

## **Beaufield Resources Inc.**

### **Management's Discussion and Analysis**

Years ended August 31, 2008 and 2007

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The following discussion (the "MD&A") of the financial condition and results of the operations of Beaufield Resources Inc. ("Beaufield" or "the Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the years ended August 31, 2008 ("Fiscal 2008") and 2007 ("Fiscal 2007").

This discussion should be read in conjunction with the Company's annual Financial Statements and related notes. Beaufield's annual financial statements are prepared in accordance with Canadian generally accepted accounting principles ("**GAAP**") and reported in Canadian dollars unless otherwise noted.

Further information regarding the Company and its operations are filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) in Canada and can be accessed at [www.sedar.com](http://www.sedar.com).

#### **Nature of activities**

Beaufield is a mineral exploration and development company, which acquires, explores, joint ventures and develops mineral properties in Canada.

#### **Operating activities**

Investment income in Fiscal 2008, consisting mainly of interest earned from cash balances with financial institutions or highly liquid short-term investments in governmental and provincial institutions was \$256,667 compared with \$321,777 in Fiscal 2007. This reduction is due primarily to less cash available for investing and lower interest rates on the market.

Administrative expenses for Fiscal 2008 were \$627,259 (\$350,237 in Fiscal 2007). The change in expenses is due primarily to:

- a) Administrative services that increased to \$163,810 in Fiscal 2008 as compared to \$109,855 in Fiscal 2007. Beaufield relocated its Ottawa office to a new location in October 2007. The rent has increased to \$30,000 in Fiscal 2008 from \$12,000 in Fiscal 2007; Also, General exploration and administration expenses incurred by our geologist in Fiscal 2008 were \$27,202 as compared to \$7,650 in Fiscal 2007 and related to the review of new properties and attendance to mining conferences.
- b) A \$156,000 stock-based compensation cost was recorded Fiscal 2008 for the 1,700,000 vested options granted to directors, officers and employees (\$4,750 in Fiscal 2007);
- c) Directors' fees including employers' benefit total \$47,204 in Fiscal 2008 (nil in Fiscal 2007). Effective after 2007 year-end, the Board of Directors approved an annual payment of \$15,000 each to the three non-executive Directors.

The \$48,098 non-cash asset write-off relating to the Storm Lake property reflects the Corporation's decision to drop the claims.

In conclusion, the Company reported a net loss of \$17,690 in the year ended August 31, 2008 ("Fiscal 2008") compared to a net loss of \$68,460 in the previous year ended August 31, 2007 ("Fiscal 2007").

# Beaufield Resources Inc.

## Management's Discussion and Analysis

Years ended August 31, 2008 and 2007

### Investing activities

The Company invested \$1,330,831 in exploration expenses in Fiscal 2008 (\$1,223,357 in Fiscal 2007). The Company is entitled to a refundable tax and mining duties credits for mining sector companies on eligible exploration expenses. In Fiscal 2008, refundable tax credits are in the amount of \$662,987. Accordingly the invested amount in exploration after tax credits amounts to \$667,844 in Fiscal 2008. In Fiscal 2007, tax credits are in the amount of \$1,055,044 and include an adjustment to a previous year tax credits.

The Company's primary exploration effort in Fiscal 2008 was drilling the Troilus - Tortigny base metal deposit where \$822,457 was invested. In Fiscal 2007 the Troilus exploration cost \$21,919. At Opinaca the Company spent \$254,568 in Fiscal 2008 whereas \$1,144,043 was spent in Fiscal 2007. An amount of \$100,000 (Nil in Fiscal 2008) of stock compensation cost is capitalized to deferred exploration expenses as part of the Opinaca project costs on the basis that the options were granted to an employee and a consultant involved exclusively in the Opinaca exploration program. A \$124,224 airborne survey was undertaken in 2008 at Raglan versus maintenance costs of \$2,100 in 2007.

Following are the deferred exploration expenses incurred in Fiscal 2008 and 2007:

2008	Urban	Launay	Troilus	Opinaca	Mata-gami	Raglan	Hemlo	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Drilling	300	300	449,692	(4,626)	-	-	-	445,666
Assays	6,752	-	26,090	20,361	-	-	10,984	64,187
Geology	8,692	-	106,166	132,189	32	1,619	6,890	255,588
Geophysics & geochemistry	1,600	-	135,442	3,200	-	122,605	8,251	271,098
Line cutting	-	-	50,130	-	-	-	9,000	59,130
Travelling	12,169	-	9,791	23,139	-	-	10,215	55,314
General field expenses	3,881	-	1,276	22,361	20	-	836	28,374
Payroll and benefits	22,081	-	43,870	48,844	-	-	27,579	142,374
Stock-based compensation	-	-	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	-	-
Depreciation	-	-	-	9,100	-	-	-	9,100
	55,475	300	822,457	254,568	52	124,224	73,755	1,330,831

2007	Main-street	Urban	Lac Evans	Troilus	Opinaca	Mata-gami	Raglan	Hemlo	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Drilling	-	1,200	-	(1,962)	729,416	-	-	-	728,654
Assays	-	-	124	-	46,158	-	-	-	46,282
Geology	332	5,864	8,297	20,281	49,521	297	2,100	7,239	93,931
Geophysics & geochemistry	12,027	1,908	2,275	1,501	88,732	-	-	685	107,128
Line cutting	2,019	-	-	-	2,806	-	-	6,668	11,493
Travelling	-	-	-	852	12,725	-	-	578	14,155
General field expenses	-	-	-	302	20,576	-	-	466	21,344
Payroll and benefits	-	-	-	-	91,834	-	-	-	91,834
Stock-based compensation	-	-	-	-	100,000	-	-	-	100,000
Management fees	-	5,316	-	945	-	-	-	-	6,261
Depreciation	-	-	-	-	2,275	-	-	-	2,275
	14,378	14,288	10,696	21,919	1,144,043	297	2,100	15,636	1,223,357

## **Beaufield Resources Inc.**

### Management's Discussion and Analysis

Years ended August 31, 2008 and 2007

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#### **Investing activities (Cont'd)**

##### ***Opinaca, Québec (Gold)***

###### *Claim status*

In May 2005, the Company acquired from a private corporation controlled by the President of Beaufield who is also a director, an 80% interest in the Opinaca property consisting of 185 claims or 9,684 hectares located in the James Bay region of Quebec. The property is directly adjacent to Goldcorp Inc.'s ("Goldcorp") Eleonore property. In Fiscal 2007, the Company acquired the remaining 20% carried interest by issuing 800,000 common shares of Beaufield and retaining a 0.5% NSR over the entire 185 claims. The common shares issued and the 20% acquired interest are recorded at an amount of \$296,000 representing the Company stock quotation closing price on the day of the agreement.

In January 2006, the Company completed a brokered private placement with Goldcorp whereby Goldcorp has purchased 6.8 million units at a price of \$0.50 per unit for gross proceeds of \$3.4 million. Goldcorp invested in Beaufield to have long term relationship with a company holding geologically important properties that adjoins the Eleanor properties. The subscription agreement provides that Beaufield and Goldcorp have the opportunity to cooperate on technical, financial and permitting issues relating to Beaufield's Opinaca property. This agreement allows both companies to pool their exploration efforts in the camp. Beaufield will continue to control and explore its Opinaca property.

In Fiscal 2006, the Company acquired by staking additional claims known as the Opinaca West block located approximately 35km west of the Opinaca claims.

In Fiscal 2008, the additions to the Opinaca property consist of claim renewals.

###### *2008 exploration program and 2009 budget*

Beaufield has completed its summer geology sampling and geochemical program. A total of 1,008 rock samples were collected and assayed with areas of significantly anomalous gold and arsenic being detected. The best samples exceeded 2g/t gold.

A soil geophysical grid covered the Snoopy area where 972 B-horizon soil samples were collected. The data remains to be compiled however areas of anomalous gold have been detected.

The data will be compiled during the winter and follow-up will be undertaken in 2009 with a planned budget of at least \$250,000.

###### *2007 exploration program*

During the first quarter of 2007, the Company completed a 1,146 metres 3 holes diamond drill program. During the second quarter of 2007 line cutting and geophysics have been completed in preparation for the drilling; During the third quarter of 2007, the Company completed a 2,106 metres 9 holes diamond drill program;

###### *Vortex Zone*

During the first quarter of 2007, the Company completed a 3 holes diamond drill program to test the Vortex target. Each hole encountered a 12 to 20 metre wide zone mineralized in anomalous gold, pyrrhotite and arsenopyrite with intense silica alteration.

During the third quarter of 2007, three drill holes were drilled to test the Vortex area, which previously returned 9.9 g/t gold and 9.5 g/t gold in outcrop and 1.1 g/t gold over 20 metre in DDH OP-06-01. Drill hole OP-07-19 (240 metres) intersected three interesting, mineralized and altered zones. The mineralization in pyrrhotite and arsenopyrite and the alteration in amphiboles and tourmaline are similar to those found on the East-Roberto zone of the Goldcorp, Eleonore project.

## **Beaufield Resources Inc.**

### **Management's Discussion and Analysis**

Years ended August 31, 2008 and 2007

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#### **Investing activities (Cont'd)**

##### *Kessel and Ylesia Zones*

Four drill holes were conducted over the Kessel and Ylesia zones, a molybdenum-gold-copper target, where previously a total of 43 rock samples from quartz veins within a diorite returned an average of 0.5g/t gold, 5.7 g/t silver, 0.2% copper and 1.1% molybdenum, including a sample grading 6.51 g/t gold, 33.6g/t silver, 1.36% copper and 12% molybdenum (November 14, 2006 news release). Molybdenum and copper rich quartz veins were intersected in all four drill holes.

##### *Channel Zone*

The Channel Zone was originally discovered during 2005 and continues to take shape as exploration progresses. Fall 2006 sampling has extended the Channel Zone over a distance of 70 metres and has yielded many new high grade gold samples. New grab samples collected in the 2006 fall program include gold values of 13.4 g/t, 12.1 g/t, 8.9 g/t and 6.8 g/t. A channel sample returned 1.8 g/t over 2.11 metres. During the third quarter of 2007, one drill hole (354 metres) was executed on the Channel zone. DDH OP-

07-20 intersected a pegmatitic dyke returning values of 5.0 g/t Au; 3.1 g/t Ag and 0.11% Mo over 0.3 metre and between 264 to 265 metre, mineralized conglomerates graded 5.8 g/t Au over 1 metre.

Details on the exploration program and drill results were outlined in the Company's press release dated January 9 and June 12, 2007.

#### ***Urban Project, Québec (Gold)***

##### Claim status and previous work

Beaufield holds a 100% interest in the Urban properties. Parts of these properties are subject to a 2% NSR and other portions are subject to a 10% net profits interest.

The property is within a northeasterly trending belt of Archean volcanic and sediments which until recently has remained poorly explored for gold despite numerous gold occurrences. Access has until recently been difficult.

A geological report for the area by the Quebec Ministry of Natural Resources by Bandyayera (MRN GR2001-14, page 36) cites a resource of 544,000 tonnes of 7.2 g/t of gold. This number has not been confirmed recently to 43-101 standards or verified by a qualified person. Beaufield has completed a 10 hole, 869-metre drill program on the Rouleau gold property in May 2004. The results of the drilling suggested a continuation to surface of good grade mineralization (Hole 401: 3.73 metres at 11.63g/t gold and Hole 402: 4.05 meter at 7.65g/t gold).

##### 2008 exploration program and 2009 budget

Beaufield has completed a sampling program in the northern portion of the property in a place referred to as Tourmaline Hill by Cominco who did earlier work at the location. Sampling was also undertaken south and west of Lac Rouleau. In total 258 rock samples were collected. Some positive assay results have been received but have not yet been compiled.

The crew stayed at the Noront camp where a decline on the Windfall gold discovery has been completed. There did not seem to be significant current activity. Metanor Resources Inc. is exploiting the Barry gold deposit located between the Lac Rouleau and Lac Kent properties. Reports are that things are going well.

A stripping program at Lac Rouleau that will lead to a drilling program is planned for 2009. Beaufield has assigned a budget of \$300,000 to this project for 2009.

##### 2007 exploration program

Work during the year consisted of reviewing existing data and planning.

**Beafield Resources Inc.**  
**Management's Discussion and Analysis**  
**Years ended August 31, 2008 and 2007**

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**Investing activities (Cont'd)**

***Troilus, Québec (Copper – Zinc – Gold)***

***Claim status***

Following an exploration expenditure of \$2.2 million, Beafield completed earning a 50% interest in the Troilus properties from Falconbridge Limited ("Falconbridge") in October 2006. Subsequently, Falconbridge was acquired by Xstrata PLC who decided to sell its 50% interest to Beafield for \$700,000 in cash. Xstrata retains a 1% NSR in the property except for a portion of the property subject to a 2% NSR in favour of Inco Limited (Beafield has an option to purchase one-half of Inco's NSR at any time for \$1,000,000). Beafield now owns 100%.

A significant attraction of the property is the Tortigny base metal deposit discovered in the 1990's by Noranda Inc., the predecessor of Falconbridge.

Noranda undertook a resource calculation to determine if the minerals could be trucked to their Matagami facility. Low metal prices which prevailed at the time prevented exploitation of the deposit. Noranda calculated a resource of 489,900 tonnes 2.21% copper, 6.15% zinc, 0.24% lead, 0.31 g/t gold and 60.08 g/t silver located within an epiclastic sedimentary horizon (argillite and siltstone) intercalated between two distinct tholeiitic and transitional basal units. The Tortigny resource calculation is not compliant as per NI 43-101/4.2(2b). A qualified person has not done sufficient work to classify the historical estimate as a current mineral resource and the historical estimate should not be relied upon.

Since acquiring the interest from Xstrata, Beafield has staked additional claims in this area referred to as the New groups; those are not subject to an NSR. In October 2008, Beafield entered into an option agreement to advance exploration of the New groups with Melkior Resources Inc. ("Melkior") (see subsequent event section).

***2008 exploration program and 2009 budget***

Between January and February 2008, eight diamond drill holes, totalling 3,411 metres, were completed in the vicinity of the 100% owned Tortigny base metal deposit. The program consisted of two aspects. The first aspect was to drill an infill hole between three widely spaced holes to better define the deposit. The second aspect was to probe for a westward extension of the southern arm of the deposit and to verify for near surface mineralization.

In a news released issued on April 8, 2008, Beafield announced the results of the drilling program. The most promising infill hole delivered the following results:

	From (m)	To (m)	Length (m)	Zinc	Copper	Silver	Gold	Cobalt
TO-08-05	230.65	259.00	28.35	6.81%	2.77%	71.36 g/t	0.51 g/t	0.06%
Including	232.50	245.05	12.55	15.00%	6.02%	145.50 g/t	0.95 g/t	0.13%
Including	234.90	239.40	4.50	16.52%	7.58%	178.87 g/t	0.48 g/t	0.13%

Hole TO-08-05 was drilled to fill a gap of 75 metres between three holes drilled by Noranda in 1995-1996. The Noranda holes were TY-96-35 (11.75% Zn, 0.99%Cu, 48.89g/t Ag and 0.18g/t Au over 1.94m), TY-95-06 (5.30% Zn, 4.10%Cu, 94.81 g/t Ag and 0.48g/t Au over 5.30m) and TY-96-36 (9.00% Zn, 7.06% Cu, 147.63 g/t Ag and 0.81 g/t Au over 9.12m).

It is important to note the significant increase in grade and width from the earlier drilling which, in the opinion of Beafield management, enhances the importance of the deposit.

Two holes TO-08-01 and TO-0803 were drilled to test the extension to surface of a previous hole.

	From	To	Length	Zinc	Copper	Silver
TO-08-01	150.60	169.55	18.95	0.83%	0.21%	14.37g/t
Including	160.90	164.65	3.75	1.32%	0.67%	38.38 g/t
TO-08-03	72.00	107.60	35.60	0.41%	0.05%	5.61 g/t

**Investing activities (Cont'd)**

Wide intersections of low grade mineralization were intersected approaching the deposit. The sulphides are composed mostly of disseminated to semi-massive pyrrhotite, injected by millimetric stringers of sphalerite with traces of chalcopyrite, associated with an intense aluminosilicates alteration. This alteration halo is spatially located less than 20m from the deposit and was intersected in every hole. This suggests to management that a large, low grade halo potentially indicates a significantly higher grade base metal deposit.

The other five holes were drilled to search for a deeper extension of known mineralization. The holes encountered a halo of anomalous zinc, copper and silver. Management interprets this to be a strong indicator that the Tortigny zone could continue at a different level.

Hole T0-08-05 demonstrates that wider, higher grade portions exist within the undrilled portions of the Tortigny deposit, which can enhance the value of the deposit. Additional drilling will be undertaken to define and extend the high grade portions.

During the third quarter of Fiscal 2008, Beafield completed line cutting at Tortigny and has undertaken a surface and downhole electromagnetic surveys on the previous holes to define massive sulphide targets, suggested by current drilling, in preparation for further drilling. Lines have been cut on three other targets including Moleon. During the fourth quarter, the Company has completed a two week, helicopter supported exploration program using prospecting and Beep-Mats.

During the fourth quarter, Beafield completed surface and downhole Inifitem time domain EM survey. Further processing and interpretation intended to spot drill holes will be undertaken this winter. The down-hole results from 8 holes surveyed have identified at least two off-hole conductors that merit drilling. A grid over the land portion of Moleon has been cut. The lake portion will be completed this winter. The grid will be surveyed with magnetometer and Max-Min in preparation for drilling this winter.

In addition, a 10 day sampling and mapping program was undertaken by the Company, interesting values in copper, zinc and silver were obtained from outcrops and gold values (8g/t Au; 19.8 g/t Au) were assayed from boulders.

Beafield plans the following exploration activities on the Troilus property in 2009:

- a) Tortigny: undertake evaluation of new targets identified by the Inifitem survey. Budget of \$150,000;
- b) Regional exploration on other claims. Budget of \$100,000.

2007 exploration program

The final report on the drilling program completed during the summer of 2006 was presented by the operator Xstrata to the Company in early 2007. Beafield proposed to purchase the 50% remaining interest from Xstrata and accordingly stopped exploration efforts on this property until the acquisition terms were accepted by the parties.

***Hemlo, Ontario (Gold)***

Claim status

The Hemlo properties consist of two groups of claims 100% owned by Beafield. The claims are subject to an NSR varying between 0.5% and 2% with options to purchase one-half of some of the NSR's at any time for \$1,000,000.

The Fowler property is located on the Wabikoba sheet approximately 25 kilometres northeast of the Hemlo gold mines and the Hemlo Highway 17 property is located on the Hemlo shear zone approximately 14 kilometres due west of the Hemlo gold mines and cover approximately 10 kilometres of the favourable Hemlo zone.

## **Beaufield Resources Inc.**

### **Management's Discussion and Analysis**

Years ended August 31, 2008 and 2007

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#### **Investing activities (Cont'd)**

##### 2008 exploration program and 2009 budget

Beaufield completed a program of linecutting and sampling. The principal objective of the program was to maintain the claims in good standing. Sampling in the vicinity of known mineral occurrences, revealed highly anomalous arsenic and barite. Both are important associated or indicator minerals at the Hemlo gold mines. The gold values at these locations were weakly anomalous. Discussions with the Hemlo mine exploration staff suggest that deep drilling at this location will eventually be warranted. Apparently 95% of the gold ore at Hemlo is below 500 metres.

Previous work by Beaufield included the drilling of one 400 metre hole to test a geochemical anomaly in the southern portion of the property. While anomalous in gold, no additional work was warranted at that location. The 2009 budget of \$100,000 will be designed to keep the claims in good standing.

##### 2007 exploration program

A line cutting and geological work was commenced during the year.

#### **Mainstreet Project, Québec (Base metals)**

##### Claim status

In 2004, the Company exercised its right of first refusal to acquire the 60% interest from Aur Resources Inc. subject to a cash consideration of \$19,000 to be paid by March 31, 2008 and work consideration of \$76,000 to be completed before March 31, 2008. In Fiscal 2007, the Company earned 60% interest from Aur Resources Inc. and owns 100% interest in the Mainstreet project subject to a 2% NSR.

The Mainstreet property is located a few kilometres southeast of the Aur Louvicourt base metal mine and mill. Geochemical and geophysical work by Aur in the 1990's suggested that volcanic units which host the Louvicourt mine extend eastward to the Mainstreet property. An exploration program consisting of 17 km of line, magnetic surveying, geochemistry and geology was conducted in August 2005 and it was concluded that two zones with anomalous gold chemistry were located and two smaller zones of anomalous zinc also occur.

##### Exploration program

In Fiscal 2007, Beaufield completed magnetometer and induced polarization surveys over a 6.425 kilometre grid. The surveys were designed to cover a zone of anomalous zinc. The survey resulted in the definition of one possible drill target. The Mainstreet property has excess work credits for more than 10 years and there is no urgency to undertake work hence no 2009 exploration budget has been assigned.

#### **Lac Evans, Québec (Zinc – Silver)**

##### Claim status

The Lac Evans project is 100% owned by Beaufield. Part of this property is subject to a 2% NSR.

##### Exploration program

The majority of the Lac Evans block has been covered by an Aerotem airborne magnetic and electromagnetic survey in 1999. New targets remain to be explored including possible extensions of known mineralization. Earlier works undertaken by other companies have reported significant mineral occurrences. The Lac Evans project is within the Troilus mineral belt where Beaufield has been actively exploring the eastern portion with Falconbridge. Emphasis on future work may be influenced by results on the Troilus project. Beaufield intends to maintain the claims in good standing.

The Lac Evans block covers the largely unexplored Mount Reid layered intrusion, which has the potential to host base and precious metals. Lac Evans and Storm Lake both cover a sequence of rhyolitic rocks, which are favorable for both base metal and gold exploration.

Beaufield carried out an exploration program consisting of geology, geophysics and sampling on Storm Lake during the summer of 2005. The property has a potential for VMS and gold deposits. The current work detected detailed anomalous gold values of up to 1 g/t. More work is required to thoroughly evaluate the property.

## Beaufield Resources Inc.

### Management's Discussion and Analysis

Years ended August 31, 2008 and 2007

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#### Investing activities (Cont'd)

##### **Raglan Ungava, Québec (Nickel – Copper)**

###### Claim status

A 100% interest. In 2007, the Company reached an agreement with the optionee whereby Beaufield recouped 100% of its Raglan property in the Ungava region of Quebec by making a cash payment of \$10,000 and paying the claim renewal costs.

###### 2008 exploration program and 2009 budget

Beaufield completed a VTEM airborne electromagnetic survey by Geotech Ltd. in July 2008. A total of 420 kilometres were flown on lines spaced at 75 metres. The area is of particular exploration interest because it is on the strike extension of Xstrata's nickel mines in Ungava. The property adjoins Xstrata and Beaufield's boundary is only 4 kilometres east of the Donaldson Mine.

Copper-nickel deposits in the area can be detected by airborne geophysics. Preliminary survey data has been received and it suggests the presence of valid targets to be explored for massive sulphides that could contain copper-nickel.

Beaufield intends to undertake detailed compilation of the VTEM data and other available data in the area during 2009. The allocated budget is \$20,000 for 2009.

##### **Labrador Zinc, Québec**

In April 2008, the Company staked a group of claims in the Labrador area on some high lake sediment anomalies. The Company is in the process of checking records of previous work. This area is in the middle of the current hot iron exploration area.

##### **Budget for acquisitions**

Beaufield anticipates that acquisition opportunities will present themselves in 2009. The Company intends to focus on gold exploration and acquisition. The Company's financial position enables it to budget at least \$1,000,000 for acquisitions.

##### **Outlook**

In summary, the anticipated work and budgets for Fiscal 2009 are as follows:

<u>Properties</u>	<u>Amount</u>	<u>Work description</u>
	\$	
Opinaca Main	250,000	Geology and geochemistry
Opinaca West	Nil	
Urban	300,000	Includes stripping, geology, possible drilling
Troilus, Tortigny	150,000	Exploration
Troilus, other claims	100,000	Exploration
Troilus JV with Melkior	Nil	Budgeted by Melkior: \$300,000 (See subsequent event section below)
Hemlo	100,000	Specifics to be defined
Raglan Ungava	20,000	Compilation
Mainstreet, Lac Evanc, Labrador Zinc	Nil	
Total exploration budget	920,000	
Budget for acquisitions	1,000,000	
Total	<u>1,920,000</u>	

##### **Subsequent event**

###### 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.

## Beaufield Resources Inc.

### Management's Discussion and Analysis

Years ended August 31, 2008 and 2007

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#### Subsequent event (Cont'd)

On October 20, 2008, Beaufield entered into an option agreement to advance exploration of the New groups, whereby 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 will be the operator. The President of the Company is also the President of Melkior. The Boards of Directors of both companies have approved this transaction.

#### Financing activities

There was no financing activities in Fiscal 2008. In Fiscal 2007, the funds derived from the exercise of warrants, mainly warrants expiring November 10, 2006, amounted to \$2,437,085 representing 7,475,140 shares. Also, 400,000 common shares were issued following the exercise of stock options representing \$110,000 in Fiscal 2007.

During Fiscal 2007, the Company issued 800,000 shares for mineral properties at a market value of \$296,000 as fully described in Note 6g) of the financial statements.

#### Liquidity

The Company has no long-term debt and a working capital (current assets less current liabilities) of \$7,865,511 as at August 31, 2008 (\$9,559,575 as at August 31, 2007). Management is of the opinion that it will be able to maintain the status of its current exploration obligations and to keep its properties in good standing for several years with the level of liquidity on hand.

Advanced exploration of some of the mineral properties would require substantially more financial resources. In the past, the Company has been able to rely on its ability to raise financing in public or privately negotiated equity offerings. There is no assurance that such financing will be available when required, or under terms that are favourable to the Company. The Company may also elect to advance the exploration and development of mineral properties through joint-venture participation. Management is not currently considering further financing at this time.

#### Selected annual information

	Fiscal year ended August 31		
	2008	2007	2006
	\$	\$	\$
Net sales	-	-	-
Net loss for the year	17,690	68,460	230,264
Net loss per share	0.00	0.00	0.00
Total assets	15,588,446	15,836,968	12,961,805

#### Summary of quarterly information

	Three months ended			
	August 31, 2008	May 31, 2008	February 29, 2008	November 30, 2007
	\$	\$	\$	\$
Net sales	-	-	-	-
Net income (loss) for the period	(21,723)	(115,365)	95,497	23,901
Net income (loss) per share	-	-	-	-

## Beaufield Resources Inc.

### Management's Discussion and Analysis

Years ended August 31, 2008 and 2007

#### Summary of quarterly information (Cont'd)

	Three months ended			
	August 31, 2007	May 31, 2007	February 28, 2007	November 30, 2006
	\$	\$	\$	\$
Net sales	-	-	-	-
Net income (loss) for the period	30,095	31,954	(97,122)	(33,387)
Net income (loss) per share	-	-	-	-

#### Fourth quarter

The Company reported a net loss of \$21,723 for the quarter ended August 31, 2008 ("Q4-2008") compared to a net income of \$30,095 for the quarter ended August 31, 2007 ("Q4-2007"). The main reasons for the variance are:

- A future income taxes recovery of \$181,000 recorded in Q4-2008 compared to \$13,000 in Q4-2007 was the main reasons for the variance;
- A \$104,000 stock-based compensation cost was recorded Q4-2008 for the 1,300,000 vested options granted to directors, officers and employees (nil in Q4-2007);
- Administrative expenses increased by \$31,505 this quarter as compared to last year's comparable quarter following a travel abroad to explore new properties;
- Investment income were lower in Q4-2008 at \$39,174 versus \$81,426 in Q4-2007 due to less cash available for investing and lower interest rates on the market.

On the investment activities, the Company expensed \$594,817 in exploration in Q4-2008 (\$71,292 in Q4-2007), mostly on its Raglan, Opinaca and Troilus properties.

There were no financing activities, in Q4-2008 nor in Q4-2007.

#### Related party transactions

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

	2008	2007
	\$	\$
Mineral properties and capital stock (1)	-	296,000
Mineral properties (2)	650	20,000
Deferred exploration expenses (3)	48,945	28,940
Professional fees (4)	88,185	83,121
Administrative services, fees, rent and office (3)	88,925	63,850
	<u>226,705</u>	<u>491,911</u>

- (1) In Fiscal 2007, acquisition by Beaufield of the remaining 20% carried interest in the Opinaca property by issuing 800,000 common shares to a private corporation controlled ("Privateco") by the president of Beaufield who is also a director;
- (2) \$20,000 annual cash payment was part of the acquisition terms, between the Company and Privateco, relating to the 80% interest in the Opinaca property. Beaufield ceased to make the \$20,000 annual cash payment in 2008 following the acquisition of the remaining 20% interest;
- (3) Fees paid to Privateco for geological services rendered by the president of Beaufield;
- (4) Professional fees paid to a private company controlled by the VP Finance of Beaufield for bookkeeping, financial and administrative services;
- (5) Fees paid to Privateco for administrative services (\$58,925 in 2008, \$51,850 in 2007) and rental office spaces (\$30,000 in 2008 and \$12,000 in 2007).

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

## Beaufield Resources Inc.

### Management's Discussion and Analysis

Years ended August 31, 2008 and 2007

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#### Disclosure of outstanding share data (as of November 26, 2008)

	Number
Common shares	83,349,519
Options	5,400,000
Warrants	-
Fully diluted	<u>88,749,519</u>

#### Off-balance sheet arrangements

The Company does not have any off-balance sheet arrangements.

#### Contractual obligation and contingencies

The Company does not have any contractual obligation and contingencies.

#### Management's responsibility for financial information and critical accounting estimates

Beaufield financial statements are the responsibility of the Corporation's management. The financial statements were prepared by the Company's management in accordance with Canadian generally accepted accounting principles. A description of the Company's significant accounting policies can be found in Note 3 of the Company's financial statements. The financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

Significant estimates include the carrying amount of mineral properties and stock-based compensations. Actual results could differ from those estimates and such differences could be material. The estimates mentioned above involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The Company's recoverability of its recorded value of its mineral properties is based on market conditions for metals, underlying mineral resources associated with the properties, and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is dependent on a number of factors including environmental, legal, and political risk, the existence of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the development and future profitable production or the proceeds of disposition thereof.

The factors affecting stock-based compensations include estimates of when stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend upon a variety of factors including the market value of the Company's share and financial objectives of the stock-based instrument holders. The Company used historical data to determine volatility in accordance with the Black-Sholes model, however, the future volatility is uncertain and the model has its limitations.

#### Changes in accounting policies including initial adoption

##### *Recent changes to accounting standards*

Taking effect in fiscal year 2008, the Canadian Institute of Chartered Accountants ("CICA") issued the following new sections:

- 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.
- 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.
- Section 3251, "Equity", establishes standards for the presentation of equity and changes in equity during the reporting fiscal year.
- Section 3861, "Financial Instruments – Disclosure and presentation" deal with the disclosure of financial instruments and non-financial derivatives in the financial statements.

**Beaufield Resources Inc.**  
Management's Discussion and Analysis  
Years ended August 31, 2008 and 2007

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**Changes in accounting policies including initial adoption (Cont'd)**

Adoption of these new sections resulted in the following impacts on the classification and measurement of the Company's financial instruments, which were previously recognized at cost:

Cash and temporary investments are classified as held for trading and are recorded at their fair value and their change in fair value are included in the statement of operations. Accounts payable and accrued liabilities are classified as other liabilities and are measured at amortized cost using the effective interest method.

The Company has evaluated that these new sections have no significant impact on the Financial Statements.

- Section 1506, "Accounting Changes", prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Furthermore, the new standard requires the communication of the new primary sources of Canadian generally accepted accounting principles ("GAAP") that are issued but not yet effective or not yet adopted by the Company. The new standard has no impact on the Company's financial results.

*Future changes in accounting standards*

Taking effect in fiscal year 2009, the Company will adopt the following accounting standards that were issued by the CICA:

- 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.
- 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.
- 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 Company evaluated the impact of these new accounting standards on its financial statements. The only impact of these accounting standards is additional disclosure and presentation requirements, and this does not have a material effect on the financial condition, changes in financial condition, or the results of operations.

*Convergence with International Financial Reporting Standards*

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to the International Financial Reporting Standards ["IFRS"]. The Company will follow the key events timeline proposed by the AcSB to obtain training and thorough knowledge of IFRS, finalize assessment of accounting policies with reference to IFRS and plan convergence to be ready for the changeover planned in 2012.

# Beaufield Resources Inc.

## Management's Discussion and Analysis

Years ended August 31, 2008 and 2007

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### 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:

#### *Interest rate risk*

Financial assets and liabilities of the Company do not represent interest risk because they are concluded without interest. The Company does not use financial derivatives to decrease its exposure to interest risk.

#### *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. The Company is subject to concentration of credit risk through its cash that is held substantially in one Canadian Chartered bank.

#### *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.

### Risk factors

#### *Exploration and Mining Risks*

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, there are no known bodies of commercial ore on the mineral properties of which the Company intends to acquire an interest and the proposed exploration program is an exploratory search for ore. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. The Company from time to time augments its internal exploration and operating expertise with due advice from consultants and others as required. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Company's mineral properties. Programs conducted on the Company's mineral property would be an exploratory search for ore.

#### *Titles to Property*

While the Company has diligently investigated title to the various properties in which it has interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

#### *Permits and Licenses*

The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

## **Beaufield Resources Inc.**

### **Management's Discussion and Analysis**

Years ended August 31, 2008 and 2007

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#### **Risk factors (Cont'd)**

##### *Metal Prices*

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

##### *Competition*

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

##### *Environmental Regulations*

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner, which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

##### *Conflicts of Interest*

Certain directors, proposed directors or officers of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors and officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

##### *Stage of Development*

The Company's properties are in the exploration stage and to date none of them have a proven ore body. The Company does not have a history of earnings or the provision of return on investment, and in future there is no assurance that it will produce revenue, operate profitably or provide a return on investment.

##### *Industry Conditions*

Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined. The Company undertakes exploration in areas that are or could be the subject of native land claims. Such claims could delay work or increase exploration costs.

## **Beaufield Resources Inc.**

### **Management's Discussion and Analysis**

Years ended August 31, 2008 and 2007

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#### **Risk factors (Cont'd)**

##### *Uninsured Hazards*

Hazards such as unusual geological conditions are involved in exploring for and developing mineral deposits. The Company may become subject to liability for pollution or other hazards, which cannot be insured against or against which the Company may elect not to insure because of high premium costs or other reasons. The payment of any such liability could result in the loss of Company assets or the insolvency of the Company.

##### *Future Financing*

Completion of future programs may require additional financing, which may dilute the interests of existing shareholders. In 2008, an unforeseen financial disruption has occurred. While Management does not foresee an immediate problem, this could have a longer term negative impact.

##### *Key Employees*

Management of the Company rests on a few key officers, the loss of any of whom could have a detrimental effect on its operations.

##### *Canada Revenue Agency and provincial tax agencies*

No assurance can be made that Canada Revenue Agency and the provincial tax agencies will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expense or the eligibility of such expenses as Canadian exploration expense under the *Income Tax Act (Canada)*.

#### **Qualified Person**

Jens E. Hansen, P.Eng., is the Qualified Person under National Instrument 43-101 who has reviewed the scientific and technical information in this document.

#### **Special note regarding forward-looking statements**

This Report contains forward-looking statements that are based on beliefs of its management as well as assumptions made by and information currently available to management of the Company. When used in this Report, the words "estimate", "believe", "anticipate", "intend", "expect", "plan", "may", "should", "will", and the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in those statements. The statements contained in this Report speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

(s) Jens E. Hansen  
Jens E. Hansen  
*President*

(s) Vatche Tchakmakian  
Vatche Tchakmakian  
*Vice-President Finance and Secretary*

November 26, 2008