

Beaufield Resources Inc.

Interim Financial Statements

Three-month period ended November 30, 2010

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

	November 30, 2010 (unaudited) \$	August 31, 2010 (audited) \$
Assets		
Current assets		
Cash	2,729,539	4,173,522
Gold coins (Note 3)	999,420	999,420
Marketable securities (Note 3)	2,204,367	822,939
Sales taxes recoverable	117,996	66,330
Exploration taxes credits receivable	700,680	501,669
Prepaid expenses	16,839	11,948
	<u>6,768,841</u>	<u>6,575,828</u>
Exploration funds	2,909,806	-
Mineral Properties (Note 4)		
Acquisition cost	2,342,321	2,307,431
Deferred exploration expenses	6,213,597	5,858,465
	<u>18,234,565</u>	<u>14,741,724</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	<u>181,541</u>	<u>453,484</u>
Shareholders' equity		
Capital stock (Note 5)	34,378,370	31,324,120
Compensation options (Note 5b)	767,387	719,000
Contributed surplus (Note 5c)	365,760	365,760
Deficit	<u>(17,458,493)</u>	<u>(18,120,640)</u>
	<u>18,053,024</u>	<u>14,288,240</u>
	<u>18,234,565</u>	<u>14,741,724</u>

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

Beaufield Resources Inc.

Statements of Operations and Comprehensive Loss and Deficit (unaudited)

Statement of Operations and Comprehensive Loss

	Three-month period ended November 30,	
	2010	2009
	\$	\$
Administrative expenses		
Professional fees	30,695	32,049
Salaries, benefits and management fees	30,604	75,240
Stock-based compensation (Note 5b)	5,200	100,000
Rent and office expenses	13,289	13,457
Shareholders' information, trustee and registration fees	2,606	5,971
Investors relations	24,624	3,578
Insurance	6,941	6,595
Travelling and promotion	1,992	264
Director's fees	-	23,228
	<u>115,951</u>	<u>260,382</u>
Project management fees	-	51,843
Investment income (Note 6)	1,073,004	30,558
	<u>1,073,004</u>	<u>82,401</u>
Net income (loss) and comprehensive income (loss)	<u>957,053</u>	<u>(177,981)</u>
Basic and diluted net income (loss) per share	<u>0.01</u>	<u>-</u>
Weighted average number of outstanding common shares	<u>85,867,706</u>	<u>83,349,519</u>

Statement of Deficit

	Three-month period ended November 30,	
	2010	2009
	\$	\$
Deficit, beginning of period	(18,120,640)	(17,411,225)
Net loss	957,053	(177,981)
Share issue expenses	(294,906)	-
Deficit, end of period	<u>(17,458,493)</u>	<u>(17,589,206)</u>

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Beaufield Resources Inc.

Statement of Cash Flows

(unaudited)

	Three-month period ended November 30,	
	2010	2009
	\$	\$
Operating activities		
Net loss	957,053	(177,981)
Non-cash items:		
Stock-based compensation	5,200	100,000
Gain on disposal of marketable securities (Note 6)	(40,590)	(58,108)
Unrealized fair value variation of marketable securities (Note 6)	(1,022,603)	30,815
	<u>(100,940)</u>	<u>(105,274)</u>
Changes in non-cash working capital items:		
Accounts receivable	-	(58,517)
Sales taxes recoverable	(51,666)	1,859
Due from partners	-	596
Prepaid expenses	(4,891)	(3,854)
Accounts payable and accrued liabilities	20,562	(45,176)
	<u>(35,995)</u>	<u>(105,092)</u>
Cash flows from operating activities	<u>(136,935)</u>	<u>(210,366)</u>
Financing activities		
Issuance of shares	3,035,250	-
Share issue expenses	(232,719)	-
Cash flow from financing activities	<u>2,802,531</u>	<u>-</u>
Investing activities		
Purchase of marketable securities	(730,913)	(405,550)
Disposal of marketable securities	412,678	505,052
Acquisition of mineral properties	(29,012)	(11,474)
Deferred exploration expenses	(852,526)	(65,300)
Cash flows from investing activities	<u>(1,199,773)</u>	<u>22,728</u>
Net change in cash	1,465,823	(187,638)
Cash, beginning of period	4,173,522	5,655,573
Cash, end of period	5,639,345	5,467,935
Less: Exploration funds	(2,909,806)	-
Cash as per balance sheet	<u>2,729,539</u>	<u>5,467,935</u>
Additional information – non cash transactions:		
Exploration taxes receivable credited to mineral properties	199,011	40,349
Depreciation included in deferred exploration expenses	-	2,275
Due from a partner received in marketable securities	-	90,000
Accounts payable and accrued liabilities related to mineral properties	11,922	-
Accounts payable and accrued liabilities related to deferred exploration expenses	80,501	50,000

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

Beaufield Resources Inc.

Notes of Financial Statements

For the three-month period ended November 30, 2010

(unaudited)

1. Basis of presentation

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") 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, 2010. The significant accounting policies and future changes in accounting standards follow that of the most recently reported audited annual financial statements.

2. Accounting estimates

Use of estimates

The preparation of interim financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to the financial statements. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. 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.

Exploration funds

These funds are restricted in use for exploration expenses pursuant to flow-through financing agreements.

3. Gold coins and marketable securities

a) *Gold coins*

At November 30, 2010, gold coins of 839 ounces at an acquisition cost of \$999,420 have a market value of \$1,195,933 based on a gold spot price of \$1,425 (US\$1,389) per ounce.

b) *Marketable securities*

	November 30, 2010		
	Acquisition cost	Unrealized gain	Fair value
	\$	\$	\$
Securities of publicly traded companies	<u>1,354,071</u>	<u>850,296</u>	<u>2,204,367</u>

Beaufield Resources Inc.

Notes of Financial Statements

For the three-month period ended November 30, 2010

(unaudited)

4. Mineral properties

Acquisition cost	August 31, 2010	Addition	Option Payment	November 30 2010
	\$			\$
Québec				
Opinaca	615,491	-	-	615,491
Tortigny	738,421	11,046	-	749,467
Frotet	184,604	1,573	-	186,177
Raglan Ungava	26,784	-	-	26,784
Urban project	418,980	4,175	-	423,155
Schefferville	103,146	7,276	-	110,422
Casa Berardi	-	7,900	-	7,900
Ontario				
Hemlo properties	220,005	-	-	220,005
Nova Scotia				
Cape Breton	-	2,920	-	2,920
	<u>2,307,431</u>	<u>34,890</u>	<u>-</u>	<u>2,342,321</u>

Deferred exploration expenses	August 31, 2010	Expendi- tures	Taxes credits	November 30 2010
	\$			\$
Québec				
Opinaca	1,859,722	8,028	(1,578)	1,866,172
Tortigny	2,170,578	262,796	(90,239)	2,343,135
Raglan Ungava	83,168	285	-	83,453
Urban project	1,294,270	4,885	(904)	1,298,251
Schefferville	50,770	271,867	(105,928)	216,709
Frotet	-	869	-	869
Casa Berardi	-	915	(362)	553
Ontario				
Hemlo properties	399,957	1,644	-	401,601
Nova Scotia				
Cape Breton	-	2,854	-	2,854
	<u>5,858,465</u>	<u>554,143</u>	<u>(199,011)</u>	<u>6,213,597</u>

5. Capital-stock

Authorized

An unlimited number of common shares without par value.

Issued and fully paid:

	Three-month period ended November 30, 2010	
	Number	\$
Balance at beginning of period	83,349,519	31,324,120
Issued for cash on private placement	5,455,000	3,000,250
Issued for cash on exercise of options	100,000	35,000
Transferred from contributed surplus upon exercise of options	-	19,000
Balance at end of period	<u>88,904,519</u>	<u>34,378,370</u>

Beaufield Resources Inc.

Notes of Financial Statements

For the three-month period ended November 30, 2010

(unaudited)

5. Capital-stock (Cont'd)

As at November 30, 2010, 129,750 shares (129,750 as at August 31, 2010) are under escrow.

a) *Private placement*

On October 20, 2010 the Company closed a private placement financing consisting of 5,455,000 flow-through common shares (the "Flow-Through Common Shares") at a price of \$0.55 per Flow-Through Common Share, for gross proceeds of \$3,000,250. The agent received a cash commission equal to 6% of the gross proceeds raised and compensation options ("Agent Compensation Options") equal to 6% of the number of Flow-Through Common Shares sold. Accordingly, a total of 327,300 Agent Compensation Options were issued, each of which is exercisable to purchase one common share of the Company at \$0.55 per share until April 20, 2012.

A fair value of \$62,187 was calculated for those compensation options using the Black-Scholes option pricing model based on the following assumptions: average interest rate without risk of 1.37%, an estimated average volatility of 123%, an expected dividend yield of nil and an average expected life of the compensation options of 18 months resulting in an average fair value of \$0.19 per each compensation option granted. The total amount of \$62,187 was expensed in the statement of deficit.

b) *Stock option plan and Agent Compensation Options*

Stock option plan

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

	Three-month period ended November 30, 2010	
	Number of option	Weighted average exercise price
Balance, beginning of period	5,200,000	\$ 0.24
Exercised	(100,000)	0.35
Balance, end of period - outstanding	<u>5,100,000</u>	0.25
Balance, end of period - exercisable	<u>4,950,000</u>	

During the three-month period ended November 30, 2010, 100,000 options were exercised for cash consideration of \$35,000 and a fair value of \$19,000 from these options has been reclassified from contributed surplus to share capital.

Option outstanding and exercisable as at November 30, 2010 are as follows:

	Number of options	Exercise price	Expiry date
	1,800,000	\$0.35	December 13, 2010 ⁽¹⁾
	400,000	\$0.40	November 1, 2011
	400,000	\$0.25	April 1, 2013
	1,300,000	\$0.12	August 29, 2013
	1,000,000	\$0.15	October 22, 2014
	<u>50,000</u>	\$0.15	July 1, 2012 ⁽²⁾
Exercisable	<u>4,950,000</u>		
	150,000	\$0.15	July 1, 2012
Outstanding	<u>5,100,000</u>		

1) 900,000 options were exercised after November 30, 2010 (see note 10) and the balance expired on December 13, 2010.

2) Options were exercised after November 30, 2010 (see note 10).

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Notes of Financial Statements

For the three-month period ended November 30, 2010

(unaudited)

5. Capital-stock (Cont'd)

Agent Compensation Options

A summary of the Company's Agent Compensation Options is presented below:

	Three-month period ended November 30, 2010		
	Number of option	exercise price	Expiry date
Balance, beginning of period	-	\$ -	-
Granted	327,300	0.55	April 20, 2012
Balance, end of period	<u>327,300</u>		

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

	Three-month period ended November 30, 2010
	\$
Balance, beginning of period	719,000
Stock-based compensation cost when vested	5,200
Agent Compensation Options cost (Note 5a)	62,187
Stock-based compensation cost when exercised	<u>(19,000)</u>
Balance, end of period	<u>767,387</u>

c) *Contributed surplus*

Net change in contributed surplus is as follows:

	Three-month period ended November 30, 2010
	\$
Balance, beginning and end of period	<u>365,760</u>

d) *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 unless the Company closes a flow-through private placement where the funds are restricted in use for exploration expenses.

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(unaudited)

5. Capital-stock (Cont'd)

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 addition, the Company decided to invest up to \$1,000,000 in shares of publicly traded companies in the resource sector and up to \$1,000,000 in gold coins.

6. Investment income

	Three-month period ended November 30	
	2010	2009
	\$	\$
Interest on income	9,811	3,265
Gain on disposal of marketable securities	40,590	58,108
Unrealized fair value variation of marketable securities	1,022,603	(30,815)
	<u>1,073,004</u>	<u>30,558</u>

7. Related party transactions

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

	Three-month period ended November 30	
	2010	2009
	\$	\$
Deferred exploration expenses ¹⁾	16,790	4,225
Professional fees ²⁾	30,695	28,549
Management fees ³⁾	11,600	19,775
Rent ³⁾	7,500	7,500
	<u>66,585</u>	<u>60,049</u>

- 1) Fees paid to a private company controlled by the President of Beaufield, for geological services rendered by the president of Beaufield who is also a director;
- 2) Professional fees paid to a private company controlled by the Chief Financial Officer of Beaufield for bookkeeping, accounting and administrative services;
- 3) Management fees and rental office spaces paid to a private company controlled by the President of Beaufield.

There were accounts payable or accrued liabilities as at November 30, 2010 to companies controlled by officers in the amount of \$25,202 (\$nil as at November 30, 2009).

These transactions were concluded in normal course of operations and were measured at the exchange amount that is the amount established and accepted by the parties.

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.

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For the three-month period ended November 30, 2010

(unaudited)

8. Financial instruments (Cont'd)

Financial risks

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

Fair Value

The Company defines the fair value hierarchy under which its financial instruments are valued as follows: Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes inputs other than quoted prices in level 1 that are observable for assets or liability, either directly or indirectly and level 3 includes inputs for the asset or liability that are not based on observable market data. Cash and marketable securities are considered a level 1.

The fair value of shares in publicly traded companies held for trading is measured based on the quoted closing bid prices on the stock market at the balance sheet date or the closing bid price on the last day the security traded if there were no trades at the balance sheet date. The fair value and cost of the marketable securities is reflected on Note 3.

The fair value of cash and accounts payable and accrued liabilities is comparable to their carrying value due to the relatively short period to maturity of the instruments.

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 as at November 30, 2010. During the quarter ended November 30, 2010, the Company has minimized its credit risk by holding the majority of its cash with a Canadian chartered bank. Management believes that the credit risk concentration with respect to these financial instruments is remote.

The Company aims at signing partnership agreements with established companies and follows closely their cash position to reduce its credit risk on due from its partners, if any.

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's policies and processes for managing capital are set out in note 5d). As the Company currently has no debt, the Company establishes cash estimates to ensure that there are adequate funds to fulfill its obligations and to meet its commitments, for the next year, as they become due under normal operating conditions.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Cash bear interest at a variable rate (1% as at November 30, 2010 and August 31, 2010) and the Company is, therefore, exposed to the risk of changes in future cash flows resulting from interest rate fluctuations but the risk is not significant. The Company's other financial assets and liabilities do not comprise any interest rate risk. The Company does not use financial derivatives to decrease its exposure to interest risk.

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For the three-month period ended November 30, 2010
(unaudited)

8. Financial instruments (Cont'd)

Currency risk

As at November 30, 2010, the Company is exposed to currency risk as a result of marketable securities denominated in U.S. dollars totalling \$670,817 (\$135,600 as at August 31, 2010). As at November 30, 2010, a 10% increase or decrease in the U.S. dollar exchange as compared to the Canadian currency would result in an estimated increase or decrease in net after-tax income of approximately \$67,000. The Company does not enter into any agreements to hedge its currency risk exposure.

Other risk

Other risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The Company is exposed to other risk in trading its investments and unfavourable market conditions could result in the disposal of investments at less than favourable prices.

As at November 30, 2010, a 10% increase or decrease in the closing bid prices on its publicly traded companies would result in an estimated increase or decrease in net after-tax income of approximately \$220,000.

9. Subsequent event

Exercise and grant of options

In December 2010, the Company issued 950,000 common shares following the exercise of options for total proceeds of \$322,500.

In December 2010, the Company approved the granting of 2,100,000 options to officers, directors and an employee exercisable at \$0.40 per option. In January 2011, the Company granted 200,000 options to an employee exercisable at \$0.41. The options have a life of 5 years.