financial Statements

(Unaudited)

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The carrying values of cash, amounts receivable and loans payable approximate their fair values due to the liquidity of these instruments. The carrying value of accounts payables and accrued liabilities approximate their fair value due to the requirements to extinguish the liabilities on demand.

(b) Risk Management

The Company has exposure to the following risks associated with its financial instruments.

(c) Currency Risk

The Company operates internationally and is exposed to foreign exchange risk as certain expenditures are denominated in non-Canadian dollar currencies. The exposure is predominantly to the Peruvian New Soles ("Soles"). Soles denominated balances generate foreign exchange gains and losses that are reported on the Statement of Operations. At March 31, 2009, one Canadian Dollar was equal to 2.5075 Soles.

Balances in non-Canadian dollar currencies are as follows:

	<b>Peruvian New Soles</b>
Cash	61,730
Accounts payable and accrued liabilities	(403,987)
	<b>(342,257)</b>

(d) Interest Rate Risk

The Company has cash balances with a Canadian bank in Peru and no interest-bearing debt in foreign currencies. The Company manages its interest rate risk on these investments by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash and cash equivalents do not have a significant impact on the Company's results of operations due to the small balance of the long term investment. The effect of a one basis point increase or decrease on the short-term investments to net loss is not material.

(e) Credit Risk

The Company's credit risk is primarily attributable to sundry receivables. The Company has no significant concentration of credit risk arising from operations. Sundry receivables consist of goods and services tax due from the Federal Government of Canada and advances to employees and suppliers. Management believes that the credit risk associated with amounts receivable is remote.

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## 6. Financial instruments (continued):

### (f) Liquidity Risk

The Company manages its liquidity risk by preparing and monitoring forecasts of cash expenditures to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's accounts payable and accrued liabilities generally have maturities of less than 90 days. At March 31, 2009, the Company had cash and cash equivalents of \$29,063 to settle current liabilities of \$1,167,942 and therefore has liquidity risk. Subsequent to quarter end the Company converted debt into equity as disclosed in note 7.

## 7. Subsequent Event:

On May 8, 2009, the Company issued 3,985,261 common shares at a price of \$0.155 per share to settle outstanding debts totaling \$617,715 subject to a long-term lock-up & leak-out agreement.