

Consolidated Interim Financial Statements

CANADIAN SHIELD RESOURCES INC.

(AN EXPLORATION STAGE ENTITY)

September 30, 2008 and 2007

(Unaudited)

The Consolidated Interim Balance Sheet of Canadian Shield Resources Inc. (the "Company") as at September 30, 2008 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, 2008 and 2007
(Unaudited – See Notice to Reader)

Notice to Reader

Management has compiled the unaudited interim financial statements of Canadian Shield Resources Inc. ("Canadian Shield" or the "Company") consisting of the Interim Consolidated Balance Sheets as at September 30, 2008 and the Interim Statements of Deficit, Operations, and Cash Flows for the nine months ended September 30, 2008. 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 INC.
(An Exploration Stage Entity)
September 30, 2008 and 2007
(Unaudited - See Notice to Reader)

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CANADIAN SHIELD RESOURCES INC.

(An Exploration Stage Entity)

Consolidated Interim Balance Sheets

(Unaudited - See Notice to Reader)

As at	September 30, 2008	December 31, 2007
Assets		
Current assets:		
Cash	\$ 21,848	\$ 127,890
Sundry assets	159,972	116,268
	<u>181,820</u>	<u>244,158</u>
Property and equipment, net (note 5)	17,711	21,978
Mining properties and deferred exploration expenditures (note 6)	2,772,989	4,061,293
	<u>\$ 2,972,520</u>	<u>\$ 4,327,429</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 751,999	\$ 207,535
Loans payable (note 3)	288,246	-
	<u>1,040,245</u>	<u>207,535</u>
Non-controlling interest	27,626	27,626
Shareholders' Equity:		
Capital stock	7,690,881	7,619,242
Warrants	8,041	8,041
Contributed surplus	990,116	878,516
Deficit	(6,784,390)	(4,413,531)
	<u>1,904,649</u>	<u>4,092,268</u>
	<u>\$ 2,972,520</u>	<u>\$ 4,327,429</u>

See accompanying notes to Consolidated Interim Financial Statements.

Approved on behalf of the Board:

"Bernard Kraft"

Director

"Gregory Harris"

Director

CANADIAN SHIELD RESOURCES INC.
(An Exploration Stage Entity)
Consolidated Interim Statements of Deficit
(Unaudited - See Notice to Reader)

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Deficit, beginning of period	\$ (6,665,555)	\$ (3,925,211)	\$ (4,413,530)	\$ (3,477,752)
Net loss for the period	(118,835)	(244,030)	(2,370,860)	(691,489)
Deficit, end of period	\$ (6,784,390)	\$ (4,169,241)	\$ (6,784,390)	\$ (4,169,241)

See accompanying notes to Consolidated Interim Financial Statements.

CANADIAN SHIELD RESOURCES INC.
(An Exploration Stage Entity)
Consolidated Interim Statements of Operations
(Unaudited - See Notice to Reader)

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Revenue:				
Interest Income	\$ -	\$ 3,587	\$ -	\$ 5,470
Expenses:				
General and administrative	63,435	138,695	344,591	305,916
Stock-based compensation	37,200	91,745	111,600	307,842
Shareholder services	5,580	3,500	26,750	27,058
Professional fees	4,289	12,830	80,209	40,972
Interest	7,600	-	12,257	5,681
Mining property and exploration expenditure written off (note 2)	-	-	1,791,165	-
Amortization	731	847	4,288	9,490
	\$ 118,835	\$ 247,617	\$ 2,370,860	\$ 696,959
Net loss for the period	\$ (118,835)	\$ (244,030)	\$ (2,370,860)	\$ (691,489)
Loss per share – basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.05)	\$ (0.02)
Weighted average number of common shares outstanding	52,045,457	40,034,430	50,997,208	40,034,430

See accompanying notes to Consolidated Interim Financial Statements.

CANADIAN SHIELD RESOURCES INC.
(An Exploration Stage Entity)
Consolidated Interim Statements of Cash Flows
(Unaudited - See Notice to Reader)

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Cash flows provided by (used in):				
Operations:				
Net loss for the period	\$ (118,835)	\$ (244,030)	\$ (2,370,860)	\$ (691,489)
Items not affecting cash:				
Amortization	731	847	4,287	9,490
Stock-based compensation	37,200	91,745	111,600	307,842
Exploration expenditure expensed	-	-	1,791,165	-
Change in non-cash balances related to operations:				
Sundry assets	(17,494)	59,695	(43,704)	(134,980)
Accounts payable and accrued liabilities	127,088	29,838	544,466	(48,909)
Cash (used in) operating activities	(28,690)	(61,905)	(36,955)	(558,046)
Financing:				
Issuance of common shares (note 4)	-	168,300	71,639	1,601,358
Shareholder's loans	98,589	-	288,246	(101,512)
Cash provided by financing activities	\$ 98,589	\$ 168,300	\$ 359,886	\$ 1,499,846
Investing:				
Increase in short-term investment	-	(127,323)	-	(127,323)
Property and equipment	1,145	(1,038)	(20)	(4,751)
Mining properties and deferred exploration expenditures (note 6)	(133,838)	(118,609)	(502,861)	(747,814)
Cash (used in) investing activities	\$ (132,693)	\$ (246,970)	\$ (502,882)	\$ (879,888)
Decrease in cash	(5,413)	(140,575)	(106,041)	61,912
Cash, beginning of period	27,261	212,210	127,890	9,723
Cash, end of period	\$ 21,848	\$ 71,635	\$ 21,848	\$ 71,635
Supplemental cash flow information:				
Interest received	\$ -	\$ 1,254	\$ -	\$ 3,137
Interest paid	\$ 7,600	\$ -	\$ 12,257	\$ 5,681

See accompanying notes to Consolidated Interim Financial Statements.

CANADIAN SHIELD RESOURCES INC.
(An Exploration Stage Entity)
Notes to Interim Consolidated Financial Statements
(Unaudited - See Notice to Reader)
September 30, 2008 and 2007

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 revenues relating to its exploration activities and is considered to be in the exploration stage.

1. Significant accounting policies:

Basis of presentation:

The disclosures contained in these unaudited consolidated interim financial statements 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, 2007.

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, 2008 and the results of operations and cash flows for the nine months ended September 30, 2008 and 2007.

All amounts contained in these Financial Statements are expressed in Canadian dollars.

2. Mining properties and deferred exploration expenditures:

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

	December 31, 2007	Deferred Exploration Expenditures	Expensed or Written Off	September 30, 2008
Canada:				
Erickson lake	\$ 16,564	\$ -	\$ -	\$ 16,564
Peru:				
Humajala *	1,766,007	25,158	(1,791,165)	-
Cerro Cori	449,007	49	-	449,056
Ccello Ccello	482,192	424	-	482,616
Apune-Pucarana	474,689	-	-	474,689
La Estrella	395,688	359,280	-	754,968
Pampa Poroma	139,869	65	-	139,934
Colpayoc	126,671	73,273	-	199,944
La Tola	52,123	844	-	52,967
Other	17,756	43,614	-	61,370
Chile:				
Trol	140,727	154	-	140,881
	\$ 4,061,293	\$ 502,861	\$ (1,791,165)	\$ 2,772,989

* Deferred exploration expenditures related to Humajala Property were expensed after discontinuation of exploration activities in June 2008.

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Notes to Interim Consolidated Financial Statements
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3. Loans payable:

Loans payable consists of the following:

	September 30, 2008	December 31, 2007
Loans payable, due to non-related parties, bearing interest at 12% per annum, unsecured and due on demand	\$ 105,671	\$ -
Loans payable, due to directors of the Company, bearing interest at 12% per annum, unsecured and due on demand	182,575	-
	\$ 288,246	\$ -

4. Capital stock:

(a) Issued:

	Common shares	
	Number	Amount
Balance, January 1, 2008	49,906,066	\$ 7,619,242
Issued:		
Private placement (i)	1,007,002	151,050
Options exercised	1,132,387	141,756
Less: Share issue costs	-	(161,832)
Balance, September 30, 2008	52,045,457	\$ 7,690,881

(i) In April 2008, the Company successfully completed a non-brokered expedited private placement of 1,007,002 Units at a price of \$0.15 per Unit for gross proceeds of \$151,050. Each Unit is comprised of one common share and one-half non-transferable Series O Warrant. Each whole Series O Warrant ("Warrant") entitles the holder to purchase one common share at an exercise price of \$0.25 for a period of 18 months from the date of closing. The Warrant is callable, at the option of Canadian Shield, four months after the date of closing in the event its common shares trade at or over \$0.50 per share for 10 consecutive trading days.

(b) The following summarizes the stock options outstanding:

	Number of warrants	Weighted average exercise price
Outstanding, January 1, 2008	4,849,166	\$ 0.18
Granted	4,090,000	-
Exercised	1,132,387	0.13
Outstanding, September 30, 2008	7,806,729	\$ 0.17

CANADIAN SHIELD RESOURCES INC.

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Notes to Interim Consolidated Financial Statements

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September 30, 2008 and 2007

Options exercisable, end of period	3,716,729	\$	0.18
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(c) Warrants:

The following summarizes the Warrants outstanding:

	Weighted average remaining contractual life (years)	Number of warrants	Weighted average exercise price
January 1, 2008	0.62	2,040,000	\$ 0.43
Issued	1.33	610,701	0.25
September 30, 2008		2,650,701	0.39

(d) Compensation Warrants:

The following summarizes the Compensation Warrants outstanding:

	Weighted average remaining contractual life (years)	Number of warrants	Weighted average exercise price
January 1, 2008	1.10	80,700	\$ 0.19
September 30, 2008	1.10	80,700	\$ 0.19

5. Segmented Information:

(a) Reportable Segments:

In 2008 and 2007, the Company has one operating segment in mineral exploration

(b) Enterprise Wide Disclosure – Geographic Information:

As at September 30, 2008, \$2,615,544 (December 2007: \$3,072,938) of the Company's assets were held in Peru.