

Consolidated Interim Financial Statements

**CANADIAN SHIELD RESOURCES LTD.**

(Formerly Canadian Shield Resources Inc.)

June 30, 2009 and 2008

(Unaudited – See Notice to Reader)

The Consolidated Interim Balance Sheets of Canadian Shield Resources Ltd. (formerly “Canadian Shield Resources Inc.”) as at June 30, 2009 and the Consolidated Interim Statements of Deficit, Operations 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 management and have been reviewed and approved by the Company’s Audit Committee.

# **CANADIAN SHIELD RESOURCES LTD.**

(Formerly Canadian Shield Resources Inc.)

Consolidated Interim Financial Statements

June 30, 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 June 30, 2009 and the Interim Statements of Deficit, Operations, and Cash Flows for the six 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.)

Consolidated Interim Financial Statements

June 30, 2009 and 2008

(Unaudited – See Notice to Reader)

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# CANADIAN SHIELD RESOURCES LTD.

(Formerly Canadian Shield Resources Inc.)

Consolidated Interim Balance Sheets

June 30, 2009 and 2008

(Unaudited – See Notice to Reader)

	June 30 2009	December 31 2008
<b>Assets</b>		
Current:		
Cash	\$ 9,890	\$ 32,763
Sundry assets	106,609	85,788
	116,499	118,551
Property and equipment, net	15,967	18,492
Mining properties and deferred exploration expenditures (Note 2)	2,951,954	2,704,509
	\$ 3,084,420	\$ 2,841,552
<b>Liabilities and Shareholders' Equity</b>		
Current:		
Accounts payable and accrued liabilities	\$ 537,176	\$ 387,884
Loan payable (Note 3)	320,199	598,512
	857,375	986,396
Non-controlling interest	27,626	27,626
Shareholders' equity:		
Capital stock (Note 4)	8,608,917	8,007,536
Warrants	45,804	45,804
Contributed surplus	1,037,199	952,619
Deficit	(7,492,501)	(7,178,429)
	2,199,419	1,827,530
	\$ 3,084,420	\$ 2,841,552

See accompanying notes to Consolidated Interim Financial Statements.

Approved on behalf of the Board:

Signed: "Bernard Kraft" Director

Signed: "Gregory Harris" Director

# CANADIAN SHIELD RESOURCES LTD.

(Formerly Canadian Shield Resources Inc.)

Consolidated Interim Statements of Deficit

June 30, 2009 and 2008

(Unaudited – See Notice to Reader)

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Deficit, beginning of period	\$ (7,352,234)	\$ (4,596,011)	\$ (7,178,429)	\$ (4,413,530)
Net loss for the period	(140,267)	(2,069,544)	(314,072)	(2,252,025)
Deficit, end of period	\$ (7,492,501)	\$ (6,665,555)	\$ (7,492,501)	\$ (6,665,555)

See accompanying notes to Consolidated Interim Financial Statements.

# CANADIAN SHIELD RESOURCES LTD.

(Formerly Canadian Shield Resources Inc.)

Consolidated Interim Statements of Operations

June 30, 2009 and 2008

(Unaudited – See Notice to Reader)

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
<b>Revenue:</b>				
Interest Income	\$ -	\$ -	\$ -	\$ -
<b>Expenses:</b>				
General and administrative	54,609	185,686	131,661	281,156
Stock-based compensation	28,575	37,200	84,580	74,400
Shareholder services	24,244	12,071	41,694	21,170
Professional fees	26,951	39,592	35,951	75,920
Interest	4,625	3,023	17,660	4,657
Amortization	1,263	807	2,526	3,557
Mining property and exploration expenditure written off (Note 2)	-	1,791,165	-	1,791,165
	140,267	2,069,544	314,072	2,252,025
<b>Net loss for the period</b>	<b>\$ (140,267)</b>	<b>\$ (2,069,544)</b>	<b>\$(314,072)</b>	<b>\$ (2,252,025)</b>
Loss per share – basic and diluted	\$ (0.02)	\$ (0.83)	(0.06)	\$ (0.89)
Weighted average number of common shares outstanding	5,613,358	2,508,331	5,090,896	2,522,898

See accompanying notes to Consolidated Interim Financial Statements.

# CANADIAN SHIELD RESOURCES LTD.

(Formerly Canadian Shield Resources Inc.)  
 Consolidated Interim Statements of Cash Flows  
 June 30, 2009 and 2008  
 (Unaudited – See Notice to Reader)

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Cash flows provided by (used in):				
Operations:				
Net loss for the period	\$(140,267))	\$ (2,069,544)	\$ (314,073)	\$ (2,252,025)
Items not affecting cash:				
Amortization	1,263	807	2,526	3,557
Stock-based compensation	28,575	37,200	84,580	74,400
Exploration expenditure expensed	-	1,791,165	-	1,791,165
Change in non-cash balances related to operations:				
Sundry assets	(16,985)	(20,912)	(20,821)	(26,210)
Accounts payable and accrued liabilities	78,023	186,779	149,292	416,212
Cash (used in) operating activities	(49,391)	(74,505)	(98,496)	7,099
Financing:				
Issuance of common shares (Note 4)	617,714	17,683	617,714	71,639
Share issue cost	(16,333)	-	(16,333)	-
Loans payable	(388,591)	118,298	(278,313)	189,657
Cash provided by financing activities	212,790	100,615	323,068	261,296
Investing:				
Purchase of plant and equipment	3,868	-	-	-
Mining properties and deferred exploration expenditures	(186,440)	(25,519)	(247,445)	(369,023)
Cash (used in) investing activities	(182,572)	(25,519)	(247,445)	(369,023)
Net change in cash	(19,172)	591	(22,873)	(100,628)
Cash, beginning of period	29,063	26,671	32,763	127,890
Cash, end of period	\$ 9,890	\$ 27,262	\$ 9,890	\$ 27,262

See accompanying notes to Consolidated Interim Financial Statements.

# CANADIAN SHIELD RESOURCES LTD.

(Formerly Canadian Shield Resources Inc.)  
Notes to Consolidated Interim Financial Statements  
June 30, 2009 and 2008  
(Unaudited – See Notice to Reader)

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Canadian Shield Resources Ltd. (formerly “Canadian Shield Resources Inc.”) (“Canadian Shield” or the “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 June 30, 2009 and the results of operations and cash flows for the six months ended June 30, 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	June 30 2009
Canada:			
Erickson Lake *	\$ -	\$ -	\$ -
Peru:			
Humajala *	-	-	-
Cerro Cori	325,327	35,718	361,045
Ccello Ccello	507,629	31,831	539,459
Apune-Pucarana	503,465	14,179	517,644
La Estrella	627,751	26,262	654,013
Pampa Poroma	194,042	16,466	210,508
Colpayoc	312,994	101,971	414,965
La Tola	73,023	21,019	94,042
Other	17,756	-	17,756
Chile:			
Trol	142,522	-	142,522
	\$ 2,704,509	\$ 247,445	\$ 2,951,954

\* 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.

# CANADIAN SHIELD RESOURCES LTD.

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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)	2,602,273	8,007,535
Shares issuance	3,985,261	617,715
Less: Share issue costs		(16,333)
Balance, June 30, 2009	6,587,533	\$ 8,608,917

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. Common shares issued are subject to restrictions on resale under securities laws in force in Canada, which restrictions will expire on August 24, 2009, and are subject to contractual restrictions on disposition under a voluntary agreement amongst the Settlement Shareholders (the "Lock-Up & Leak-Out Covenant"), which provides that these shares will be deposited in escrow, with an escrow agent to be designated, and not sold prior to release of such shares from escrow. Under the Lock-Up & Leak-Out Covenant these shares will be released pro rata to the Settlement Shareholders on August 24, 2009 as to 548,904 of such shares; on the 24th days of December, 2009, April, 2010, August, 2010, December, 2010, April, 2011, and August, 2011, as to 478,231 of such shares; and on December 24, 2011, as to 557,936 of such shares.

The following summarizes the stock options outstanding:

	Number of options	Weighted average exercise price
Outstanding, June 30, 2009	478,500	\$ 2.03
Options exercisable, end of period	226,500	\$ 3.09

### (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		(27,500)	8.00
June 30, 2009	0.28	25,175	\$ 5.00

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## 4. Capital stock (continued):

### (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
June 30, 2009	0.60	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 June 30, 2009, \$2,961,329 (December 2008: \$2,761,937) of the Company's assets were held in Peru.

## 6. Financial instruments and risk management:

### (a) Fair values:

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 June 30, 2009, one Canadian Dollar equals to 2.5913 Soles.

Balances in non-Canadian dollar currencies are as follows:

	Peruvian New Soles
Cash	38,217
Accounts payable and accrued liabilities	(419,439)
	(381,222)

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## 6. Financial instruments and risk management (continued):

### (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.

### (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. As at June 30, 2009, the Company had cash and cash equivalents of \$9,890 to settle current liabilities of \$857,375 and therefore has liquidity risk.

## 7. Subsequent Event:

On July 10, 2009, the Company completed a non-brokered exempt private placement financing of 1,062,500 Units at \$0.80 per Unit for gross proceeds of \$850,000.