

Consolidated Interim Financial Statements

**CANADIAN SHIELD RESOURCES INC.**

(AN EXPLORATION STAGE ENTITY)

June 30, 2007 and 2006

(Unaudited)

The consolidated interim balance sheet of Canadian Shield Resources Inc. (the "Company") as at June 30, 2007 and the consolidated interim statements of operations, deficits and cash flows for the six 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 INC.

(AN EXPLORATION STAGE ENTITY)

June 30, 2007 and 2006

(Unaudited)

## CONTENTS

	<u>Page</u>
Consolidated Interim Balance Sheets	3
Consolidated Interim Statements of Deficit	4
Consolidated Interim Statements of Operations	5
Consolidated Interim Statements of Cash Flows	6
Notes to Consolidated Interim Financial Statements	7

# CANADIAN SHIELD RESOURCES INC.

(AN EXPLORATION STAGE ENTITY)

Consolidated Interim Balance Sheets  
(Unaudited)

	June 30 2007	December 31 2006
<b>Assets</b>		
Current assets:		
Cash	\$ 212,210	\$ 9,723
Short-term investments	85,000	-
Sundry assets	122,659	12,994
	419,869	22,717
Property and equipment, net	14,631	19,560
Mining properties and deferred exploration expenditures	3,674,547	3,045,342
	\$ 4,109,047	\$ 3,087,619

## Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 98,398	\$ 177,145
Shareholder loans	-	101,512
	98,398	278,657
Minority Interest	24,792	24,792
Shareholders' equity:		
Capital stock	7,027,948	5,594,888
Contributed surplus	827,117	611,031
Warrants	56,003	56,003
Deficit	(3,925,211)	(3,477,751)
	3,985,857	2,784,171
Subsequent events (note 6)		
	\$ 4,109,047	\$ 3,087,619

See accompanying notes to Consolidated Interim Financial Statements.

Approved on behalf of the Board:

"Michael Kraft"

Director

"Bernard Kraft"

Director

# CANADIAN SHIELD RESOURCES INC.

(AN EXPLORATION STAGE ENTITY)

Consolidated interim Statements of Deficit  
(Unaudited)

	Three Months ended June 30		Six Months ended June 30	
	2007	2006	2007	2006
Deficit, beginning of period	\$ (3,733,108)	\$ (2,840,589)	\$ (3,477,752)	\$ (2,662,361)
Net loss for the period	(192,103)	(181,069)	(447,459)	(359,297)
Deficit, end of period	\$ (3,925,211)	\$ (3,021,658)	\$ (3,925,211)	(3,021,658)

See accompanying notes to Consolidated Interim Financial Statements.

# CANADIAN SHIELD RESOURCES INC.

(AN EXPLORATION STAGE ENTITY)

Consolidated interim Statements of Operations  
(Unaudited)

	Three Months ended June 30		Six Months ended June 30	
	2007	2006	2007	2006
Revenue:				
Interest	\$ 988	\$ 4,268	\$ 1,883	\$ 5,478
Expenses:				
General and administrative	93,584	69,666	167,221	134,381
Stock-based compensation	60,601	67,937	216,098	137,661
Professional fees	12,303	27,221	23,558	59,849
Shareholder services	18,059	20,160	28,141	29,605
Interest on debt	1,042	184	5,681	3,110
Amortization	7,502	169	8,643	169
	\$ 193,090	\$ 185,337	\$ 449,342	\$ 364,775
Net loss for the period	\$ (192,102)	\$ (181,069)	\$ (447,459)	\$ (359,297)
Loss per share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	40,034,430	31,507,640	40,034,430	31,507,640

See accompanying notes to Consolidated Interim Financial Statements.

# CANADIAN SHIELD RESOURCES INC.

(AN EXPLORATION STAGE ENTITY)

Consolidated interim Statements of Cash Flows  
(Unaudited)

	Three Months ended June 30		Six Months ended June 30	
	2007	2006	2007	2006
Cash flows provided by (used in):				
Operations:				
Net loss for the period	\$ (192,103)	\$ (181,069)	\$ (447,459)	\$ (359,297)
Items not affecting cash:				
Amortization	7,502	169	8,643	169
Stock-based compensation	60,601	67,937	216,098	137,661
Change in non-cash balances related to operations:				
Sundry assets	(158,097)	60,666	(194,675)	17,513
Accounts payable and accrued liabilities	(17,777)	(79,296)	(78,747)	(65,710)
Cash used in operating activities	(299,874)	(131,593)	(496,140)	(269,664)
Financing:				
Issuance of common shares (note 4)	858,854	173,792	1,433,058	1,166,393
Shareholders' loans (note 3)	(151,019)	(58,941)	(101,513)	(57,284)
Cash provided by financing activities	707,835	114,851	1,331,545	1,109,109
Investing:				
Purchase of property and equipment	(3,713)	(2,249)	(3,713)	(3,946)
Mining properties and deferred exploration expenditures	(560,058)	-	(629,205)	-
Investment and advances	-	(251,802)	-	(517,978)
Cash used in investing activities	(563,771)	(254,051)	(632,918)	(521,924)
Increase (decrease) in cash	\$ (155,810)	\$ (270,793)	\$ (202,487)	\$ 317,521
Cash, beginning of period	368,020	612,939	9,723	24,625
Cash, end of period	\$ 212,210	\$ 342,146	\$ 212,210	\$ 342,146
Supplemental cash flow information:				
Interest received	\$ 988	\$ 4,268	\$ 1,883	\$ 5,478
Interest paid	\$ 1,042	\$ 3,126	\$ 5,681	\$ 4,395

See accompanying notes to Consolidated Interim Financial Statements.

# CANADIAN SHIELD RESOURCES INC.

(AN EXPLORATION STAGE ENTITY)  
Notes to Interim Consolidated Financial Statements  
(Unaudited)  
June 30, 2007 and 2006

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Canadian Shield Resources Inc. 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 revenues relating to its exploration activities and is considered to be in the exploration stage.

## 1. Significant accounting policies:

### (a) Basis of presentation:

The disclosures contained in these unaudited consolidated interim financial statement do not include all requirements of generally accepted accounting principles (GAAP) for annual financial statements. The unaudited consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2006.

The unaudited 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 June 30, 2007 and the results of operations and cash flows for the six months ended June 30, 2007 and 2006.

## 2. Mining properties and deferred exploration expenditures:

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

	December 31, 2006	Deferred Exploration Expenditures	June 30, 2007
Canada:			
Erickson Lake	\$ 16,564	\$ -	\$ 16,564
Peru:			
Humajala	1,660,188	36,977	1,697,165
Cerro Cori	435,616	63,909	498,706
Ccello Ccello	445,022	3,828	448,850
Apune-Pucarana	470,196	2,861	473,057
La Estrella	-	145,833	145,833
Paurpa Poroma	-	145,833	145,833
Other	17,756	84,949	102,705
Southern Chile :			
Pampa Poroma	-	145,833	145,833
	\$ 3,045,342	\$ 629,205	\$ 3,674,547

## 3. Loan payable:

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

# CANADIAN SHIELD RESOURCES INC.

(AN EXPLORATION STAGE ENTITY)

Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2007 and 2006

## 4. Capital stock:

### (a) Issued:

	Common shares	
	Number	Amount
Balance, January 1, 2007	40,349,081	\$ 5,594,890
Issued:		
Private placement (i)	3,100,000	625,000
Warrants exercised	1,729,000	395,800
Shares issued for APMX acquisition (ii)	2,187,500	437,500
Options exercised	320,834	40,717
Compensation warrants exercised	156,450	31,788
Less: Share issue costs		(97,747)
Balance, June 30, 2007	47,842,865	\$ 7,027,948

- i. In March 2007, the Company closed a private placement of 2,000,000 units at \$0.175 per unit ("L Units"), and a second private placement of 1,100,000 units at \$0.25 per unit ("M Units"), for total gross proceeds of \$625,000. Each L1 Unit is comprised of one common share and one-half non-transferable Series L1 Warrant ("L1 Warrant"). Each whole L1 Warrant entitles the holder to purchase one common share at an exercise price of \$0.30 per share for a period of 24 months from closing. The L1 Warrant is callable, at the option of Canadian Shield after July 2, 2007, in the event the common shares trade at or over \$0.45 per share for 10 consecutive trading days. Each M Unit is comprised of one common share and one-half non-transferable Series M Warrant ("M Warrant"). Each whole M Warrant entitles the holder to purchase one common share at an exercise price of \$0.40 per share for a period of 24 months from closing. The M Warrant is callable, at the option of Canadian Shield after July 3, 2007, in the event the common shares trade at or over \$0.60 per share for 10 consecutive trading days. For the L1 Unit offering, the qualified selling agents will be paid finders' fees of 7% of the gross proceeds from the L1 Units placed by the agent and Compensation L1 Warrants equal to 6% of the number of L1 Units placed by the agent. Each Compensation L1 Warrant entitles the agent to purchase one common share at an exercise price of \$0.175 per share for a period of 24 months from the date of closing of the private placement offering. The Compensation L1 Warrants are callable, at the option of Canadian Shield, four months after the date of closing in the event the common shares trade at or over \$0.45 per share for 10 consecutive trading days. For the M Unit offering, the qualified selling agents will be paid finders' fees of 7% of the gross proceeds from both M Units placed by the agent and Compensation M Warrants equal to 6% of the number of M Units placed by the finders. Each Compensation M Warrant entitles the agent to purchase one common share at an exercise price of \$0.25 per share for a period of 24 months from the date of closing of the private placement offering. The Compensation M Warrants are callable, at the option of Canadian Shield, four months after the date of closing in the event the common shares trade at or over \$0.60 per share for 10 consecutive trading days.
- ii. In April 2007, the Company acquired 90% of the outstanding shares of Anderson Peru Mining And Exploration S.A.C. ("APMX") in exchange for 2,000,000 Canadian Shield treasury shares. These shares are subject to a four-month regulatory hold period. At the end of the four-month hold period 750,000 shares will be released and thereafter the balance of 1,250,000 shares will become free trading at the rate of 62,500 shares per month over the next 24 months. The Company paid a finder's fee of 187,500 common shares of Canadian Shield subject to a four-month regulatory hold period.

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Notes to Interim Consolidated Financial Statements  
(Unaudited)  
June 30, 2007 and 2006

(b) The following summarizes the stock options outstanding:

	Number of Options	Weighted average exercise price
Outstanding, January 1, 2007	4,030,000	\$ 0.18
Exercised	(320,834)	0.13
Granted	570,000	0.21
Outstanding, June 30, 2007	4,279,166	\$ 0.17
Options exercisable, end of period	2,865,833	\$ 0.17

(c) Warrants:

The following summarizes the Warrants outstanding:

	Weighted average remaining contractual life (years)	Series	Number of warrants	Weighted average exercise price
January 1, 2007	0.62		5,885,000	\$ 0.40
Exercised			(1,729,000)	0.23
Issued		L1	1,000,000	0.30
Issued		M	550,000	0.40
June 30, 2007	0.70		5,706,000	\$ 0.25

(d) Compensation Warrants:

The following summarizes the Compensation Warrants outstanding:

	Weighted average remaining contractual life (years)	Series	Number of warrants	Weighted average exercise price
January 1, 2007	1.44	-	506,400	\$ 0.20
Expired		C	(31,200)	\$ 0.125
Exercised		-	(156,450)	\$ 0.20
Issued		L1	105,900	\$ 0.175
Issued		M	33,000	\$ 0.25
June 30, 2007	0.72		457,650	\$ 0.20

## 5. Segmented Information:

(a) Reportable Segments:

In 2007 and 2006, the Company has one operating segment in mineral exploration

(b) Enterprise Wide Disclosure – Geographic Information:

As at June 30, 2007, \$3,719,809 (December 2006: \$3,072,938) of the Company's assets were held in Peru.

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Notes to Interim Consolidated Financial Statements

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June 30, 2007 and 2006

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## 6. Subsequent Events

- i. In July 2007, the Company entered into an option agreement to purchase 100% participating interest in the Colpayoc gold-silver-copper-molybdenum prospect in northern Peru. Colpayoc is comprised of 3 properties held by two owners. Compania Minera Chetilla holds the El Ferrol 15 through 18 and the Ferrol Che exploration licenses with a total of 3,608 hectares. The Francisco Jose IV and Francisco Jose V exploration licenses comprise 680 hectares and are held by Mr. Francisco Jose Santolalla, Lima, Peru. The Company can earn 100% interest in the properties by spending an aggregate of US\$4 million in exploration and making cash payments totalling US\$4 million over the option term of 54 months. Each vendor will retain a 2% NSR on all metals produced on their respective properties. Each vendor will receive US\$100,000 per year from the date of completion of the option until commercial production starts as a royalty advance which will be deducted over time from ensuing NSR royalties.
- ii. (ii) In August 2007, the Company signed a letter of intent with Solitario Resources Corporation (TSX: SLR, AMEX: XPL) to acquire La Tola, an epithermal gold-silver prospect (the "Property") in the Caylloma Province of the Department of Arequipa, southern Peru. The Property comprises 1,000 hectares in one exploration license, Zoraida Uno. Under the terms of the binding letter of intent, Canadian Shield has a 4 year earn-in option to purchase 100% of the Property by incurring exploration expenditures of US\$2 million over the next 4 years, and by making a cash payment of US\$2 million at the end of the 4 year option period. Solitario Resources Corporation ("Solitario") will retain a 2% Net Smelter Return that the Company may purchase at its option for US\$1.5 million prior to commercial production. The exploration expenditures and cash payments schedule is as follows:

<b>The terms of the cumulative exploration expenditures:</b>	<b>\$US</b>	<b>\$US</b>
	<b>Expenditures</b>	<b>Cumulative</b>
Prior to December 31, 2008;	\$ 200,000	\$ 200,000
Prior to December 31, 2009;	\$ 300,000	\$ 500,000
Prior to December 31, 2010; and	\$ 500,000	\$ 1,000,000
Prior to December 31, 2011	\$ 1,000,000	\$ 2,000,000
	\$2,000,000	

  

<b>The terms of the cash payments:</b>	<b>\$US</b>	<b>\$US</b>
	<b>Payments</b>	<b>Cumulative</b>
Paid on signing of Letter of Intent	\$ 3,000	\$ 3,000
Prior to December 31, 2011	\$ 2,000,000	\$ 2,003,000
	\$ 2,003,000	