

# **Beaufield Resources Inc.**

Interim Financial Statements

Nine-months ended May 31, 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

	<b>May 31, 2008</b> (unaudited)	<b>August 31, 2007</b> (audited)
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Note 3)	7,831,479	5,542,513
Short-term investments	-	2,934,034
Accounts receivable	6,593	-
Sales taxes recoverable	83,202	49,048
Accrued interest receivable on cash equivalents	20,823	-
Exploration taxes credits receivable	345,969	1,077,294
Prepaid expenses	3,808	12,150
	<u>8,291,874</u>	<u>9,615,039</u>
Equipment	18,206	25,031
Mineral Properties (Note 4)		
Acquisition cost	2,576,984	1,764,964
Deferred exploration expenses	4,774,868	4,431,934
	<u>15,661,932</u>	<u>15,836,968</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	44,395	55,464
Future income taxes	181,000	401,000
	<u>225,395</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 (Note 5a)	789,000	737,000
Contributed surplus (Note 5c)	89,760	-
Deficit	(16,766,343)	(16,770,376)
	<u>15,436,537</u>	<u>15,380,504</u>
	<u>15,661,932</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		Nine-month ended	
	May 31	May 31	May 31	May 31
	2008	2007	2008	2007
	\$	\$	\$	\$
Expenses				
Professional fees	17,686	16,801	77,018	85,082
Administrative services, fees, rent and office	36,473	31,679	117,138	94,813
Investors relations	10,345	8,702	26,404	31,531
Shareholders' information, trustee and registration fees	1,164	2,116	30,848	32,650
Director's fees	23,864	-	47,204	-
Stock-based compensation (Note 5a)	52,000	-	52,000	4,750
Travelling and promotion	7,773	908	9,156	9,894
Telecommunications	1,669	1,019	5,020	4,349
Insurance	6,858	7,612	20,574	22,837
	<u>157,832</u>	<u>68,837</u>	<u>385,362</u>	<u>285,906</u>
Interest income	54,565	89,791	217,493	240,351
Write-off of mineral properties (Note 4)	<u>(48,098)</u>	<u>-</u>	<u>(48,098)</u>	<u>-</u>
Income (loss) before income taxes	(151,365)	20,954	(215,967)	(45,555)
Future income taxes	<u>36,000</u>	<u>11,000</u>	<u>220,000</u>	<u>(53,000)</u>
<b>Net income (loss) and comprehensive income (loss) for the period</b>	(115,365)	31,954	4,033	(98,555)
Deficit, beginning of period	(16,650,978)	(16,829,945)	(16,770,376)	(16,699,436)
Share issue expenses	-	(2,480)	-	(2,480)
<b>Deficit, end of period</b>	<u>(16,766,343)</u>	<u>(16,800,471)</u>	<u>(16,766,343)</u>	<u>(16,800,471)</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>82,328,582</u>	<u>83,349,519</u>	<u>80,352,967</u>

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

# Beaufield Resources Inc.

## Statement of Cash Flows

(unaudited)

	Three-month ended		Nine-month ended	
	May 31	May 31	May 31	May 31
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Operating activities</b>				
Net income (loss) for the period	(115,365)	31,954	4,033	(98,555)
Non-cash items:				
Stock-based compensation	52,000	-	52,000	4,750
Interest accrued on investment income	(4,199)	-	76,919	-
Write-off of mineral properties	48,098	-	48,098	-
Future income taxes	(36,000)	(11,000)	(220,000)	53,000
	(55,466)	20,954	(38,950)	(40,805)
Changes in non-cash working capital items:				
Accounts receivable	(6,593)	-	(6,593)	-
Sales taxes recoverable	(12,989)	(25,811)	(34,154)	(18,028)
Prepaid expenses	6,858	7,612	8,342	8,738
Accounts payable and accrued liabilities	(57,089)	(38,992)	(12,602)	(19,787)
	(69,813)	(57,191)	(45,007)	(29,077)
Cash flows from operating activities	(125,279)	(36,237)	(83,957)	(69,882)
<b>Investing activities</b>				
Additions to short-term investments	-	(70,000)	-	(2,007,398)
Disposal of short-term investments	-	-	2,836,292	-
Advances on an exploration program	-	-	-	10,202
Additions to fixed assets	-	(27,306)	-	(27,306)
Additions to mineral properties	(44,763)	(38,231)	(821,092)	(96,449)
Exploration taxes credit received	773,039	690,276	1,085,379	690,276
Deferred exploration expenses	(176,875)	(504,953)	(727,656)	(1,027,708)
Cash flows from investing activities	551,401	49,786	2,372,923	(2,458,383)
<b>Financing activities</b>				
Issue of shares	-	118,535	-	2,547,085
Share issue expenses	-	(2,480)	-	(2,480)
Cash flows from financing activities	-	116,055	-	2,544,605
<b>Net changes in cash and cash equivalents</b>	426,122	129,604	2,288,966	16,340
Cash and cash equivalents, beginning of period	7,405,357	5,509,278	5,542,513	5,622,542
Cash and cash equivalents, end of period	7,831,479	5,638,882	7,831,479	5,638,882
<b>Additional disclosures – non cash transactions:</b>				
Issuance of capital stock for acquisition of mineral properties	-	-	-	296,000
Exploration taxes receivable credited to mineral properties	87,983	249,802	305,227	644,374
Stock-based compensation included in deferred exploration expenses	-	33,334	-	100,000
Exercise of broker warrants credited to share capital on exercise	-	47,410	-	60,510
Exercise of options credited to share capital on exercise	-	-	-	85,750
Depreciation included in deferred exploration expenses	2,275	-	6,825	-
Accounts payable and accrued liabilities related to exploration expenses	32,762	78,699	32,762	24,356

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

# Beaufield Resources Inc.

## Notes to Financial Statements

For the nine-month period ended May 31, 2008

(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, 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, accounts receivable are classified as loans and receivables, and the accounts payable and accrued liabilities will be classified as other liabilities.

### 3. Cash and cash equivalents

	<b>May 31 2008</b>	<b>August 31 2007</b>
	<b>\$</b>	<b>\$</b>
Cash	1,376,967	5,542,513
Government of Canada Treasury Bill, bearing interest at annual rate of 2%, maturing on in August 2008	2,478,812	-
Government of Canada Treasury Bill, bearing interest at annual rate of 2.3%, maturing in July 24 2008	3,975,700	-
	<u>7,831,479</u>	<u>5,542,513</u>

# Beaufield Resources Inc.

## Notes to Financial Statements

For the nine-month period ended May 31, 2008

(unaudited)

### 4. Mineral Properties

Acquisition cost	August 31,	Addition	Write-off	May 31, 2008
	2007			
	\$	\$		\$
<b>Québec</b>				
Mainstreet project	19,392	-	-	19,392
Urban project	511,186	12,039	-	523,225
Launay Township	312	-	-	312
Lac Evans	218,895	-	-	218,895
Raglan Ungava	15,016	-	-	15,016
Troilus	151,824	733,601	-	885,425
Opinaca	509,769	61,371	-	571,140
Storm Lake	9,072	-	(9,072)	-
Matagami	11,400	-	-	11,400
Labrador	-	14,081	-	14,081
<b>Ontario</b>				
Hemlo properties	318,098	-	-	318,098
	<u>1,764,964</u>	<u>821,092</u>	<u>(9,072)</u>	<u>2,576,984</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.

#### *Labrador*

In April 2008, the Company staked a group of claims in the Labrador area.

#### *Storm Lake*

The non-cash asset write-off reflects the Corporation's decision to drop the claims.

Deferred exploration expenses	August 31,	Expenditures	Taxes credits	Write-off	May 31,
	2007				
	\$	\$	\$		\$
<b>Québec</b>					
Mainstreet project	41,262	-	-	-	41,262
Urban project	1,225,691	2,164	(926)	-	1,226,929
Launay Township	7,400	-	-	-	7,400
Lac Evans	100,019	-	-	-	100,019
Raglan Ungava	6,694	-	-	-	6,694
Troilus	1,293,370	638,464	(311,067)	-	1,620,767
Opinaca	1,481,743	21,578	(42,039)	-	1,461,282
Storm Lake	39,026	-	-	(39,026)	-
Matagami	170	53	(22)	-	201
<b>Ontario</b>					
Hemlo properties	236,559	73,755	-	-	310,314
	<u>4,431,934</u>	<u>736,014</u>	<u>(354,054)</u>	<u>(39,026)</u>	<u>4,774,868</u>

# Beaufield Resources Inc.

## Notes to Financial Statements

For the nine-month period ended May 31, 2008  
(unaudited)

### 5. Capital-stock

#### Authorized

An unlimited number of common shares without par value.

#### Issued:

	Nine-month period ended May 31, 2008	
	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:

	Nine-month period ended May 31, 2008	
	Number of option	Weighted average exercise price
Options exercisable at beginning of period	4,100,000	\$ 0.30
Granted	400,000	0.25
Options exercisable at end of period	<u>4,500,000</u>	0.30

Option outstanding and exercisable as at May 31, 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
400,000	\$0.25	April 1, 2013
<u>4,500,000</u>		

A stock compensation cost fair value of \$52,000 was calculated for 400,000 options that were granted to a new director on April 1, 2008 using the Black-Scholes option pricing model based on the following assumptions: risk free interest rate at 3.6%, average expected volatility at 83%, expected dividend per share nil and expected life of options of 5 years resulting in a weighted average of the estimated fair value of each option of \$0.13.

# Beaufield Resources Inc.

## Notes to Financial Statements

For the nine-month period ended May 31, 2008

(unaudited)

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

#### a) *Compensation options (Cont'd)*

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

	<b>Nine-month period ended May 31, 2008</b>	
	<b>\$</b>	
Balance, beginning of period		737,000
Options granted		52,000
Balance, end of period		<u>789,000</u>

#### b) *Warrants*

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

	<b>Nine-month period ended May 31, 2008</b>	
	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
		<b>\$</b>
Balance, beginning of period	3,808,000	0.55
Expired on January 25, 2008	<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>Nine-month period ended May 31, 2008</b>	
	<b>\$</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>Nine-month period ended</b>	
	<b>May 31 2008</b>	<b>May 31 2007</b>
	<b>\$</b>	<b>\$</b>
Mineral properties and capital stock	-	296,000
Mineral properties	650	20,000
Deferred exploration expenses	27,155	18,765
Professional fees	64,492	72,735
Administrative services, fees, rent and office	67,575	50,025
Directors' fees	47,204	-
Total	<u>207,076</u>	<u>457,525</u>

# Beaufield Resources Inc.

## Notes to Financial Statements

For the nine-month period ended May 31, 2008

(unaudited)

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### 6. Related party transactions (Cont'd)

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 May 31, 2008 to companies controlled by officers in the amount of \$4,177 (\$4,243 on May 31, 2007).

### 7. Financial instruments

#### *Fair value*

The Company has determined the estimated fair value of its financial instruments based on estimates and assumptions. The actual results may differ from those estimates and the use of different assumptions or methodologies may have material effects on the estimated fair value amounts. The fair value of cash and cash equivalents, short-term investments, receivables, accounts payable and accrued liabilities is comparable to their carrying values due to the relatively short period to maturity of the instruments.

#### *Interest rate risk*

Cash and cash equivalents, receivables and accounts payable and accrued liabilities are non-interest bearing.

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalent as at May 31, 2008. During the nine-month period ended May 31, 2008, 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.

#### *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.