

Interim Consolidated Financial Statements

**CANADIAN SHIELD RESOURCES LTD.**

(Formerly “Canadian Shield Resources Inc.”)

March 31, 2010 and 2009

(Unaudited)

The interim consolidated balance sheet of Canadian Shield Resources Ltd. (formerly “Canadian Shield Resources Inc.”) as at March 31, 2010 and the interim consolidated statements of operations, deficit 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.

# **CANADIAN SHIELD RESOURCES LTD.**

(Formerly "Canadian Shield Resources Inc.")

March 31, 2010 and 2009

(Unaudited)

## **Notice to Reader**

Management has compiled the interim financial statements of Canadian Shield Resources Ltd. ("Canadian Shield" or the "Company") consisting of the Interim consolidated Balance Sheets as at March 31, 2010 and the Interim Statements of Deficit, Operations, and Cash Flows for the three 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.")

March 31, 2010 and 2009

(Unaudited)

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# CANADIAN SHIELD RESOURCES LTD.

(Formerly "Canadian Shield Resources Inc.")  
Interim Consolidated Balance Sheets  
(Unaudited)

	March 31 2010	December 31 2009
<b>Assets</b>		
Current:		
Cash	\$ 1,600,309	\$ 1,916,827
Sundry assets	154,417	144,884
	<u>1,754,726</u>	<u>2,061,711</u>
Property and equipment, net	39,985	16,667
Mining properties and deferred exploration expenditures (note 2)	3,732,280	3,625,869
	<u>\$ 5,526,991</u>	<u>\$ 5,704,247</u>
<b>Liabilities and Shareholders' Equity</b>		
Current:		
Accounts payable and accrued liabilities	\$ 225,000	\$ 233,854
	<u>225,000</u>	<u>233,854</u>
Shareholders' equity:		
Capital stock (Note 3)	12,262,277	12,214,277
Warrants	320,125	323,325
Contributed surplus	1,495,938	1,340,145
Deficit	(8,776,349)	(8,407,354)
	<u>5,301,891</u>	<u>5,470,393</u>
	<u>\$ 5,526,991</u>	<u>\$ 5,704,247</u>

See accompanying notes to interim consolidated financial statements.

Approved on behalf of the Board:

*/s/ Bernard Kraft*

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Director

*/s/ Gregory Harris*

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Director

# CANADIAN SHIELD RESOURCES LTD.

(Formerly "Canadian Shield Resources Inc.")  
Interim Consolidated Statements of Deficit  
(Unaudited)

For the period ended March 31	2010	2009
Deficit, beginning of period	\$ (8,407,354)	\$ (4,902,442)
Net loss for the period	(368,995)	(453,552)
Deficit, end of period	\$ (8,776,349)	\$ (5,355,994)

See accompanying notes to interim consolidated financial statements.

# CANADIAN SHIELD RESOURCES LTD.

(Formerly "Canadian Shield Resources Inc.")  
Interim Consolidated Statements of Operations  
(Unaudited)

For the three-months period ended March 31	2010	2009
Revenue:	\$ -	\$ -
Expenses:		
General and administrative	169,069	77,052
Stock-based compensation	152,593	56,005
Shareholder services	24,349	17,450
Professional fees	25,105	9,000
Interest expense / (income)	(2,417)	13,037
Amortization	296	4,691
	<u>368,995</u>	<u>177,235</u>
Net loss for the period	(368,995)	(177,235)
Loss per share – basic and diluted	\$ (0.03)	\$ (0.07)
Weighted average number of common shares outstanding	11,882,948	2,602,273

See accompanying notes to interim consolidated financial statements.

# CANADIAN SHIELD RESOURCES LTD.

(Formerly "Canadian Shield Resources Inc.")  
Interim Consolidated Statements of Cash Flows  
(Unaudited)

For the three-month period ended March 31	2010	2009
Cash flows provided by (used in):		
Operations:		
Net loss for the period	\$ (368,995)	\$ (177,235)
Items not affecting cash:		
Amortization	296	4,691
Stock-based compensation	152,593	56,005
Change in non-cash balances related to operations:		
Sundry assets	(9,533)	(3,836)
Accounts payable and accrued liabilities	(8,854)	71,269
Cash (used in) operating activities	(234,493)	(49,105)
Financing:		
Exercise of warrants	48,000	-
Loans Payable	-	110,278
Cash provided by financing activities	48,000	110,278
Investing:		
Property and equipment	(23,614)	(3,868)
Mining properties and deferred exploration expenditures (note 2)	(106,411)	(61,005)
Cash (used in) investing activities	(130,025)	(64,873)
Decrease in cash	(316,518)	(3,700)
Cash, beginning of period	1,916,827	32,763
Cash, end of period	\$ 1,600,309	\$ 29,063

See accompanying notes to interim consolidated financial statements.

# CANADIAN SHIELD RESOURCES LTD.

(Formerly "Canadian Shield Resources Inc.")  
Notes to Interim Consolidated Financial Statements  
(Unaudited)  
March 31, 2010 and 2009

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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 interim consolidated financial statements do not include all requirements of generally accepted accounting principles (GAAP) for annual financial statements. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2009.

The interim consolidated 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, 2010 and the results of operations and cash flows for the three months ended March 31, 2010 and 2009.

## 2. Mining properties and deferred exploration expenditures:

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

	December 31, 2009	Deferred (Recovered) Exploration Expenditures	March 31, 2010
Peru:			
Cerro Cori	\$384,390	9,838	394,229
Ccello Ccello	562,317	9,743	572,060
Apune-Pucarana	540,930	9,743	550,673
La Estrella	927,298	22,843	950,141
Pampa Poroma	237,060	7,673	244,733
Colpayoc	707,833	18,197	726,030
La Tola	105,763	4,938	110,701
Yanque	-	6,815	6,815
Other	17,756	16,620	34,376
Chile:			
Trol	142,522	-	142,522
	\$ 3,625,869	\$ 106,411	\$ 3,732,280

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## 3. Capital stock:

### (a) Common shares:

	Common shares	
	Number	Amount
Balance, December 31, 2009	11,848,045	12,214,277
Issued:		
Exercise of warrants	40,000	48,000
Balance, March 31, 2010	11,888,045	\$ 12,262,277

### (b) Warrants:

The following summarizes the Warrants outstanding:

	Weighted average remaining contractual life (years)	Number of warrants	Weighted average exercise price
January 1, 2010			
Warrants	1.31	3,812,500	\$ 0.80
Compensation Warrants		229,063	0.80
Less: exercised warrants		(40,000)	0.80
March 31, 2010	1.06	4,001,563	\$ 0.80

### (c) The following summarizes the stock options outstanding:

	Number of options	Weighted average exercise price
Outstanding, March 31, 2010	1,315,000	\$ 1.32
Options exercisable, end of period	495,883	\$ 1.91

## 4. Segmented Information:

### (a) Reportable Segments:

In 2010 and 2009, the Company has one operating segment in mineral exploration.

### (b) Enterprise wide disclosure – Geographic Information:

As at March 31, 2010, \$3,693,446 (December 2009: \$3,686,825) 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.

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

### (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 March 31, 2009, one Canadian Dollar was equal to 2.5075 Soles.

Balances in non-Canadian dollar currencies are as follows:

	<u>Peruvian New Soles</u>
Cash	64,324
Accounts payable and accrued liabilities	(180,405)
	<u>(116,081)</u>

### (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. At March 31, 2010, the Company had cash and cash equivalents of \$1,600,309 to settle current liabilities of \$225,000 and therefore has liquidity risk.