SHIELD GOLD INC.

FINANCIAL STATEMENTS

YEARS ENDED OCTOBER 31, 2007, 2006 AND 2005

SIEVERT & SAWRANTSCHUK LLP

SHIELD GOLD INC.

FINANCIAL STATEMENTS

YEARS ENDED OCTOBER 31, 2007, 2006 AND 2005

SIEVERT & SAWRANTSCHUK LLP
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of
Shield Gold Inc.

We have audited the balance sheets of Shield Gold Inc. as at October 31, 2007, 2006 and 2005 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2007, 2006 and 2005 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Sievert & Sawrantschuk LLP CA's

Toronto, Canada
February 19, 2008

Sievert & Sawrantschuk LLP
Chartered Accountants, Licensed Public Accountants

SHIELD GOLD INC.
BALANCE SHEETS

	As at October 31 2007	2006	2005
ASSETS			
CURRENT			
Cash	$ 70,455	$ 136,218	$ 162,139
Accounts receivable	8,627	8,967	3,337
Prepaid finance fees (Note5(a))	53,280	25,000	18,913
	$ 132,362	$ 170,185	$ 184,389
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities (Note 6)	$ 69,118	$ 49,125	$ 500
SHAREHOLDERS' EQUITY			
CAPITAL STOCK (Note 3)	259,668	270,647	215,647
CONTRIBUTED SURPLUS (Note 3)	10,979	-	-
DEFICIT	(207,403)	(149,587)	(31,758)
	63,244	121,060	183,889
	$ 132,362	$ 170,185	$ 184,389

APPROVED ON BEHALF OF THE BOARD:

"Howard Sinclair-Jones"
Director

"John Siriunas"
Director

SHIELD GOLD INC.
STATEMENTS OF OPERATIONS AND DEFICIT

	For the Years Ended Oct. 31, 2007	Oct. 31, 2006	Oct. 31, 2005
REVENUES			
Interest income	$ -	$ 2,572	$ 3,117
GENERAL AND ADMINISTRATIVE EXPENSES			
Professional fees	43,174	112,621	6,674
Registration and transfer agent fees	14,201	6,695	4,818
Travel	-	502	2,994
Office and general	381	430	32
Bank charges	60	153	546
Rent	-	-	2,336
	57,816	120,401	17,400
Loss for the year	$ (57,816)	$ (117,829)	$ (14,283)
Deficit, beginning of year	(149,587)	(31,758)	(17,475)
Deficit, end of year	**$** (207,403)	$ (149,587)	$ (31,758)
Loss per share – basic and diluted (Note 2 (ii))	$ (0.02)	$ (0.05)	$ (0.01)
Weighted average number of shares	2,703,076	2,222,603	2,200,000

SHIELD GOLD INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended		
	Oct. 31, 2007	Oct. 31, 2006	Oct. 31, 2005
OPERATING ACTIVITIES			
Net loss for the year	$ (57,816)	$ (117,829)	$ (14,283)
Changes in non-cash working capital balances			
(Increase) decrease in accounts receivable	340	(5,630)	(3,337)
(Increase) decrease in prepaid finance fees	(28,280)	(6,087)	(2,863)
Increase (decrease) in accounts payable and accrued liabilities	19,993	48,625	(6,500)
Cash provided by (used in) operating activities	(65,763)	(80,921)	(26,983)
FINANCING ACTIVITIES			
Issuance of common shares for cash, net	-	55,000	-
Cash provided by (used in) financing activities	-	55,000	-
(Decrease) increase in cash during the year	$ (65,763)	$ (25,921)	$ (26,983)
Cash beginning of the year	136,218	162,139	189,122
Cash end of the year	$ 70,455	$ 136,218	$ 162,139
SUPPLEMENTAL INFORMATION			
Income taxes paid	-	-	-
Interest paid	-	-	-

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

Nature of business

Shield Gold Inc. (the "Company") was incorporated under the laws of the Province of Ontario, by Articles of Incorporation dated February 4, 2004. The Company has filed its final prospectus with one or more securities commissions in order to be classified as a Capital Pool Company (as such term is defined in Policy 2.4 of the TSX Venture Exchange). The Company proposes to identify potential businesses or assets with a view to completing a Qualifying Transaction.

Basis of presentation

These financial statements have been prepared on a going concern basis, which presumes the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are in accordance with the Canadian generally accepted accounting principles. Outlined below are those policies considered particularly significant.

(i) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

(ii) Loss per share

Basic and diluted earnings per share is computed by dividing the earnings for the year by the weighted average number of common shares outstanding. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method. The assumed conversion of outstanding common share options and warrants has an anti-dilutive impact for the years ended Oct 31, 2007 and 2006.

(iii) Revenue recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the Company's price to the customer is fixed or determinable and collection of the resulting receivable is reasonably assured.

(iv) Financial instruments

In April 2005, the Accounting Standards Board issued three new accounting standards dealing with the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income, together with many consequential amendments throughout the CICA Handbook. These new standards are effective and will be adopted in the Company's interim and annual financial statements beginning April 1, 2007:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Financial Instruments – Recognition and Measurement, Section 3855
This standard prescribes when a financial assets, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based measures are to be used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented. The fair value of financial instruments presented in current assets approximates their book value because of their forthcoming maturity. The fair value of financial instruments presented in current liabilities approximates their book value because of their forthcoming maturity.

ii. Hedges, Section 3865
The Company has no hedges in effect so this new standard will have no impact on the Company's financial results.

iii. Comprehensive Income, section 1530
This new standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Currently, the Company has no components that would cause comprehensive income to differ materially from the Company's statement of operations.

(v) Income Taxes

The Company accounts for income taxes by the asset and liability method. Under this method, future income taxes are determined based on the difference between the financial reporting and tax bases of assets and liabilities. These income tax assets and liabilities are measured using the substantially enacted tax rates in which the income tax assets or liabilities are expected to be settled or realized. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

3. CAPITAL STOCK

(i) Authorized
Unlimited number of common, preferred and special non-voting shares.

3. CAPITAL STOCK (CONTINUED)

(ii) Shares issued and outstanding

	Common shares	
	Number of shares	**Amount**
Balance at date of incorporation on February 4, 2004	–	–
Issued for cash-units (note a)	2,200,000	$ 220,000
Share issue costs	–	(4,353)
Balance at October 31, 2004	**2,200,000**	**215,647**
Shares issued	–	–
Balance at October 31, 2005	**2,200,000**	**215,647**
Issued for cash-units (note b)	550,000	55,000
Balance at October 31, 2006	**2,750,000**	**270,647**
Shares cancelled in May 2007 (note c)	(109,791)	(10,979)
Balance at October 31, 2007	**2,640,209**	**$ 259,668**

a) On November 30, 2004, the Company completed a private placement of 2,200,000 common shares of the Company at a price $0.10 per share for gross proceeds of $220,000. Officers and directors acquired 1,000,000 of those common shares.

b) On October 16, 2006 the Company completed a private placement of an additional 550,000 common shares of the Company at a price of $0.10 per share for the total proceeds of $55,000. Officers and directors acquired 450,000 of those common shares.

c) Due to the prior expenses incurred by the Company, the Company has exceeded the Restricted Expense Limit. Following discussion with the Exchange regarding the basis on which the Exchange would be prepared to grant a waiver of the Restricted Expense Limit, the directors of the Company agreed to cancel common shares registered in their own name (at $0.10 per share) equal to the amount by which the Company has exceeded its expense limit. Accordingly, on May 29, 2007, 109,791 common shares registered in the names of the directors were cancelled on a pro rata basis. In June 2007, the Exchange granted a waiver of the Restricted Expense Limit to the Company.

(iii) Escrow Agreement

On June 27, 2007, the Company filed a final prospectus with various regulatory authorities in Canada in respect of an initial public offering by the Company for a minimum of 2,500,000 to a maximum of 3,500,000 of its common shares for a minimum of $500,000 to a maximum of $700,000, respectively of gross proceeds.

As at October 31, 2007, 2,640,209 common shares are issued and outstanding as fully paid and non-assessable and no other shares are outstanding.

Under the Escrow Agreement, all of the 2,640,209 common shares outstanding as at July 31, 2007 will be deposited with the Trustee.

3. CAPITAL STOCK (CONTINUED)

The Escrow Agreement provides for a three-year escrow release mechanism with:

a) 10% of the escrowed securities being releasable upon the issuance of the Final Exchange Bulletin; and
b) 15% of the escrowed securities being releasable in 6 month intervals on each of 6, 12, 18, 24, 30 and 36 months after the Final Exchange Bulletin.

4. RELATED PARTY TRANSACTIONS

An aggregate of 1,450,000 common shares were issued to directors and officers of the Company for gross proceeds of $145,000 as part of the issuance of the common shares since incorporation, as described in Note 3 (a) and (b). The above transaction was in the normal course of operations and was measured at the exchange amount, which was the amount of consideration established and agreed to by the related parties.

5. FINANCING

In December 2005, the Company filed a preliminary CPC prospectus with Northern Securities Corporation acting as the agent for the offering. The Company incurred legal and other professional fees associated with this prospectus of approximately $66,320. In March of 2006 the Company was forced to terminate its relationship with its then current solicitor on account of previous regulatory decisions rendered against him. The prospectus was subsequently discontinued on April 20, 2006, when Northern Securities Corporation terminated its relationship with the Company. On September 19, 2006, the Company entered into an engagement with Global Securities Corporation (“Global”) to appoint them as lead agent. Global is to provide the following services:

- Act as lead agent on the CPC offering for the Company;
- Complete an appropriate due diligence review in accordance with the policies of the Exchange; and
- Provide general corporate finance advice.

In exchange for the above services, the Company agreed to the following fees:

(a) The Company agreed to pay Global a non-refundable corporate finance fee and related costs of $40,000 (2006 - $15,000) plus GST, $10,000 of which was payable upon execution of said Agreement. The additional $25,000 was paid on January 15, 2008. The due diligence fee will not be credited against the commission payable noted in (b) below.

(b) The Company agrees to pay Global a commission of 10% of the gross proceeds of the CPC offering at closing. In addition, the Company will issue to Global at closing, broker warrants equal to 10% of the number of common shares of the Company sold pursuant to the CPC offering. Each broker warrant will entitle Global to purchase one common share of the Company at the issue price at any time prior to the date that is 24 months from closing.

(c) Whether or not the CPC Offering is completed, subject to Global’s duty to mitigate, the Company will reimburse Global for reasonable out-of-pocket costs incurred in connection with the performance of its services including legal fees. The Company has paid a $40,000 retainer to Global in respect of such expenses. All fees and expenses are subject to GST where applicable.

SHIELD GOLD INC.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2007

6. ACCOUNTS PAYABLE

Accounts payable is comprised of amounts owing for legal fees pertaining to the previous prospectus.

In June 2007, the Company entered into an agreement with its former lawyer to reduce the legal fees owing of $35,000 to $10,000.

7. **SUBSEQUENT EVENTS**

In September of 2007, Global Securities Inc. advised the Company that due to the state of the capital markets, Global would not be able to complete the CPC offering at an offering price of $0.20. After some discussion with Global, the Company decided to proceed with the offering at an amended offering price of $0.10 per share. This resulted in an amendment to the agency agreement on February 19, 2008, which states the issue and sale of a minimum of 5,000,000 Common Shares for $500,000 and a maximum of 7,000,000 Common Shares for $700,000.

On December 14, 2007 at a special meeting of the shareholders, the shareholders unanimously approved a resolution subdividing the existing common shares on 2 for 1 basis. On December 19, 2007 articles of amendment for the Company were filed with the Ministry of Government Services giving effect to this resolution. Upon completion of the subdivision there were 5,280,418 common shares issued and outstanding. Also at that meeting, the shareholders approved a new general by-law for the Company.

To raise additional funds to complete the CPC offering on January 24, 2008, the Company completed a private placement of 600,000 common shares at an offering price of $0.05 per share for gross proceeds of $30,000. The subscribers in this private placement were the directors of the Company. Upon completion of this private placement there were 5,880,418 common shares issued and outstanding.

In its discussions with the TSX Venture Exchange concerning the additional delays caused by the state of the capital markets, the Company has exceeded the Restricted Expense Limit. Accordingly, the Company has applied, concurrently to the filing of the Prospectus, for a waiver of the spending limit. Consistent with the previous actions, the directors of the Company agreed to cancel common shares registered in their own name (at $0.05 per share) equal to the amount by which the Company has exceeded its expense limit. Accordingly, on January 24, 2008, an additional 537,182 common shares registered in the names of the directors were cancelled on a pro rata basis. Subsequently, the Exchange granted a further waiver of the Restricted Expense Limit to the Company. Upon completion of the share cancellation, there were 5,343,236 common shares issued and outstanding.