

Consolidated Interim Financial Statements

CANADIAN SHIELD RESOURCES INC.
(AN EXPLORATION STAGE ENTITY)
September 30, 2007 and 2006
(Unaudited)

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

September 30, 2007 and 2006

(Unaudited)

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CANADIAN SHIELD RESOURCES INC.

(AN EXPLORATION STAGE ENTITY)

Consolidated Interim Balance Sheets
(Unaudited)

	September 30 2007	December 31 2006
Assets		
Current assets:		
Cash	\$ 71,635	\$ 9,723
Short-term investments	127,323	-
Sundry assets	147,964	12,994
	<u>346,922</u>	<u>22,717</u>
Property and equipment, net	14,823	19,560
Mining properties and deferred exploration expenditures (note 2)	3,793,156	3,045,342
	<u>\$ 4,154,901</u>	<u>\$ 3,087,619</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 128,237	\$ 177,145
Shareholder loans	-	101,512
	<u>128,237</u>	<u>278,657</u>
Minority Interest	24,792	24,792
Shareholders' equity:		
Capital stock (note 4 (a))	7,196,248	5,594,888
Contributed surplus	918,862	611,031
Warrants	56,003	56,003
Deficit	(4,169,241)	(3,477,752)
	<u>4,001,872</u>	<u>2,784,170</u>
	<u>\$ 4,154,901</u>	<u>\$ 3,087,619</u>

See accompanying notes to Consolidated Interim Financial Statements.

Approved on behalf of the Board:

"Bernard Kraft" _____

Director

"Philip Anderson" _____

Director

CANADIAN SHIELD RESOURCES INC.

(AN EXPLORATION STAGE ENTITY)

Consolidated Interim Statements of Deficit
(Unaudited)

	Three Months ended September 30		Nine Months ended September 30	
	2007	2006	2007	2006
Deficit, beginning of period	\$ (3,733,108)	\$ (3,042,707)	\$ (3,477,752)	\$ (2,662,361)
Net loss for the period	(436,133)	(190,982)	(691,489)	(571,328)
Deficit, end of period	\$ (4,169,241)	\$ (3,233,689)	\$ (4,169,241)	(3,233,689)

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 September 30		Nine Months ended September 30	
	2007	2006	2007	2006
Revenue:				
Interest	\$ 3,587	\$ 1,631	\$ 5,470	\$ 7,109
Expenses:				
General and administrative	138,695	92,929	305,916	248,361
Stock-based compensation	91,745	61,680	307,842	199,341
Professional fees	3,500	18,493	27,058	48,097
Shareholder services	12,830	17,371	40,972	77,220
Interest on debt	-	1,512	5,681	4,622
Amortization	847	628	9,490	796
	\$ 247,617	\$ 192,613	\$ 696,959	\$ 578,437
Net loss for the period	\$ (244,030)	\$ (190,982)	\$ (691,489)	\$ (571,328)
Loss per share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding	40,034,430	34,573,122	40,034,430	34,573,122

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 September 30		Nine Months ended September 30	
	2007	2006	2007	2006
Cash flows provided by (used in):				
Operations:				
Net loss for the period	\$ (244,030)	\$ (190,982)	\$ (691,489)	\$ (571,328)
Items not affecting cash:				
Amortization	847	199	9,490	368
Stock-based compensation	91,745	61,680	307,842	199,341
Change in non-cash balances related to operations:				
Sundry assets	59,695	4,766	(134,980)	21,929
Accounts payable and accrued liabilities	29,838	4,659	(48,909)	(39,650)
Cash used in operating activities	(61,905)	(119,678)	(558,046)	(389,340)
Financing:				
Issuance of common shares (note 4)	168,300	143,200	1,601,358	1,309,593
Shareholders' loans (note 3)	-	101,512	(101,512)	44,228
Cash provided by financing activities	168,300	244,712	1,499,846	1,353,821
Investing:				
Increase in short-term investment	(127,323)	-	(127,323)	-
Purchase of property and equipment	(1,038)	(17,158)	(4,751)	(21,105)
Mining properties and deferred exploration expenditures	(118,609)	(329,097)	(747,814)	(847,076)
Cash used in investing activities	(246,970)	(346,255)	(879,888)	(868,181)
Increase (decrease) in cash	\$ (140,575)	\$ (221,221)	\$ 61,912	\$ 96,300
Cash, beginning of period	212,210	342,146	9,723	24,625
Cash, end of period	\$ 71,635	\$ 120,925	\$ 71,635	\$ 120,925
Supplemental cash flow information:				
Interest received	\$ 1,254	\$ 1,631	\$ 3,137	\$ 7,109
Interest paid	-	\$ 3,126	\$ 5,681	\$ 4,395

See accompanying notes to Consolidated Interim Financial Statements.

CANADIAN SHIELD RESOURCES INC.

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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 September 30, 2007 and the results of operations and cash flows for the nine months ended September 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	September 30, 2007
Canada:			
Erickson Lake	\$ 16,564	\$ -	\$ 16,564
Peru:			
Humajala	1,660,188	55,082	1,715,270
Cerro Cori	435,616	34,340	469,956
Ccello Ccello	445,022	25,552	469,572
Apune-Pucarana	470,196	3,481	473,677
La Estrella	-	145,833	145,833
Pampa Poroma	-	145,833	145,833
Colpayoc	-	106,911	106,911
Other	17,756	84,949	102,705
Chile :			
Trol	-	145,833	145,833
	<u>\$ 3,045,342</u>	<u>\$ 630,023</u>	<u>\$ 3,793,156</u>

3. Shareholder loan payable:

Shareholder loan bore interest at 12% per annum was unsecured and due on demand.

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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	2,552,500	561,500
Shares issued for APMX acquisition (ii)	2,187,500	437,500
Options exercised	320,834	40,716
Compensation warrants exercised	174,450	35,388
Less: Share issue costs		(98,746)
Balance, September 30, 2007	48,684,365	\$ 7,196,248

- 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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(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, September 30, 2007	4,279,166	\$ 0.17
Options exercisable, end of period	3,184,166	\$ 0.16

(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			(2,552,500)	0.22
Expired			(3,332,500)	0.54
Issued		L1	1,000,000	0.30
Issued		M	550,000	0.40
September 30, 2007	0.70		1,550,000	\$ 0.33

(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	(331,950)	\$ 0.20
Exercised		-	(174,450)	\$ 0.20
Issued		L1	105,900	\$ 0.175
Issued		M	33,000	\$ 0.25
September 30, 2007	0.72		138,900	\$ 0.19

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 September 30, 2007, \$3,989,117 (December 2006: \$3,072,938) of the Company's assets were held in Peru.