



**INTERIM FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED  
JUNE 30, 2009  
(UNAUDITED)**

August 12, 2009

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim financial statements of StoneShield Capital Corp. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**STONESHIELD CAPITAL CORP.**  
**BALANCE SHEETS**  
**(UNAUDITED)**

	<u>June 30,</u> <u>2009</u>	<u>March 31,</u> <u>2009</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 523,432	\$ 527,489
Receivables	<u>9,297</u>	<u>9,163</u>
	532,729	536,652
<b>Deposits (Note 8)</b>	<u>34,388</u>	<u>38,004</u>
	<u>\$ 567,117</u>	<u>\$ 574,656</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	<u>\$ 27,507</u>	<u>\$ 16,619</u>
<b>Shareholders' equity</b>		
Capital stock (Note 4)	1,011,073	1,011,073
Contributed surplus (Note 4)	42,869	42,869
Deficit	<u>(514,332)</u>	<u>(495,905)</u>
	<u>539,610</u>	<u>558,037</u>
	<u>\$ 567,117</u>	<u>\$ 574,656</u>

**Nature and continuance of operations** (Note 2)

**On behalf of the Board:**

"Krister A. Kottmeier" Director  
 Krister A. Kottmeier

"Mark A. Campbell" Director  
 Mark A. Campbell

The accompanying notes are an integral part of these unaudited interim financial statements.

**STONESHIELD CAPITAL CORP.****STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT**

	<b>For the three month period ended June 30, 2009</b>	<b>For the three month period ended June 30, 2008</b>
<b>EXPENSES</b>		
Consulting fees	\$ 8,417	\$ -
General and administrative	-	164
Professional fees	6,731	3,750
Rent	1,130	4,095
Transfer agent and filing fees	1,630	1,591
Travel	1,054	-
<b>Loss before other items</b>	<b>(18,962)</b>	<b>(9,600)</b>
<b>OTHER ITEMS</b>		
Interest income	535	1,405
<b>Loss and comprehensive loss for the period</b>	<b>(18,427)</b>	<b>(8,195)</b>
<b>Deficit, beginning of the period</b>	<b>(495,905)</b>	<b>(82,590)</b>
<b>Deficit, end of the period</b>	<b>\$ (514,332)</b>	<b>\$ (90,785)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding</b>	<b>9,904,994</b>	<b>4,800,000</b>

The accompanying notes are an integral part of these unaudited interim financial statements.

**STONESHIELD CAPITAL CORP.**  
**STATEMENTS OF CASH FLOWS**

	<b>For the three month period ended June 30, 2009</b>	<b>For the three month period ended June 30, 2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (18,427)	(8,195)
Items not affecting cash:		
Deposits	3,616	
Changes in non-cash working capital items:		
Receivables	(134)	(1,152)
Prepaid expenses	-	1,249
Accounts payable and accrued liabilities	10,888	(11,978)
Net cash used in operating activities	<u>(4,057)</u>	<u>(20,076)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Deferred acquisition costs	<u>-</u>	<u>(17,290)</u>
Net cash used in investing activity	<u>-</u>	<u>(17,290)</u>
<b>Increase in cash and cash equivalents during the period</b>	<b>(4,057)</b>	<b>(37,366)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b><u>527,489</u></b>	<b><u>239,008</u></b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 523,432</b>	<b>\$ 201,642</b>
<b>Cash paid during the period for interest</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash paid during the period for income taxes</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash and cash equivalents consist of:</b>		
Cash	\$ 21,932	\$ 26,642
Guaranteed Investment Certificate	<u>501,500</u>	<u>175,000</u>
	<b>\$ 523,432</b>	<b>\$ 201,642</b>
<b>Supplemental cash flow informaton:</b>		
Accrual of deferred acquisition costs	\$ -	\$ 9,219

The accompanying notes are an integral part of these unaudited interim financial statements.

**STONESHIELD CAPITAL CORP.**  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
JUNE 30, 2009  
(UNAUDITED)

---

---

**1. INCORPORATION**

The Company was incorporated under the Business Corporations Act (British Columbia) on April 26, 2007. The principal business of the Company is the acquisition and exploration of mineral properties.

The Company was classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. On November 27, 2008, the Company completed its Qualifying Transaction whereby the Company signed an option agreement to earn up to a 70% interest in certain mineral claims referred to as the Jefferson Canyon Property in Nevada (Note 8). As a result, the Company is no longer classified as a Capital Pool Company and is now classified as a mineral exploration company.

The Company has written off its mineral property and is currently pursuing acquisition opportunities.

**2. NATURE AND CONTINUANCE OF OPERATIONS**

These financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The Company has incurred operating losses since its inception. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. All amounts, unless specifically indicated otherwise, are presented in Canadian dollars.

**Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant estimates used by management include stock-based compensation and future income taxes. Actual results could differ from these estimates.

**Financial instruments**

All financial instruments are classified into one of five categories: held-for-trading financial instruments, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured and reported on the balance sheet at fair value except, for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured and reported at amortized cost. Subsequent measurements and changes in fair value will depend on their initial classification. Held-for-trading financial instruments are measured at their fair value and changes are recognized in net income (loss) in the period in which the change occurs. Available-for-sale financial assets are measured at fair value and

**STONESHIELD CAPITAL CORP.**  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
JUNE 30, 2009  
(UNAUDITED)

---

---

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

changes in fair value are recognized in other comprehensive income until the financial instrument is derecognized or impaired.

The Company has classified its cash and cash equivalents as held-for-trading; receivables are classified as loans and receivables; and accounts payable and accrued liabilities are classified as other financial liabilities.

**Cash and cash equivalents**

Cash and cash equivalents primarily include amounts held in banks and highly liquid investments with remaining maturities at point of purchase of three months or less. Cash and cash equivalents are held with institutions of high credit worthiness.

**Future income taxes**

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

**Stock-based compensation**

The Company uses the fair value based method of accounting for stock options, including share purchase options granted to officers and directors, and compensation options issued to its agent. The fair value of stock options is determined using the Black Scholes option pricing model and is expensed over the period of vesting. Any consideration paid on the exercise of stock options is credited to capital stock.

**Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive.

Loss per share is calculated using the weighted-average number of shares outstanding during the periods.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Comprehensive income**

This standard introduces the concept of comprehensive income, which consists of net income and Other Comprehensive Income (“OCI”). OCI (loss) is the change in the Company’s net assets that results from transactions, events, and circumstances from other than the Company’s shareholders. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other “comprehensive income (loss)” until it is considered appropriate to recognize into net earnings (loss). This standard requires the presentation of comprehensive income (loss), and its components. Cumulative changes in OCI are included in Accumulated Other Comprehensive Income (“AOCI”) which is presented as a new category within Shareholders’ Equity in the Balance Sheet.

**Comparative figures**

Certain comparative figures have been reclassified to conform to the current period’s presentation.

**Mineral property**

Mineral property acquisition costs are capitalized and include cash costs and fair market value of common shares, based on trading price of the shares issued for mineral property interests. Payments relating to a property acquired under an option or joint venture agreement are recorded as mineral property acquisition costs upon payment. Exploration costs are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units of production method over estimated recoverable reserves.

Management assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development. If management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are expensed in the period that this determination is made.

The recoverability of mineral properties is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. Amounts capitalized to mineral property do not necessarily reflect present or future values.

**Asset retirement obligations**

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Changes in accounting policies**

Effective April 1, 2008, the Company adopted new accounting policies of the Canadian Institute of Chartered Accountants ("CICA") Handbook:

*Assessing going concern*

Section 1400 requires management to assess and disclose an entity's ability to continue as a going concern.

*Financial instruments – Disclosures and presentation*

Section 3862, Disclosure is required to enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3863, *Financial Instruments – Presentation*, and Section 3865, *Hedges*.

Section 3863, Presentation is required to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

*Capital management*

Section 1535, Disclosure is required to provide information about an entity's capital and how it is managed.

**Recent accounting pronouncements**

*International Financial Reporting Standards ("IFRS")*

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles ("GAAP") with IFRS over an expected five-year transitional period. In 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of April 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011. While the Company has begun the process of assessing the adoption of IFRS for 2011, the financial reporting impact of the transition cannot be reasonably estimated at this time.

**STONESHIELD CAPITAL CORP.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(UNAUDITED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

*Business combinations, financial statements and non-controlling interests*

In January 2009, the CICA issued Handbook Sections 1582 “Business Combinations”, 1601 “Financial Statements” and 1602 “Non-Controlling Interests” which replace CICA Handbook Sections 1581 “Business Combinations” and 1600 “Financial Statements”. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of financial statements. These sections are applicable for the Company’s interim and annual financial statements for its fiscal year beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

**4. CAPITAL STOCK**

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares, without par value			
Issued			
Shares issued pursuant to:			
Private placement	2,400,000	\$ 120,000	\$ -
Initial public offering	2,400,000	240,000	-
Share issue costs	-	(76,021)	-
Compensation options as share issue costs	-	(10,846)	10,846
Stock-based compensation	-	-	32,023
As at March 31, 2008	4,800,000	\$ 273,133	\$ 42,869
Private placement	5,004,994	750,749	-
Share issue costs	-	(27,809)	-
Shares issued for property option payment	100,000	15,000	-
As at March 31, 2009	9,904,994	\$ 1,011,073	\$ 42,869
No activity	-	-	-
As at June 30, 2009	9,904,994	\$ 1,011,073	\$ 42,869

During the period ended March 31, 2008, the Company issued 2,400,000 common shares to its directors, pursuant to a private placement, at a price of \$0.05 per common share for total proceeds of \$120,000. Included in share capital are 1,800,000 (March 31, 2009 – 2,160,000) common shares held in escrow which will be released pro-rata to the shareholders in six equal tranches of 15% every six months from November 27, 2008. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

On September 25, 2007, the Company completed its Initial Public Offering (“IPO”) of 2,400,000 common shares at \$0.10 per share for gross proceeds of \$240,000. Subsequently, the Company’s initial listing date on the TSX-V was September 27, 2007. The Company incurred an agent commission of \$24,000, a corporate finance fee of

**STONESHIELD CAPITAL CORP.**  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
JUNE 30, 2009  
(UNAUDITED)

---

---

**4. CAPITAL STOCK (cont'd...)**

\$7,500 and other related costs. The Company also issued 240,000 compensation options to the agent with an exercise price of \$0.10 per share and expiry date of September 27, 2009 valued at \$10,846.

During the year ended March 31, 2009, the Company completed a non-brokered private placement of 5,004,994 units at a price of \$0.15 per unit, for gross proceeds of \$750,749. Units consist of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share for a period of two years from October 29, 2008 at a price of \$0.20 per common share during the first year and \$0.25 per common share during the second year.

**Stock option plan**

The Company has a stock option plan ("the Plan") whereby it can grant options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued and outstanding common shares of the Company, exercisable for a period of up to 5 years from the date of grant. Vesting will be determined by the board of directors.

**Compensation options**

On September 25, 2007, the Company granted to its agent 240,000 share purchase options valued at \$10,846 as compensation for the IPO. Each option is exercisable into one common share with an exercise price of \$0.10, expiring on September 27, 2009.

The fair value of these compensation options was calculated by using the Black-Scholes option pricing model assuming a weighted average risk-free interest rate of 4.15%, a dividend yield of nil, an expected volatility of the Company's share price of 80% and a weighted average expected life of 2 years. The weighted average fair value of compensation options granted was \$0.05 per option.

As at June 30, 2009, all 240,000 compensation options remain outstanding.

**Stock-based compensation**

No options were granted during the period ended June 30, 2009.

On September 25, 2007, the Company granted to its officers and directors 480,000 share purchase options, each option allowing the holder to acquire an additional common share at \$0.10 per share until September 25, 2012. These options have a compensation cost of \$32,023. The Company calculated the compensation cost by using the Black-Scholes option pricing model assuming a weighted average risk-free interest rate of 4.26%, a dividend yield of nil, an expected volatility of the Company's share price of 80% and expected life of the stock options of 5 years. The weighted average fair value of stock options granted was \$0.07 per option.

As at June 30, 2009, all of the 480,000 share purchase options granted to officers and directors remain outstanding.

**Warrants**

A total of 5,004,994 warrants were issued during fiscal 2009 (2008 – Nil) and remain outstanding as at June 30, 2009.

## **5. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, receivables, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant credit, liquidity, or market risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

### *Credit Risk*

Credit risk is the risk of a financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligation. The Company's credit risk is primarily attributable to cash and cash equivalents held at a large financial institution. The Company manages this risk by holding its cash and cash equivalents with institutions of high credit worthiness. The balance of receivables owed to the Company in the ordinary course of business is not significant.

### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by ensuring that it will have sufficient liquidity to meet its liabilities when due. The Company has sufficient working capital to meet its current obligations.

### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

#### (a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's financial instrument exposure to interest rate risk is limited to interest on cash and cash equivalents overall is not significant.

#### (b) Foreign currency risk

Foreign currency risk arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company has few transactions denominated in US Dollars and this risk is not significant.

#### (c) Price risk

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

**STONESHIELD CAPITAL CORP.**  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
JUNE 30, 2009  
(UNAUDITED)

---

---

**6. CAPITAL MANAGEMENT**

The Company's objective of capital management is to ensure that it will be able to continue as a going concern and identify, evaluate, and acquire mineral properties. The capital of the Company consists primarily of shareholders' equity. The Company is meeting its capital risk objectives by successfully raising, from time to time, the required funds. The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives. The Company is not subject to externally imposed capital requirements.

**7. SEGMENTED INFORMATION**

The Company primarily operates in one reportable segment, being the acquisition and exploration of mineral property interests in the United States of America and Mexico.

**8. MINERAL PROPERTY**

The Company entered into an option agreement with a company, related by virtue of a common director, to earn up to a 70% interest in the Jefferson Canyon property (the "Property"), located in Nevada. During the period ended June 30, 2009, the Company abandoned the Property and terminated the Property option agreement. All of the capitalized deferred acquisition costs of \$189,731 and deferred exploration costs of \$26,843 were written off at the prior fiscal year end, March 31, 2009.

During the year ended March 31, 2009, the Company made deposits for future geological exploration work. The balance of the deposits at June 30, 2009 was \$34,388 (2008 - \$Nil).

**9. RELATED PARTY TRANSACTIONS**

During the period ended June 30, 2009, the Company entered into the following transactions with related parties:

- a) Paid or accrued \$5,855 (2008 - \$Nil) for consulting fees to officers and directors of the Company or to companies controlled by them;
- b) Paid or accrued mineral property costs related to geological consulting and travel of \$3,616 (2008 - \$Nil) to a company controlled by a director;
- c) Included in deposits as at June 30, 2009, is \$998 (2008 - \$Nil) paid to a company controlled by a director; and
- d) As disclosed in Note 8, the Property option agreement was with a company related by virtue of a common director.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.