

**STONESHIELD CAPITAL CORP.**

**INTERIM FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED  
SEPTEMBER 30, 2008  
(UNAUDITED)**

November 28, 2008

**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)**

	<b>September 30, 2008</b>	March 31, 2008
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (Note 3)	\$ 259,807	\$ 239,008
Receivables	3,261	1,357
Prepaid expenses	<u>1,873</u>	<u>4,370</u>
	264,941	244,735
<b>Mineral property costs</b> (Note 8)	<u>86,987</u>	<u>14,405</u>
	<u>\$ 351,928</u>	<u>\$ 259,140</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 34,273	\$ 25,728
Subscriptions received in advance (Note 8)	<u>118,990</u>	<u>-</u>
	<u>153,263</u>	<u>25,728</u>
<b>Shareholders' equity</b>		
Capital stock (Note 4)	273,133	273,133
Contributed surplus (Note 4)	42,869	42,869
Deficit	<u>(117,337)</u>	<u>(82,590)</u>
	<u>198,665</u>	<u>233,412</u>
	<u>\$ 351,928</u>	<u>\$ 259,140</u>

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

**Proposed transaction** (Note 8)

**Subsequent events** (Note 9)

**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 OPERATIONS AND DEFICIT**  
**(UNAUDITED)**

	<b>Three month period ended September 30, 2008</b>	Three month period ended September 30, 2007	<b>Six month period ended September 30, 2008</b>	Period from incorporation to September 30, 2007
<b>EXPENSES</b>				
Office and miscellaneous	\$ 5,787	\$ 381	\$ 5,951	\$ 381
Professional fees	9,994	16,125	13,744	40,127
Rent	5,429	-	9,524	-
Stock-based compensation (Note 4)	-	32,023	-	32,023
Transfer agent and filing fees	5,883	12,391	7,474	12,672
<b>Loss before other item</b>	(27,093)	(60,920)	(36,693)	(85,203)
<b>OTHER ITEM</b>				
Interest income	541	-	1,946	-
<b>Loss and comprehensive loss for the period</b>	(26,552)	(60,920)	(34,747)	(85,203)
<b>Deficit, beginning of the period</b>	(90,785)	(24,283)	(82,590)	-
<b>Deficit, end of the period</b>	\$ (117,337)	\$ (85,203)	\$ (117,337)	\$ (85,203)
<b>Basic and diluted loss per common share</b>	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.04)
<b>Weighted average number of common shares outstanding</b>	4,800,000	2,556,522	4,800,000	2,308,861

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

**STONESHIELD CAPITAL CORP.**  
**STATEMENTS OF CASH FLOWS**  
(UNAUDITED)

	<b>Three month period ended September 30, 2008</b>	Three month period ended September 30, 2007	<b>Six month period ended September 30, 2008</b>	Period from incorporation to September 30, 2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	\$ (26,552)	\$ (60,920)	\$ (34,747)	\$ (85,203)
Items not affecting cash:				
Stock-based compensation	-	32,023	-	32,023
Changes in non-cash working capital items:				
Receivables	(753)	(1,374)	(1,905)	(2,203)
Prepaid expenses	1,249	-	2,497	-
Accounts payable and accrued liabilities	(4,782)	(2,395)	(7,541)	21,188
Net cash used in operating activities	<u>(30,838)</u>	<u>(32,666)</u>	<u>(41,696)</u>	<u>(34,195)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Capital stock issued for cash	-	240,000	-	360,000
Share issue costs	-	(51,711)	-	(51,711)
Deposit	-	5,000	-	-
Deferred financing costs	-	3,750	-	-
Subscriptions received in advance	118,990	-	118,990	-
Net cash provided by financing activities	<u>118,990</u>	<u>197,039</u>	<u>118,990</u>	<u>308,289</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>				
Mineral property costs	(29,987)	-	(56,495)	-
Net cash used in investing activity	<u>(29,987)</u>	<u>-</u>	<u>(56,495)</u>	<u>-</u>
<b>Change in cash during the period</b>	58,165	164,373	20,799	274,094
<b>Cash, beginning of the period</b>	<u>201,642</u>	<u>109,721</u>	<u>239,008</u>	<u>-</u>
<b>Cash, end of the period</b>	<u>\$ 259,807</u>	<u>\$ 274,094</u>	<u>\$ 259,807</u>	<u>\$ 274,094</u>
<b>Cash paid during the period for interest</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash paid during the period for income taxes</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Supplemental cash flow informaton:</b>				
Compensation options for share issue costs	\$ -	\$ 5,423	\$ -	\$ 5,423
Accrual of mineral property costs	\$ 16,087	\$ -	\$ 16,087	\$ -

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

**STONESHIELD CAPITAL CORP.**

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

(UNAUDITED)

**1. INCORPORATION**

The Company was incorporated under the Business Corporations Act (British Columbia) on April 26, 2007 and is classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

**2. NATURE AND CONTINUANCE OF OPERATIONS**

The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval.

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. 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****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.

**Use of estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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. Actual results could differ from these estimates.

**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

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

**Future income taxes (cont'd...)**

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 fair value of stock options granted 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 period presented, this calculation proved to be anti-dilutive.

Basic loss per common share is calculated using the weighted-average number of shares outstanding during the period.

**Financial instruments**

The Company classifies all financial instruments as either held to maturity, available for sale, held for trading or loans and receivables. Financial assets classified as held to maturity, loans and other receivables and financial liabilities other than those held for trading are measured at amortized cost. Available for sale financial instruments are measured at fair value with unrealized gains and losses recorded in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the income statement for the period.

**Hedges**

This standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed.

**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.

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

**Comprehensive income (cont'd...)**

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.

**Accounting changes**

This standard establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and the correction of errors. The disclosure is to include, on an interim and annual basis, a description and the impact on the Company on any new primary source of GAAP that has been issued but is not yet effective.

**Newly adopted accounting policies**

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

*Going concern*

The amended CICA Handbook Section 1400, requires management to assess and disclose an entity's ability to continue as a going concern.

*Financial instruments*

The new CICA accounting Sections: 3862, Financial Instruments - Disclosure, 3863, Financial Instruments - Presentation, which replace Section 3861, Financial Instruments - Disclosures and Presentation, revise and enhance the disclosure requirements, and carry forward, substantially unchanged, the presentation requirements. Sections 3862 and 3863 emphasize the significance of financial instruments for the entity's financial position and performance, the nature and extent of the risks arising from financial instruments, and how these risks are managed.

*Capital disclosures*

The CICA issued a new accounting standard, Section 1535, Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and processes for managing capital.

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

**New accounting principals pronounced but not yet enacted**

*International Financial Reporting Standards ("IFRS")*

In 2006, the 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 GAAP with IFRS over an expected five year transitional period. In February 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 January 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 assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

**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
	<u>-</u>	<u>-</u>	<u>32,023</u>
As at September 30, 2008	4,800,000	\$ 273,133	\$ 42,869

During the prior period, 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. These common shares will be held in escrow and will be released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

As at September 30, 2008, 2,400,000 shares are held in escrow.

If the Company does not complete a Qualifying Transaction, the shares will not be released from escrow and if the Company is delisted, the shares will be cancelled or if the Company is relisted to the NEX board of the TSX-V, one-half of the shares will be cancelled.

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

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 \$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. Pursuant to TSX-V rules the options may be exercised in whole or in part by the agent before the completion of the Qualifying Transaction by the Company. However, not more than 50% of the aggregate number of common shares which can be acquired by the agent on exercise of all options may be sold by the agent before the completion of the Qualifying Transaction.

**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 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 September 30, 2008, all 240,000 compensation options remain outstanding.

**Stock-based compensation**

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 share of the Company 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 September 30, 2008, all of the 480,000 share purchase options granted to officers and directors remain outstanding.

## 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.

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

### *Credit Risk*

Credit risk is the risk of a financial loss to the Company if a 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 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.

#### (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.

**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 complete its Qualifying Transaction. The Company's overall strategy remains unchanged from the prior period. 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 operates as a capital pool company in Canada.

**8. PROPOSED TRANSACTION**

The Company has 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. The proposed acquisition of an interest in the Property will constitute the Company's Qualifying Transaction pursuant to Policy 2.4 of the TSX-V.

To acquire an initial 51% interest, the Company is required to pay US\$50,000 (US\$7,000 was paid in advance during the current period) and issue 100,000 common shares upon acceptance of the agreement, pay US\$150,000 over three years, issue 400,000 common shares over four years, and incur exploration expenditures of US\$3,500,000 over four years.

Upon completion of the agreement, the Company has a further option to acquire an additional undivided 19% interest (for a total 70% interest) in the Property by incurring an additional US\$2,500,000 in expenditures and completing a mining feasibility study that recommends development of the Property. The Company must also issue 250,000 common shares upon the successful completion of the mining feasibility study.

The Company will be responsible for making all payments required to maintain the Property in good standing and for all advance minimum royalty payments pursuant to the Property Mining Lease. The next such royalty payment is for US\$30,000 due on November 30, 2008.

The Company has incurred \$81,652 of deferred acquisition costs and \$5,335 of deferred exploration costs pertaining to geology.

This transaction is subject to completion of due diligence, financing and regulatory approval.

Concurrent with the completion of its Qualifying Transaction, the Company will complete a private placement, at \$0.15 per Unit, to raise proceeds in order to explore and develop the Jefferson Property. As at September 30, 2008, the private placement is in process and \$118,990 of subscription proceeds have been received in advance of the completion.

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**9. SUBSEQUENT EVENTS**

Subsequent to the period end:

- a) The Company completed its Qualifying Transaction and is now classified as a Mineral Exploration company on the TSX-V.
- b) The Company completed a non-brokered private placement of 5,004,994 units (the "Units") at \$0.15 per Unit for gross proceeds of \$750,750. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share for 24 months from the closing of the private placement at a price of \$0.20 per share for the first 12 months and \$0.25 for the remaining 12 months. All the shares issued in the private placement and any resulting shares issued upon the exercise of any warrants will be subject to a hold period expiring on March 1, 2009. Finder's fees of \$5,565 were paid.
- c) In accordance with the Property option agreement, the Company has paid the remaining portion of the US\$50,000 initial payment and issued 100,000 common shares. It has also advanced the US\$30,000 royalty payment due November 30, 2008.