

Consolidated Interim Financial Statements

CANADIAN SHIELD RESOURCES LTD.

(AN EXPLORATION STAGE ENTITY)

September 30, 2009 and 2008

(Unaudited – see notice to reader)

The Consolidated Interim Balance Sheet of Canadian Shield Resources Ltd. (the "Company") as at September 30, 2009 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 LTD.

(An Exploration Stage Entity)

September 30, 2009 and 2008

(Unaudited – See Notice to Reader)

Notice to Reader

Management has compiled the unaudited Consolidated Interim Financial Statements of Canadian Shield Resources Ltd. (“Canadian Shield” or the “Company”) consisting of the Consolidated Interim Balance Sheets as at September 30, 2009 and the Consolidated Interim Statements of Deficit, Operations, and Cash Flows for the nine months then ended. 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.

(An Exploration Stage Entity)

September 30, 2009 and 2008

(Unaudited - See Notice to Reader)

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CANADIAN SHIELD RESOURCES LTD.

(An Exploration Stage Entity)

Consolidated Interim Balance Sheets

(Unaudited - See Notice to Reader)

As at	September 30, 2009	December 31, 2008
Assets		
Current:		
Cash	\$ 1,185,531	\$ 32,763
Sundry assets	115,041	85,788
	1,300,572	118,551
Property and equipment, net	14,938	18,492
Mining properties and deferred exploration expenditures (note 2)	3,078,950	2,704,509
	\$ 4,394,460	\$ 2,841,552
Liabilities and Shareholders' Equity		
Current:		
Accounts payable and accrued liabilities	\$ 302,493	\$ 387,884
Loans payable (note 3)	213,220	598,512
	515,713	986,396
Non-controlling interest	27,626	27,626
Shareholders' Equity:		
Capital stock (Note 4a)	10,662,854	8,053,340
Contributed surplus (Note 4b)	1,072,380	952,619
Deficit	(7,884,113)	(7,178,429)
	3,851,121	1,827,530
	\$ 4,394,460	\$ 2,841,552

See accompanying notes to Consolidated Interim Financial Statements.

Approved on behalf of the Board:

*/s/ Bernard Kraft*_____
Director*/s/ Gregory Harris*_____
Director

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

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Deficit, beginning of period	\$ (7,492,502)	\$ (6,665,555)	\$ (7,178,429)	\$ (4,413,530)
Net loss for the period	(391,611)	(118,835)	(705,684)	(2,370,860)
Deficit, end of period	\$ (7,884,113)	\$ (6,784,390)	\$ (7,884,113)	\$ (6,784,390)

See accompanying notes to Consolidated Interim Financial Statements.

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

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Revenue:				
Interest Income	\$ -	\$ -	\$ -	\$ -
Expenses:				
General and administrative	290,163	63,435	421,825	344,591
Stock-based compensation	35,182	37,200	119,762	111,600
Shareholder services	32,861	5,580	74,555	26,750
Professional fees	26,066	4,289	62,017	80,209
Interest	6,974	7,600	24,635	12,257
Mining property and exploration expenditure written off	-	-	-	1,791,165
Amortization	365	731	2,891	4,288
	\$ 391,611	\$ 118,835	\$ 705,685	\$ 2,370,860
Net loss for the period	\$ (391,611)	\$ (118,835)	\$ (705,685)	\$ (2,370,860)
Loss per share – basic and diluted	\$ (0.07)	\$ (0.05)	\$ (0.13)	\$ (0.92)
Weighted average number of common shares outstanding	5,286,869	2,589,860	5,286,869	2,589,860

See accompanying notes to Consolidated Interim Financial Statements.

CANADIAN SHIELD RESOURCES LTD.
(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	
	2009	2008	2009	2008
Cash flows provided by (used in):				
Operations:				
Net loss for the period	\$ (391,611)	\$ (118,835)	\$ (705,685)	\$ (2,370,860)
Items not affecting cash:				
Amortization	365	731	2,891	4,287
Stock-based compensation	35,182	37,200	119,762	111,600
Exploration expenditure expensed	-	-	-	1,791,165
Shares for services	40,000	-	40,000	-
Change in non-cash balances related to operations:				
Sundry assets	(8,432)	(17,494)	(29,253)	(43,704)
Accounts payable and accrued liabilities	(234,683)	127,088	(85,391)	544,466
Cash (used in) operating activities	(559,180)	(28,690)	(657,676)	(36,955)
Financing:				
Issuance of common shares (note 4)	2,150,000	-	2,767,715	71,639
Share issue costs	(181,867)	-	(198,200)	-
Shareholder's loans	(106,979)	98,589	(385,292)	288,246
Cash provided by financing activities	\$ 1,861,153	\$ 98,589	\$ 2,224,221	\$ 359,886
Investing:				
Increase in short-term investment	-	-	-	-
Property and equipment	664	1,145	664	(20)
Mining properties and deferred exploration expenditures (note 6)	(126,996)	(133,838)	(374,441)	(502,861)
Cash (used in) investing activities	\$ (126,332)	\$ (132,693)	\$ (373,777)	\$ (502,882)
Increase (Decrease) in cash	1,175,641	(5,413)	1,152,768	(106,041)
Cash, beginning of period	9,890	27,261	32,763	127,890
Cash, end of period	\$ 1,185,531	\$ 21,848	\$ 1,185,531	\$ 21,848
Supplemental cash flow information:				
Interest paid	\$ 6,949	\$ 7,600	\$ 24,610	\$ 12,257

See accompanying notes to Consolidated Interim Financial Statements.

CANADIAN SHIELD RESOURCES LTD.

(An Exploration Stage Entity)

Notes to Consolidated Interim Financial Statements

(Unaudited - See Notice to Reader)

September 30, 2009 and 2008

Canadian Shield Resources Ltd. ("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, 2008.

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, 2009 and the results of operations and cash flows for the nine months ended September 30, 2009 and 2008.

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, 2008	Deferred Exploration Expenditures	Expensed or Written Off	September 30, 2009
Canada:				
Erickson lake	\$ -	\$ -	\$ -	\$ -
Peru:				
Humajala *	-	-	-	-
Cerro Cori	325,327	34,813	-	360,140
Ccello Ccello	507,629	30,587	-	538,216
Apune-Pucarana	503,465	12,937	-	516,402
La Estrella	627,751	34,614	-	662,366
Pampa Poroma	194,042	23,453	-	217,495
Colpayoc	312,994	213,459	-	526,452
La Tola	73,023	24,579	-	97,601
Other	17,756	-	-	17,756
Chile:				
Trol	142,522	-	-	142,522
	\$ 2,704,509	\$ 374,441	\$ -	\$ 3,078,950

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

CANADIAN SHIELD RESOURCES LTD.
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3. Loans payable:

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

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 (i)	3,985,261	617,715
Less: Share issue costs		(16,333)
Private placement (ii)	1,062,500	850,000
Shares issuance (iii)	43,011	40,000
Private placement (iv)	1,625,000	1,300,000
Less: Share issue costs		(181,867)
Balance, September 30, 2009	9,318,045	10,617,050

- (i) 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.
- (ii) On July 10, 2009, the Company issued 1,062,500 Units at \$0.80 per Unit for gross proceeds of \$850,000. Each Unit is comprised of one common share and one non-transferable Warrant. Each Warrant entitles the holder to purchase one additional common share at \$1.20 per share until July 10, 2010. The Warrant is callable, at the option of Canadian Shield, after November 10, 2009 in the event its common shares trade at or over \$1.60 per share for 10 consecutive trading days.
- (iii) On August 10, 2009, the Company issued 43,011 units at \$0.93 per Unit. Shares were as a result of a share for services arrangement approved at the annual shareholders' meeting.

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4. Capital stock (continued):

- (iv) On September 28, 2009, 1,250,000 Units at \$0.80 per Unit plus an over-allotment of 250,000 Units for gross proceeds of \$1,200,000. Each Unit is comprised of one common share and one non-transferable Warrant. Each Warrant entitles the holder to purchase one common share at an exercise price of \$1.20 per share until September 24, 2011. The Warrant is callable, at the option of Canadian Shield, after January 26, 2010, if the closing price of the common shares is at least \$1.60 for 10 consecutive trading days. If Canadian Shield elects to call the Warrants, it has 5 trading days to give notice of acceleration of the expiry date to the holders of the Warrants and the holders of the unexercised Warrants have 20 trading days to exercise their Warrants, failing which the unexercised Warrants shall expire.

The following summarizes the stock options outstanding:

	Number of options	Weighted average exercise price
Outstanding, September 30, 2009	463,750	\$ 1.90
Options exercisable, end of period	269,750	\$ 2.55

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
September 30, 2009	0.03	25,175	\$ 5.00

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
September 30, 2009	0.35	4,035	\$ 3.80

(b) Contributed Surplus:

Balance, December 31, 2007	\$ 878,516
Stock based compensation during 2008	225,857
Stock options exercised	(151,754)
Balance, December 31, 2008	952,619
Stock based compensation during 2009	119,761
Balance, December 31, 2009	\$ 1,072,380

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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 September 30, 2009, \$3,126,074 (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 September 30, 2009, one Canadian Dollar equals to 2.6918 Soles.

Balances in non-Canadian dollar currencies are as follows:

	Peruvian New Soles
Cash	126,848
Accounts payable and accrued liabilities	(588,173)
	(461,325)

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.