

Consolidated Interim Financial Statements

CANADIAN SHIELD RESOURCES INC.

(AN EXPLORATION STAGE ENTITY)

March 31, 2007 and 2006

(Unaudited)

The consolidated interim balance sheet of Canadian Shield Resources Inc. as at March 31, 2007 and the consolidated interim statements of operations, deficits and cash flows for the three 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.

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CANADIAN SHIELD RESOURCES INC.

(AN EXPLORATION STAGE ENTITY)

Consolidated Interim Balance Sheets
(Unaudited)

	March 31 2007	December 31 2006
Assets		
Current assets:		
Cash	\$ 368,020	\$ 9,723
Sundry assets	49,560	12,994
	<u>417,580</u>	<u>22,717</u>
Property and equipment, net	18,420	19,560
Mining properties and deferred exploration expenditures	3,114,490	3,045,342
	<u>\$ 3,550,490</u>	<u>\$ 3,087,619</u>

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 116,175	\$ 177,144
Loans payable (note 3)	151,019	101,512
	<u>267,194</u>	<u>278,656</u>
Minority interest	24,792	24,792
Shareholders' equity:		
Capital stock	6,169,093	5,594,888
Warrants	56,003	56,003
Contributed surplus	766,516	611,031
Deficit	(3,733,108)	(3,477,751)
	<u>3,258,504</u>	<u>2,784,171</u>
Subsequent events (note 6)		
	<u>\$ 3,550,490</u>	<u>\$ 3,087,619</u>

See accompanying notes to consolidated interim financial statements.

Approved on behalf of the Board:

Director

Director

CANADIAN SHIELD RESOURCES INC.

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Consolidated interim Statements of Deficit
(Unaudited)

For the three months ended March 31	2007	2006
Deficit, beginning of period	\$ (3,477,752)	\$ (2,662,360)
Net loss for the period	(255,356)	(178,228)
Deficit, end of period	\$ (3,733,108)	\$ (2,840,588)

See accompanying notes to consolidated interim financial statements.

CANADIAN SHIELD RESOURCES INC.

(AN EXPLORATION STAGE ENTITY)

Consolidated interim Statements of Operations
(Unaudited)

For the three months ended March 31	2007	2006
Revenue:		
Interest	\$ 896	\$ 1,210
Expenses:		
General and administrative	73,636	64,715
Stock-based compensation	155,496	69,724
Shareholder services	10,084	32,628
Professional fees	11,255	9,445
Interest	4,640	2,926
Amortization	1,141	-
	256,252	179,438
Net loss for the period	(255,356)	(178,228)
Loss per share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	37,556,314	28,529,334

See accompanying notes to consolidated interim financial statements.

CANADIAN SHIELD RESOURCES INC.

(AN EXPLORATION STAGE ENTITY)

Consolidated interim Statements of Cash Flows
(Unaudited)

For the three months ended March 31	2007	2006
Cash flows provided by (used in):		
Operations:		
Net loss for the period	\$ (255,356)	\$ (178,228)
Items not affecting cash:		
Amortization	1,141	-
Stock-based compensation	155,496	69,724
Change in non-cash balances related to operations:		
Sundry assets	(36,577)	(43,153)
Accounts payable and accrued liabilities	(60,971)	13,588
Cash used in operating activities	(196,267)	(138,069)
Financing:		
Issuance of capital stock, net (note 4)	574,204	906,801
Shareholders' loans (note 4 & 5)	49,507	1,657
Cash provided by financing activities	623,711	994,258
Investing:		
Purchase of property and equipment	-	(1,699)
Mining properties and deferred exploration expenditures (note 2)	(69,148)	-
Investment and advances (note 3)	-	(266,176)
Cash used in investing activities	(69,148)	(267,875)
Increase (decrease) in cash	358,296	(588,314)
Cash, beginning of period	9,723	24,625
Cash, end of period	\$ 368,020	\$ 612,939
Supplemental cash flow information:		
Interest received	\$ 4,453	\$ 1,210
Interest paid	\$ 896	\$ 1,269

See accompanying notes to consolidated interim financial statements.

CANADIAN SHIELD RESOURCES INC.

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Canadian Shield Resources Inc. (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:

(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 March 31, 2007 and the results of operations and cash flows for the three months ended March 31, 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	March 31, 2007
Canada:			
Erickson Lake	\$ 16,564	\$ -	\$ 16,564
Peru:			
Humajala	1,660,188	18,977	1,660,188
Cerro Cori	435,616	-	435,616
Ccello Ccello	445,022	-	445,022
Apune-Pucarana	470,196	3,828	470,196
Other	17,756	46,343	64,099
	<u>\$ 3,045,342</u>	<u>\$ 69,148</u>	<u>\$ 3,114,490</u>

3. Loan payable:

Loans bear interest at 12% per annum are 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	20,000	4,000
Options exercised	35,000	5,450
Less: Share issue costs		(60,246)
Balance, March 31, 2007	43,504,081	\$ 6,169,093

- 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.

(b) The following summarizes the stock options outstanding:

	Number of	Weighted average exercise price
Outstanding, January 1, 2007	4,030,000	\$ 0.18
Exercised	(35,000)	0.14
Granted	570,000	0.21
Outstanding, March 31, 2007	4,565,000	\$ 0.17
Options exercisable, end of period	2,189,167	\$ 0.18

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4. Capital stock (continued):

(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			(20,000)	0.20
Issued		L1	1,000,000	0.30
Issued		M	550,000	0.40
March 31, 2007	0.70		7,415,000	\$ 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
Issued		L1	105,900	\$ 0.175
Issued		M	33,000	\$ 0.25
March 31, 2007	0.72		645,300	\$ 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 March 31, 2007, \$3,097,926 (December 2006: \$3,072,938) of the Company's assets were held in Peru.

6. Subsequent events

- i. 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.
- ii. In May 2007, the Company finalized an earn-in agreement whereby Esperanza can earn up to a 60% interest in Canadian Shield's Pucarana Gold Property ("Pucarana"), located in southern Peru. Esperanza has the right to earn a 60% interest in the Pucarana mining concessions by expending US\$1,300,000 over a four year period commencing upon receipt of a drill permit (the "Effective Date"), and by making payments of US\$80,000 to the Company's 90% owned subsidiary, Gallant Minerals Peru Ltd. S.A. ("Canadian Shield Subco"). The expenditures and payments are as follows:

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The terms of the cumulative work commitments:	\$US	\$US
	Payments	Cumulative
Prior to the first anniversary of the Effective Date;	\$ 200,000	\$ 200,000
Prior to the second anniversary of the Effective Date;	\$ 450,000	\$ 650,000
Prior to the third anniversary of the Effective Date;	\$ 325,000	\$ 975,000
Prior to the fourth anniversary of the Effective Date	\$ 325,000	\$ 1,300,000
	\$1,300,000	

The terms of payments	\$US	\$US
	Payments	Cumulative
Upon signing of earn-in agreement	\$ 30,000	\$ 30,000
Upon exercising the option to earn additional 9% interest	\$ 50,000	\$ 80,000
	\$ 80,000	

The work commitments for the first twelve months from the Effective Date and first payment are a firm commitment and all additional work commitments and payments are at the option of Esperanza. Upon Esperanza earning either its 51% interest, or 60% interest if it so elects, the two companies will form a joint venture in which all future expenditures shall be made on a pro rata basis, with standard dilution formulas applied if either party elects not to participate in funding further exploration expenses. In the event either party is diluted to a joint venture interest of 10% or less, that interest will be converted to a 2% net smelter return royalty ("NSR") with the right of the other party to purchase each 0.5% interest in the NSR for US\$500,000. If the price of gold exceeds US\$500, the purchase price for the NSR increases proportionately to the price of gold.

- iii. Subsequent to the quarter end, the Company entered into an earn-in agreement with Southern Peru Copper Corporation, Sucursal del Perú ("Southern Peru") for Canadian Shield's Cerro Cori Property ("Cerro Cori") located in Peru. Southern Peru has the right to earn a 65% interest in the Cerro Cori mining concessions by making payments of US\$1.5 million to the Company's 90%-owned subsidiary, Gallant Minerals Peru Ltd. S.A. ("Canadian Shield Subco"), over a 30-month period and exploration expenditures of US\$3.5 million over a five-year period commencing on the earlier of the date on which a drill permit is received (the "Effective Date") or by July 30, 2007. Payments of US\$150,000 and exploration expenditures of US\$350,000 over the first 12 months from the Effective Date are mandatory. The subsequent payments and exploration expenditures increase incrementally and are at the option of Southern Peru. Southern Peru has the right to earn an additional 10% interest by completing a bankable feasibility study to acquire a total interest of 75% with Canadian Shield Subco retaining a 25% interest in Cerro Cori. Southern Peru will become the operator of the project as of the Effective Date.