

# **Beaufield Resources Inc.**

Interim Financial Statements

Six-months ended February 29, 2008

*The attached financial statements have been prepared by Management of  
Beaufield Resources Inc. and have not been reviewed by an auditor.*

**Beaufield Resources Inc.**

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# Beaufield Resources Inc.

## Balance Sheets

	February 29, 2008 (unaudited) \$	August 31, 2007 (audited) \$
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Note 3)	7,405,357	5,542,513
Short-term investments	-	2,934,034
Sales taxes recoverable	70,213	49,048
Accrued interest receivable on cash equivalents	16,624	-
Exploration taxes credits receivable	982,198	1,077,294
Prepaid expenses	10,666	12,150
	<u>8,485,058</u>	<u>9,615,039</u>
 Equipment	 20,481	 25,031
 Mineral Properties (Note 4)		
Acquisition cost	2,541,293	1,764,964
Deferred exploration expenses	4,753,127	4,431,934
	<u>15,799,959</u>	<u>15,836,968</u>
 <b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	83,057	55,464
 Future income taxes	 217,000	 401,000
	<u>300,057</u>	<u>456,464</u>
 <b>Shareholders' equity</b>		
Capital stock (Note 5)	31,324,120	31,324,120
Warrants (Note 5b)	-	89,760
Compensation options	737,000	737,000
Contributed surplus (Note 5c)	89,760	-
Deficit	(16,650,978)	(16,770,376)
	<u>15,499,902</u>	<u>15,380,504</u>
	<u>15,799,959</u>	<u>15,836,968</u>

The accompanying notes are an integral part of the financial statements.

## Beaufield Resources Inc.

### Statements of Operations, Comprehensive Income (Loss) and Deficit (unaudited)

	Three-month ended		Six-month ended	
	February 29	February 28	February 29	February 28
	2008	2007	2008	2007
	\$	\$	\$	\$
Expenses				
Professional fees	37,317	37,756	59,332	68,281
Administrative services, fees, rent and office	46,193	37,964	80,665	63,134
Investors relations	7,874	11,860	16,059	22,829
Shareholders' information, trustee and registration fees	27,893	28,940	29,684	30,534
Director's fees	23,340	-	23,340	-
Stock-based compensation	-	-	-	4,750
Travelling and promotion	745	849	1,383	8,986
Telecommunications	2,861	1,996	3,351	3,330
Insurance	6,858	7,613	13,716	15,225
	<u>153,081</u>	<u>126,978</u>	<u>227,530</u>	<u>217,069</u>
Interest income	<u>83,578</u>	<u>81,856</u>	<u>162,928</u>	<u>150,560</u>
Income (loss) before income taxes	(69,503)	(45,122)	(64,602)	(66,509)
Future income taxes	<u>165,000</u>	<u>(52,000)</u>	<u>184,000</u>	<u>(64,000)</u>
<b>Net income (loss) and comprehensive income (loss) for the period</b>	<u>95,497</u>	<u>(97,122)</u>	<u>119,398</u>	<u>(130,509)</u>
Deficit, beginning of period	<u>(16,746,475)</u>	<u>(16,732,823)</u>	<u>(16,770,376)</u>	<u>(16,699,436)</u>
<b>Deficit, end of period</b>	<u>(16,650,978)</u>	<u>(16,829,945)</u>	<u>(16,650,978)</u>	<u>(16,829,945)</u>
<b>Basic and diluted net income (loss) per share</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Weighted average number of outstanding common shares</b>	<u>83,349,519</u>	<u>81,963,712</u>	<u>83,349,519</u>	<u>81,793,610</u>

The accompanying notes are an integral part of the financial statements.

# Beaufield Resources Inc.

## Statement of Cash Flows

(unaudited)

	Three-month ended		Six-month ended	
	February 29	February 28	February 29	February 28
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Operating activities</b>				
Net income (loss) for the period	95,497	(97,122)	119,398	(130,509)
Non-cash items:				
Stock-based compensation	-	-	-	4,750
Interest accrued on investment income	(16,624)	-	81,118	-
Future income taxes	(165,000)	52,000	(184,000)	64,000
	(86,127)	(45,122)	16,516	(61,759)
Changes in non-cash working capital items:				
Accounts receivable	-	5,016	-	-
Sales taxes recoverable	(58,059)	(5,926)	(21,165)	7,783
Prepaid expenses	14,858	7,409	1,484	1,126
Accounts payable and accrued liabilities	418	11,743	44,487	19,205
	(42,783)	18,242	24,806	28,114
Cash flows from operating activities	(128,910)	(26,880)	41,322	(33,645)
<b>Investing activities</b>				
Additions to short-term investments	-	-	-	(1,937,398)
Disposal of short-term investments	-	-	2,836,292	-
Advances on an exploration program	-	-	-	10,202
Additions to mineral properties	(63,339)	(8,358)	(776,329)	(58,218)
Exploration taxes credit received	129,759	-	312,340	-
Deferred exploration expenses	(487,301)	(147,391)	(550,781)	(522,755)
Cash flows from investing activities	(420,881)	(155,749)	1,821,522	(2,508,169)
<b>Financing activities</b>				
Issue of shares	-	122,500	-	2,428,550
Share issue expenses	-	-	-	-
Cash flows from financing activities	-	122,500	-	2,428,550
<b>Net changes in cash and cash equivalents</b>				
	(549,791)	(60,129)	1,862,844	(113,264)
Cash and cash equivalents, beginning of period	7,955,148	5,569,407	5,542,513	5,622,542
Cash and cash equivalents, end of period	7,405,357	5,509,278	7,405,357	5,509,278
<b>Additional disclosures – non cash transactions:</b>				
Issuance of capital stock for acquisition of mineral properties	-	296,000	-	296,000
Exploration taxes receivable credited to mineral properties	203,168	243,571	217,244	394,572
Stock-based compensation included in deferred exploration expenses	-	66,666	-	66,666
Exercise of broker warrants credited to share capital on exercise	-	5,000	-	13,100
Exercise of options credited to share capital on exercise	-	85,750	-	85,750
Depreciation included in deferred exploration expenses	2,275	-	4,550	-
Accounts payable and accrued liabilities related to exploration expenses	14,335	61,783	14,335	54,343

The accompanying notes are an integral part of the financial statements.

# Beaufield Resources Inc.

## Notes to Financial Statements

(unaudited)

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### 1. Basis of presentation

The financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles in Canada for interim financial statements. The interim financial statements have, in management's opinion, been properly prepared using judgement within reasonable limits of materiality. These interim financial statements do not include all the note disclosures required for annual financial statements and therefore they should be read in conjunction with the Company's audited financial statements for the year ended August 31, 2007. The significant accounting policies follow that of the most recently reported audited annual financial statements, except for the new accounting standards as disclosed in Note 2.

### 2. Accounting estimates and accounting changes

The preparation of interim financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the carrying amount of mineral properties and the exploration tax credits receivable. Actual results could differ from management's best estimates as additional information becomes available in the future.

#### *Accounting changes*

Taking effect in fiscal 2008, the CICA issued the following new sections:

- a) Section 3855, "Financial Instruments – Recognition and Measurement", provides guidance on when a financial instrument must be recognized on the balance sheet and how it must be measured. It also provides guidance on the presentation of gains and losses on financial instruments.
- b) Section 3865, "Hedges", provides guidance on the application of hedge accounting and related disclosures.
- c) Section 1530, "Comprehensive Income", requires an entity to recognize certain gains and losses in a separate statement, until such gains and losses are recognized in the statement of income.
- d) Section 3251, "Equity", establishes standards for the presentation of equity and changes in equity during the reporting fiscal year.
- e) Section 3861, "Financial Instruments – Disclosure and presentation" deal with the disclosure of financial instruments and non-financial derivatives in the financial statements.

The Company has evaluated that these new sections have no significant impact on the Financial Statements. Cash and cash equivalents and short-term investments will be classified as held for trading and recorded at their fair value and their change in fair value are included in the statement of operations. Recorded at their amortized cost, the accounts payable and accrued liabilities will be classified as other liabilities.

### 3. Cash and cash equivalents

	<b>February 29 2008</b>	<b>August 31 2007</b>
	<b>\$</b>	<b>\$</b>
Cash	3,439,713	5,542,513
Government of Canada Treasury Bill, bearing interest at annual rate of 3.4%, maturing April 17, 2008	3,965,644	-
	<u>7,405,357</u>	<u>5,542,513</u>

# Beaufield Resources Inc.

## Notes to Financial Statements (unaudited)

### 4. Mineral Properties

Acquisition cost	August 31, 2007	Addition	February 29, 2008
	\$	\$	\$
<b>Québec</b>			
Mainstreet project	19,392	-	19,392
Urban project	511,186	11,963	523,149
Launay Township	312	-	312
Lac Evans	218,895	-	218,895
Raglan Ungava	15,016	-	15,016
Troilus	151,824	702,994	854,818
Opinaca	509,769	61,372	571,141
Storm Lake	9,072	-	9,072
Matagami	11,400	-	11,400
<b>Ontario</b>			
Hemlo properties	318,098	-	318,098
	<u>1,764,964</u>	<u>776,329</u>	<u>2,541,293</u>

#### *Troilus, Quebec*

In November 2007, the Company acquired from Xstrata Canada Corporation, Xstrata's 50% interest in the Troilus property for \$700,000 in cash. In addition to the cash payment, Xstrata retains a 1% net smelter return ("NSR") royalty in the property. Following the transaction, Beaufield owns 100% of the entire property.

Deferred exploration expenses	August 31, 2007	Expendi- tures	Taxes credits	February 29, 2008
	\$	\$	\$	\$
<b>Québec</b>				
Mainstreet project	41,262	-	-	41,262
Urban project	1,225,691	900	(385)	1,226,206
Launay Township	7,400	-	-	7,400
Lac Evans	100,019	-	-	100,019
Raglan Ungava	6,694	-	-	6,694
Troilus	1,293,370	450,124	(210,304)	1,533,190
Opinaca	1,481,743	13,940	(6,533)	1,489,150
Storm Lake	39,026	-	-	39,026
Matagami	170	53	(22)	201
<b>Ontario</b>				
Hemlo properties	236,559	73,420	-	309,979
	<u>4,431,934</u>	<u>538,437</u>	<u>(217,244)</u>	<u>4,753,127</u>

# Beaufield Resources Inc.

## Notes to Financial Statements

(unaudited)

### 5. Capital-stock

#### Authorized

An unlimited number of common shares without par value.

#### Issued:

	Six-month period ended February 29, 2008	
	Number	\$
Balance at beginning and end of period	83,349,519	31,324,120

#### a) Stock option plan

A summary of changes of the Company's common share purchase options is presented below:

	Six-month period ended February 29, 2008	
	Number of option	Weighted average exercise price
Options exercisable at beginning and end of period	4,100,000	\$ 0.30

Option outstanding and exercisable as at February 29, 2008 are as follows:

Number of options	Exercise price	Expiry date
400,000	\$0.145	July 25, 2008
800,000	\$0.25	August 31, 2009
200,000	\$0.25	October 5, 2009
400,000	\$0.25	February 21, 2010
1,900,000	\$0.35	December 13, 2010
400,000	\$0.40	November 1, 2011
<u>4,100,000</u>		

# Beaufield Resources Inc.

## Notes to Financial Statements

(unaudited)

### 5. Capital-stock (Cont'd)

#### b) Warrants

A summary of changes of the Company's warrants is presented below:

	<b>Six-month period ended February 29, 2008</b>	
	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Balance, beginning of period	3,808,000	\$ 0.55
Expired	<u>(3,808,000)</u>	0.55
Balance, end of period	<u>-</u>	

#### c) Contributed surplus

Net change in contributed surplus is as follows:

	<b>Six-month period ended February 29, 2008</b>
Balance, beginning of period	\$ -
Warrants expired	89,760
Balance, end of period	<u>89,760</u>

### 6. Related party transactions

The principal transactions concluded with companies controlled by officers or directors are as follows:

	<b>Six-month period ended</b>	
	<b>February 29 2008</b>	<b>February 28 2007</b>
Mineral properties and capital stock	\$ -	\$ 296,000
Mineral properties	650	20,000
Deferred exploration expenses	13,275	12,165
Professional fees	46,335	57,176
Administrative services, fees, rent and office	44,925	32,625
Directors' fees	23,340	-
Total	<u>128,525</u>	<u>417,966</u>

The transactions were measured at the exchange amount, which is the amount established and accepted by the parties.

There were accounts payable or accrued liabilities at February 29, 2008 to companies controlled by officers in the amount of \$34,523 (\$21,787 on February 28, 2007).