

# **Beaufield Resources Inc.**

Interim Financial Statements

Six-months ended February 28, 2009

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

**Beaufield Resources Inc.**  
3208 Richmond Road, Ottawa, Ontario, K2H 5B6  
Tel.: (613) 721-2919 Fax: (613) 828-7268  
Website: [www.beaufield.com](http://www.beaufield.com)

# Beaufield Resources Inc.

## Balance Sheets

	<b>February 28 2009</b> (unaudited)	<b>August 31, 2008</b> (audited)
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Note 3)	6,760,075	7,203,196
Sales taxes recoverable	10,791	55,564
Due from a partner, without interest, on demand (Note 5)	115,727	-
Exploration taxes credits receivable	655,639	654,902
Prepaid expenses	9,491	21,481
Listed shares held for trading	229,000	-
	<u>7,780,723</u>	<u>7,935,143</u>
 Equipment (Note 4)	 11,381	 15,931
 Mineral Properties (Note 5)		
Acquisition cost	2,350,766	2,576,620
Deferred exploration expenses	5,137,190	5,060,752
	<u>15,280,060</u>	<u>15,588,446</u>
 <b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	<u>78,328</u>	<u>69,632</u>
 <b>Shareholders' equity</b>		
Capital stock (Note 6)	31,324,120	31,324,120
Compensation options (Note 6a)	893,000	893,000
Contributed surplus (Note 6b)	89,760	89,760
Deficit	(17,105,148)	(16,788,066)
	<u>15,201,732</u>	<u>15,518,814</u>
	<u>15,280,060</u>	<u>15,588,446</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 period ended		Six-month period ended	
	February 28 2009	February 29 2008	February 28 2009	February 29 2008
	\$	\$	\$	\$
Administrative expenses				
Professional fees	44,170	37,317	77,539	59,332
Administrative services, fees, rent and office	36,569	46,193	70,725	80,665
Shareholders' information, trustee and registration fees	18,153	27,893	24,572	29,684
Investors relations	7,080	7,874	11,642	16,059
Insurance	6,931	6,858	15,245	13,716
Travelling and promotion	3,526	745	5,060	1,383
Telecommunications	2,861	2,861	3,491	3,351
Director's fees	-	23,340	23,228	23,340
	<u>119,290</u>	<u>153,081</u>	<u>231,502</u>	<u>227,530</u>
Investment income	20,235	83,578	60,178	162,928
Gain on disposal of listed shares	58,970	-	58,970	-
Unrealized fair value appreciation on listed shares	138,740	-	138,740	-
Project management fees	48,047	-	58,065	-
Write-off of mineral properties	(401,533)	-	(401,533)	-
	<u>(135,541)</u>	<u>83,578</u>	<u>(85,580)</u>	<u>162,928</u>
Loss before income taxes	(254,831)	(69,503)	(317,082)	(64,602)
Future income taxes	-	165,000	-	184,000
<b>Net income (loss) and comprehensive income (loss)</b>	<b><u>(254,831)</u></b>	<b><u>95,497</u></b>	<b><u>(317,082)</u></b>	<b><u>119,398</u></b>
<b>Basic and diluted net income (loss) per share</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Weighted average number of outstanding common shares</b>	<b><u>83,349,519</u></b>	<b><u>83,349,519</u></b>	<b><u>83,349,519</u></b>	<b><u>83,349,519</u></b>
Deficit, beginning of period	(16,850,317)	(16,746,475)	(16,788,066)	(16,770,376)
Net income (loss)	(254,831)	95,497	(317,082)	119,398
Fair value variation on listed shares held for trading	138,740	-	138,740	-
<b>Deficit, end of period</b>	<b><u>(17,105,148)</u></b>	<b><u>(16,650,978)</u></b>	<b><u>(17,105,148)</u></b>	<b><u>(16,650,978)</u></b>

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

# Beaufield Resources Inc.

## Statement of cash flows

(unaudited)

	Three-month ended period		Six-month ended period	
	February 28 2009	February 29 2008	February 28 2009	February 29 2008
	\$	\$	\$	\$
<b>Operating activities</b>				
Net income (loss)	(254,831)	95,497	(317,082)	119,398
Non-cash items:				
Interest accrual on investment income	-	(16,624)	-	81,118
Write-off of mineral properties	401,533	-	401,533	-
Gain on disposal of listed shares	(58,970)	-	(58,970)	-
Unrealized fair value appreciation on listed shares	(138,740)	-	(138,740)	-
Future income taxes	-	(165,000)	-	(184,000)
	<u>(51,008)</u>	<u>(86,127)</u>	<u>(113,259)</u>	<u>16,516</u>
Changes in non-cash working capital items:				
Sales taxes recoverable	11,213	-	44,773	-
Due from a partner	(22,002)	(58,059)	(32,020)	(21,165)
Prepaid expenses	5,708	14,858	11,990	1,484
Accounts payable and accrued liabilities	35,181	418	22,086	44,487
	<u>30,100</u>	<u>(42,783)</u>	<u>46,829</u>	<u>24,806</u>
Cash flows from operating activities	<u>(20,908)</u>	<u>(128,910)</u>	<u>(66,430)</u>	<u>41,322</u>
<b>Investing activities</b>				
Temporary investments proceeds	-	-	-	2,836,292
Purchase of listed shares	(130,500)	-	(130,500)	-
Disposal of listed shares	99,210	-	99,210	-
Additions to mineral properties	(2,052)	(63,339)	(22,066)	(776,329)
Exploration taxes credit received	39,411	129,759	39,411	312,340
Deferred exploration expenses	(106,597)	(487,301)	(362,746)	(550,781)
Cash flows from investing activities	<u>(100,528)</u>	<u>(420,881)</u>	<u>(376,691)</u>	<u>1,821,522</u>
<b>Net change in cash and cash equivalents</b>	<b>(121,436)</b>	<b>(549,791)</b>	<b>(443,121)</b>	<b>1,862,844</b>
Cash, beginning of period	6,881,511	7,955,148	7,203,196	5,542,513
Cash and cash equivalents, end of period	<u>6,760,075</u>	<u>7,405,357</u>	<u>6,760,075</u>	<u>7,405,357</u>
<b>Additional information – non cash transactions:</b>				
Exploration taxes receivable credited to mineral properties	5,003	203,168	82,164	217,244
Depreciation included in deferred exploration expenses	2,275	2,275	4,550	4,550
Due from a partner included in deferred exploration expenses	16,921	-	83,707	-
Accounts payable and accrued liabilities related to exploration expenses and mineral properties	6,621	14,335	25,179	14,335

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

# Beaufield Resources Inc.

## Notes to Financial Statements

For the six-month period ended February 28, 2009

(unaudited)

---

### 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, 2008. 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 2009, the CICA issued the following new sections:

- a) Section 1400, "General Standards of Financial Statement Presentation". The CICA modified this section in order to require that management make an assessment of the Company's ability to continue as a going concern over a period which is at least, but is not limited to, twelve months from the balance sheet date.
- b) Section 1535, "Capital Disclosures". This new standard requires disclosure of the Company's objectives, policies, and processes for managing capital; quantitative data about what the Company regards as capital; whether the Company has complied with any capital requirements; and, if the Company has not complied, the consequences of such non-compliance. The required disclosure is contained in Note 6c.
- c) Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation". These new standards replace Section 3861, Financial Instruments - Disclosure and Presentation. Presentation requirements have not changed. Enhanced disclosure is required to assist users of the financial statements in evaluating the significance of financial instruments on the Company's financial position and performance, including qualitative and quantitative information about the Company's exposure to risks arising from financial instruments. The required disclosure is contained in Note 8.

#### Financial instruments – recognition and measurement

All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

- Financial assets and liabilities classified as held-for-trading are required to be measured at fair value, with gains and losses recognized in net earnings.
- Financial assets classified as held-to-maturity, loans and receivables and financial liabilities (other than those held-for-trading) are required to be measured at amortized cost using the effective interest method of amortization.
- Available-for-sale financial assets are required to be measured at fair value, with unrealized gains and losses recognized in Other Comprehensive Income (loss). Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market should be measured at cost.

# Beaufield Resources Inc.

## Notes to Financial Statements

For the six-month period ended February 28, 2009  
(unaudited)

### 2. Accounting estimates and accounting changes (Cont'd)

The Company has implemented the following classification:

- Cash and cash equivalent and listed shares are classified as held-for-trading.
- Due from a partner is classified as loans and receivables.
- Accounts payable and accrued liabilities is classified as other liabilities.

### 3. Cash and cash equivalents

	February 28, 2009	August 31, 2008
	\$	
Cash	764,584	7,203,196
Government of Canada treasury bill which approximate market value, bearing interest at annual rates of 0.45%, maturing on April 30, 2009	5,995,491	-
	<u>6,760,075</u>	<u>7,203,196</u>

### 4. Equipment

	February 28, 2009		
	Cost	Accumulated depreciation	Net value
	\$	\$	\$
Exploration equipment	<u>27,306</u>	<u>(15,925)</u>	<u>11,381</u>

### 5. Mineral Properties

Acquisition cost	August 31, 2008	Addition	Write-Off	February 28, 2009
	\$	\$	\$	\$
<b>Québec</b>				
Mainstreet project	19,392	-	(19,392)	-
Urban project	523,774	5,444	-	529,218
Launay Township	312	-	(312)	-
Lac Evans	218,895	-	(218,895)	-
Raglan Ungava	15,016	5,244	-	20,260
Troilus	885,774	5,600	-	891,374
Opinaca	569,878	9,430	-	579,308
Matagami	11,400	25	-	11,425
Labrador Zinc	14,081	-	(14,081)	-
<b>Ontario</b>				
Hemlo properties	318,098	1,083	-	319,181
	<u>2,576,620</u>	<u>26,826</u>	<u>(252,680)</u>	<u>2,350,766</u>

## Beaufield Resources Inc.

### Notes to Financial Statements

For the six-month period ended February 28, 2009

(unaudited)

#### 5. Mineral Properties (Cont'd)

##### *Troilus property*

Beaufield has decided to divide the Troilus area claim blocks into two main groups. The one which is 100% owned by Beaufield contains the Tortigny, Moleon, Crab Lake and Inco Boulder areas. The other group consists mostly of newly staked claims. These are referred to as the New groups.

On October 20, 2008, Beaufield entered into an option agreement to advance exploration of the New groups, whereby Melkior Resources Inc ("Melkior") will earn a 50% interest on the New groups by spending \$500,000 on exploration over a three year period. Of the above amount \$250,000 must be spent before June 30, 2009. Beaufield is the operator and the Company incurred an aggregate amount of \$387,103 for exploration cost on the New groups as at February 28, 2009. An amount of \$115,727 due by the partner as at February 28, 2009 was paid by Melkior in March 2009. The President of the Company is also the President of Melkior. The Boards of Directors of both companies have approved this transaction.

##### *Mainstreet, Launay, Lac Evans and Labrador Zinc*

The Company does not anticipate any exploration expenditures of its own on those properties in the near future owing to the depressed base metal market and the difficulty to bring in a joint venture partner with whom to share investment risk. Accordingly, the Company decided to take a write-off on its mineral properties on the Mainstreet project, Launay Township, Lac Evans and Labrador Zinc properties.

Deferred exploration expenses	August 31, 2008	Expenditures	Taxes credits	Write-off	February 28, 2009
	\$	\$	\$	\$	\$
<b>Québec</b>					
Mainstreet project	41,262	-	-	(41,262)	-
Urban project	1,257,423	24,841	(10,632)	-	1,271,632
Launay Township	7,572	-	-	(7,572)	-
Lac Evans	100,019	-	-	(100,019)	-
Raglan Ungava	73,651	16,258	(7,495)	-	82,414
Troilus	1,685,762	12,557	29,717	-	1,728,036
Opinaca	1,584,549	130,903	(51,738)	-	1,663,714
Matagami	200	-	-	-	200
<b>Ontario</b>					
Hemlo properties	310,314	80,880	-	-	391,194
	<u>5,060,752</u>	<u>265,439</u>	<u>(40,148)</u>	<u>(148,853)</u>	<u>5,137,190</u>

# Beaufield Resources Inc.

## Notes to Financial Statements

For the six-month period ended February 28, 2009  
(unaudited)

### 6. Capital-stock

#### Authorized

An unlimited number of common shares without par value.

#### Issued:

	Six-month period ended February 28, 2009	
	Number	\$
Balance at beginning and end of period	83,349,519	31,324,120

#### a) Compensation options

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

	Six-month period ended February 28, 2009	
	Number of option	Weighted average exercise price
Options exercisable at beginning and end of period	5,400,000	\$ 0.27

Option outstanding and exercisable as at February 28, 2009 are as follows:

Number of options	Exercise price	Expiry date
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
400,000	\$0.25	April 1, 2013
1,300,000	\$0.12	August 29, 2013
<u>5,400,000</u>		

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

	Six-month period ended February 28, 2009
	\$
Balance, beginning and end of period	<u>893,000</u>

# Beaufield Resources Inc.

## Notes to Financial Statements

For the six-month period ended February 28, 2009  
(unaudited)

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

#### b) Contributed surplus

Net change in contributed surplus is as follows:

	<b>Six-month period ended February 28, 2009</b>
	<b>\$</b>
Balance, beginning and end of period	<u>89,760</u>

#### c) Policies and processes for managing capital

The capital of the Company consists of the items included in shareholders' equity.

The Company's objectives when managing its capital are to safeguard its ability to continue its operations as a going concern, in order to develop and realize the full potential of its mining assets and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

To reach its objectives, the Company raises funds mainly through the issuance of share capital. Considering the nature of its activities, the Company does not expect to have access to long term debt since it does not generate operating revenues. At this stage of its development, it is the policy of the Company to preserve cash to fund its operations and not to pay dividends.

The Company is not subject to any externally imposed capital requirements.

The Company's main investment policy is to hold cash in a financial institution variable interest rate cash account or to invest the majority of its cash in highly liquid short-term interest bearing investments, selected with regards to the expected timing of expenditures from continuing operations.

In the quarter ended February 28, 2009, the Company decided to invest up to \$250,000 in shares of publicly traded companies in the resource sector.

### 7. 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 28, 2009</b>	<b>February 29, 2008</b>
	<b>\$</b>	<b>\$</b>
Mineral properties	-	650
Deferred exploration expenses	23,595	13,275
Professional fees	65,911	46,335
Administrative services, fees, rent and office	45,350	44,925
Total	<u>134,856</u>	<u>105,185</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 28, 2009 to companies controlled by officers in the amount of \$28,980 (\$34,523 on February 29, 2008).

# Beaufield Resources Inc.

## Notes to Financial Statements

For the six-month period ended February 28, 2009  
(unaudited)

---

### 8. Financial instruments

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management manages financial risks.

The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

Financial risks:

The Company's main financial risk exposure and its financial risks management policies are as follows:

#### *Fair Value*

The fair value of its financial instruments is comparable to their carrying values due to the relatively short period to maturity of the instruments. The fair value of the listed shares held for trading is measured based on the closing price on the stock market.

#### *Interest rate risk*

Cash and cash equivalents bear interest at a fixed rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. Interest rates 1% higher would have decreased the fair value of these by \$9,973 as of February 28, 2009. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest. The Company does not use financial derivatives to decrease its exposure to interest risk.

#### *Credit risk*

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents as at February 28, 2009. During the six-month period ended February 28, 2009, the Company has minimized its credit risk by holding the majority of its cash with a Canadian chartered bank and its cash equivalents in Government of Canada Treasury Bills. When not invested in Government of Canada Treasury Bills, the Company is subject to concentration of credit risk through its cash that is held substantially in one Canadian Chartered bank. Management believes that the credit risk concentration with respect to these financial instruments is remote.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Company has at his disposal sufficient sources of financing such as private placement. The Company establishes cash estimates to ensure it has the necessary funds to fulfill its obligations. Obtaining additional funds makes it possible to the Company to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

#### *Market risk*

The listed shares held by the Company are exclusively shares from publicly traded companies in the resource sector.