

# **Beaufield Resources Inc.**

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

**For the nine-month period ended**

**May 31, 2011**

*The attached Management's Discussion and Analysis have been prepared by Management of Beaufield Resources Inc. and have not been reviewed by an auditor.*

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# Beaufield Resources Inc.

## Management's Discussion and Analysis

For the nine-month period ended May 31, 2011

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# Beaufield Resources Inc.

## Management's Discussion and Analysis

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The following management's discussion and analysis (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 nine-month period ended May 31, 2011 ("Q3-2011"). This MD&A should be read in conjunction with the Company's financial statements for the nine-month period ended May 31, 2011 and related notes and with the Company's MD&A included in the 2010 Annual Report. Beaufield's interim 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.

### Highlights

#### Exploration activities:

During Q3-2011 the Company or its partners conducted the following exploration activities:

#### ***Tortigny – Copper, Zinc, Gold-Silver – 100% owned***

A diamond drill program was initiated at the end of November 2010 to better determine the geometry of the Tortigny mineralization initially drilled by Noranda Mines and Exploration Inc. in the 1990's, to explore for possible extensions, and to examine other nearby geophysical targets. This program, completed in June 2011, totalled 9,746 metres in 39 holes of which 12 have been reported to date (Press releases of February 4 and April 20, 2011).

#### ***Schefferville – Iron, Zinc – 100% owned***

Beaufield has added 363 additional claims to its land holdings in the central part of the Schefferville mining camp. Beaufield's prospective Iron property which is located between Labrador Iron Mines (LIMT), Tata Steel Minerals Canada Ltd., New Millennium Iron (NML-V) and Champion Minerals (CHM-T) now totals 883 claims or 431.9 square kms.

An airborne FALCON Gravity Gradiometer (AGG) survey was flown in the fall of 2010 and detected 20 high gravity anomalies associated with low magnetic values located on ground mapped to underlain by the Sokoman Iron formation. A ground gravity survey was completed on selected airborne targets and demonstrated the validity of the airborne gravity anomalies.

In July 2011, a summer field program has commenced on this property. A budget of approximately \$1,500,000 has been allocated to carry out an extensive prospecting, soil sampling and drill program on the property.

#### ***Urban: – Gold – 100% owned, 50% under option***

In March 2010, Amseco Exploration Ltd. ("Amseco"), a corporation listed on the TSX Venture Exchange ("TSXV"), entered into an option agreement to acquire an undivided 50% of Beaufield's 100% interest in the Urban property. Amseco must spend \$1,980,000 over a four year period ending in March 2014 to earn a 50% interest in this property.

On May 24, 2011 Amseco announced diamond drill hole assay results for its winter drilling campaign at Lac Rouleau property on the Urban project. Between February and April 2011 Amseco drilled six holes for a total depth of 1,950 meters. Four holes intersected the Lac Rouleau Fault and Zone 18, while one hole did not show evidence of the typical alteration found in the LRF and the last hole was prematurely stopped due to a technical problem and the spring thaw. (Refer to Amseco news release for further details).

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#### Highlights (Cont'd)

##### **Hemlo – Gold – 100% owned, 50% under option**

Under an option agreement entered into in April 2009, Jiminex Inc. ("Jiminex"), a corporation listed on the TSXV, has an option to acquire an undivided 50% of Beaufield's 100% interest in the Northern Eagle property. Jiminex must spend \$1,300,000 over a three year period ending in August 2012.

Jiminex completed a 1,161 metres three diamond drill holes program in November 2010 and resumed drilling in January 2011 by contracting a second larger and more powerful diamond drill unit.

##### **Casa Berardi – Gold – 100% owned**

Under an option agreement entered into in December 2010, Actus Minerals Corp. ("Actus"), a corporation listed on the TSXV, has an option to acquire an undivided 50% of Beaufield's 100% interest in the Casa Berardi property. Actus must spend \$650,000 over a three year period ending in February 2014. This property adjoins the Aurizon gold deposit property.

##### Financing activities:

In October 2010, the Company closed a bought deal private placement financing with Desjardins Securities Inc. (The "Agent") consisting of 5,455,000 flow-through common shares at a price of \$0.55 per share for gross proceeds of \$3,000,250.

#### **Operating activities**

The Company reported a net income of 184,329 \$ in Q3-2011 compared to a net loss of \$300,445 in the same period the prior year.

##### *Administrative expenses*

Administrative expenses increased by \$699,798 for the nine-month period ended May 31, 2011 versus the same period of the prior year (\$1,215,360 in Q3-2011 as compared to \$515,562 in Q3-2010). The change in administrative expenses is due primarily to:

- a) A \$745,000 stock-based compensation cost was recorded in Q3-2011 for the vesting of 3,000,000 options granted to directors, officers and an investor relation company in addition to a \$10,000 relating to options vested this period and granted in fiscal 2010 as compared to \$100,000 in Q3-2010 for the granting of 1,000,000 options to certain directors and officers in Q3-2010;
- b) Salaries, benefits and management fees decreased by \$54,290 (\$101,159 in Q3-2011 as compared to \$155,449 in Q3-2010). In Q3-2010, the Company recharged some of the geologist salaries as consulting fees (\$75,223 in Q3-2010 as compared to \$20,055 this quarter) to Melkior Resources Inc. for its own projects. During the nine-month period ended May 31, 2011, Beaufield's geologists dedicated the majority of their time to the Company's projects and their salary was capitalized under deferred exploration expenses.
- c) An increase in professional fees (legal and accounting fees) due to an increased level of exploration and financing activities and also to the application and enhancement of regulatory policies.
- d) An increase in investors' relations expenses following the engagement of an investor relation company for a monthly fee of \$5,000 (Hamza Thindal Capital Corporation Inc.) in July 2010.

##### *Investment income*

In Fiscal 2009, with very low rate of return being earned on the Company's cash reserves invested in treasury bills and with gold being the primary focus, the Company decided to invest up to \$2 million of its cash with an investment in one ounce gold maple leaf coins and securities in publicly traded companies in the resource sector. In addition, the Company received common shares from Jiminex, Amseco and Actus as part of the option agreements entered into with those companies in this year and in prior years (Refer to Note 6 to the 2010 annual financial statements for additional details).

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### Management's Discussion and Analysis

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#### Operating activities (Cont'd)

In Q3-2011, the disposal of publicly traded securities, at a cost of \$2,119,003 (\$467,094 in Q3-2010), generated a realized gain of \$328,348 (\$58,811 in Q3-2010) while the unrealized fair value variation on marketable securities totalled \$513,850 in gain (\$70,164 gain in Q3-2010). The unrealized fair value variation of the three and nine month periods ended May 31, 2011 reflects the variation of the quoted price on the Exchange of the publicly traded junior companies shares held by Beaufield.

Interest earned from cash balances held at financial institutions was \$35,436 in Q3-2011 as compared with \$10,919 in Q3-2010. This increase is due primarily to higher market interest rates and higher cash balances invested in fixed-income securities.

Gold coins are considered a commodity and not a financial instrument and as such are recorded at cost. At May 31, 2011, the Company held 839 ounces of gold coins having an acquisition cost of \$999,420 and a market value of \$1,243,744 (\$1,115,077 in Fiscal 2010).

<u>Date</u>	<u>Fair market value per ounce US\$</u>	<u>Exchange rate</u>	<u>Fair market value per ounce CDN\$</u>	<u>Total fair value CDN\$</u>
March 27, 2009 (acquisition date)	984.46	1.21	1,191.20	999,420
May 31, 2011	1,529.90	0.969	1,482.41	1,243,744

#### Investing activities

##### *Purchase and disposal of marketable securities*

During the nine-month period ended May 31, 2011, the Company purchased \$2,237,359 securities in publicly traded companies in the resource sector (\$686,682 in Q3-2010). During this same period, the Company sold for an amount of \$2,447,351 (\$525,905 in Q3-2010) some of its previously invested marketable securities having a cost of \$2,119,003 (\$467,094 in Q3-2010) and realized a gain of \$328,348 (\$58,811 in Q3-2010).

##### *Mineral properties*

In Q3-2011, additions of \$87,577 to the mineral properties consisted of the following:

- Acquisition for an amount of \$10,331 by map staking of a 100% interest in the Casa Berardi property in Quebec. The claims cover a grouping of humus geochemical anomalous reported by the Quebec Ministry of Natural Resources in a 1980 survey. The newly staked claims are in the vicinity of claims held by Aurizon Mines Ltd and Agnico Eagle Mines.
- Acquisition for an amount of \$2,920 by map staking of a 100% interest in the Cape Breton property in Nova Scotia.
- Claim renewal cost on the other properties.

Option payment relates to the option agreement entered into with Actus (Refer to Note 4 to the financial statements for additional details).

##### *Exploration expenses*

During Q3-2011, the Company invested \$2,548,820 (\$545,160 in Q3-2010) in exploration expenses.

The Company applies for refundable exploration tax credits to certain Quebec government bodies at each taxation year end and records the expected amounts as an amount receivable. For Q3-2011, the Company has accrued \$777,386 (\$244,587 in Q3-2010) in refundable tax credits related to exploration expenditures.

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#### Investing activities (Cont'd)

Following are the deferred exploration expenses incurred in Q3-2011 and 2010:

Q-2011	Urban	Tortigny	Frotet	Opinaca	Raglan	Hemlo	Scheffer -ville	Casa Berardi	Cape Breton	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Drilling	600	1,632,715								1,633,315
Geology	6,114	56,359	869	6,358	284	3,453	16,950	3,916	2,853	97,156
Geophysics		358,371		6,880			287,918			653,169
Geochemistry		15,180								15,180
Fair value of options granted		150,000								150,000
	<u>6,714</u>	<u>2,212,625</u>	<u>869</u>	<u>13,238</u>	<u>284</u>	<u>3,453</u>	<u>304,868</u>	<u>3,916</u>	<u>2,853</u>	<u>2,548,820</u>

Q3-10	Urban	Troilus	Opinaca	Raglan	Hemlo	Scheff- ferville	Total
	\$	\$	\$	\$	\$	\$	\$
Drilling	1,200	326,810	-	-	183	-	328,193
Geology	11,150	49,734	47,425	-	2,888	19,601	130,798
Geophysics & geochemistry	825	4,226	7,610	1,400	-	65,277	79,338
Depreciation	-	-	6,831	-	-	-	6,831
	<u>13,175</u>	<u>380,770</u>	<u>61,866</u>	<u>1,400</u>	<u>3,071</u>	<u>84,878</u>	<u>545,160</u>

#### Claim status, partnership agreements and past exploration activities

The reader should refer to the MD&A included in the 2010 Annual Report for a detailed description of claim status, partnership agreements and past exploration work on the Company's properties.

#### Recent exploration activities

During the nine-month period ended May 31, 2011, the majority of the exploration activities were conducted on the following properties:

#### **Tortigny, Québec (Copper – Zinc – Gold – Silver)**

During the summer of 2010, Beaufield initiated a four hole, totalling 2,529 metres drilling program. Best results released in September 2010 were:

- Hole TO-10-16 was drilled vertically into the central portion of the deposit and intersected 18.45 metres of massive sulphides mineralization grading 4.17% zinc, 3.26% copper, 0.39% lead, 80.70 g/t silver and 0.30 g/t gold. The hole intersected the mineralized lens at an angle of 48° suggesting a calculated true width of approximately 12.80 metres;
- Hole TO-10-19 intersected 322.15 metres of 4.20% zinc, 2.72% copper, 0.19% lead, 72.02 g/t silver and 0.53 g/t gold. The hole was drilled parallel to the hinge of the fold of the Tortigny deposit, following the mineralized zone, to verify the continuity and the variability of the ore body between the different sections and to provide material for metallurgical studies. The drill hole went in and out of the mineralized zone intersecting 21 different metric massive sulphides intervals, totalling 34% (108.95m) of the mineralized intersection. The deposit forms a "V" shape fold and reference to this hinge relates to the base portion of the "V" shape. For this reason, the intersection represents a portion of the length of the deposit rather the width or thickness.

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#### Investing activities (Cont'd)

Hole 10-19 was drilled to determine mineral continuity between holes and to provide material for metallurgical testing. To determine the true width of the Tortigny deposit, additional drilling is required. The deposit appears to plunge at an angle of approximately 48 degrees. Hole To-10-19 was drilled approximately down plunge for at least 322.15 metres, projecting to surface the strike length is 215 m.

Another drill program was initiated at the end of November 2010 to better determine the geometry of the Tortigny mineralization initially drilled by Noranda Mines and Exploration Inc. in the 1990's, to explore for possible extensions, and to examine other nearby geophysical targets. The program, completed in June 2011, totalled 9,746 metres in 39 holes of which 12 have been reported to date (Press releases of February 4 and April 20, 2011).

The drilling was undertaken on a systematic pattern using vertical holes intended to optimally drill what was believed from historical data to be a "V" shaped deposit. In addition to the 39 holes, seven holes, totalling 1,647 metres, were specified by the company which Beaufield engaged to undertake a 43-101 compliant resource calculation. These were drilled at an angle from north to south (approximately).

On February 4, 2011, the Company reported results from the first four holes drilled vertically, east to hole TO-10-16. Hole TO-10-24 intersected two distinct mineralization with best result being 10.21% Zinc; 4.48% Copper; 0.37% Lead; 116.62 g/t Silver and 0.52 g/t gold over 13.00 metres.

On April 20, 2011, Beaufield reported results from eight additional holes drilled vertically, east of Hole TO-10-24 to better define the "near surface" part of the deposit. Best results are as follows:

	<b>From (m)</b>	<b>To (m)</b>	<b>Length (m)</b>	<b>Zinc (%)</b>	<b>Copper (%)</b>	<b>Lead (%)</b>	<b>Silver (g/t)</b>	<b>Gold (g/t)</b>
TO-10-23	98.00	112.0	14.00	4.35%	4.44%	0.24%	115.97	0.94
TO-10-25	44.00	66.00	22.00	4.66%	2.17%	0.35%	70.87	0.42
TO-10-25	92.65	132.0	39.35	9.27%	5.17%	0.34%	134.55	0.72
TO-10-27	45.50	57.90	12.40	8.04%	3.28%	0.51%	94.42	0.37
TO-10-28	76.40	97.45	21.05	13.07%	6.17%	0.21%	149.91	0.48
TO-10-29	90.60	111.0	20.40	4.90%	3.68%	0.53%	123.94	1.00
TO-11-31	6.90	24.35	17.45	13.08%	6.89%	0.33%	192.81	0.95
TO-11-31	62.00	93.70	31.70	6.93%	3.75%	0.19%	100.02	0.54

At present, the current drilling suggests a deposit more complex than originally supposed, with new mineralized zones, or folded portions of known zones being located below the assumed bottom of the hinge.

Assays are being received and are being compiled and interpreted on the remaining holes which will be reported once the analysis is completed by the head geologist.

Core sampling for metallurgical testing and gravity determinations have been completed and will form a key component of the resource calculation.

Management believes that the resource calculation will provide data which will assist Beaufield to assess the economic potential of the Tortigny deposit.

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

Airborne and ground surveys have identified other technically valid drill targets on the 31,290 hectares property. As with most volcanic massive sulphide (VMS) mining districts such as the Matagami and Noranda mining camps, VMS deposits typically occur in groups or clusters. Hence, this is considered a highly prospective area for further discoveries.

It should be noted that the mineralized in-hole sections reported here are not true width. The angle between the drilled hole and the mineralized zone varies from one hole to another depending on the steepness of the mineralized zone.

#### **Schefferville, Quebec (Iron-Zinc)**

Beaufield has added 363 additional claims to its land holdings in the central part of the Schefferville mining camp. Beaufield's prospective Iron property which is located between Labrador Iron Mines (LIMT), Tata Steel Minerals Canada Ltd., New Millennium Iron (NML-V) and Champion Minerals (CHM-T) now totals 883 claims or 431.9 square kms.

An airborne FALCON Gravity Gradiometer (AGG) survey was flown in the fall of 2010 and detected 20 high gravity anomalies associated with low magnetic values located on ground mapped to underlain by the Sokoman Iron formation. A ground gravity survey was completed on selected airborne targets and demonstrated the validity of the airborne gravity anomalies.

The AGG survey has also delineated 8 prospective SEDEX zinc targets located within the vicinity of Leroy Lake where assays from bottom lake sediments from a Quebec government survey returned highly anomalous values in zinc and are comparable to some of the stream sediments that lead to the discovery of the giant Red Dog deposit in Alaska. There is no certainty further exploration will lead to discovery of similar mineralization.

In July 2011, a summer field program has commenced on this property. A budget of approximately \$1,500,000 has been allocated to carry out an extensive prospecting, soil sampling and drill program on the property.

#### **Urban Project, Québec (Gold)**

In March 2010, Amseco optioned the Urban property. Amseco must spend \$1,980,000 over a four year period ending in March 2014 to earn a 50% of the 100% interest held by the Company. Amseco is the operator during the earn-in period. Refer to Note 6 to the 2010 annual financial statements for additional details.

On May 24, 2011 Amseco announced diamond drill hole assay results for its winter drilling campaign at Lac Rouleau property on the Urban project. Between February and April 2011 Amseco drilled six holes for a total depth of 1,950 meters. Four holes intersected the Lac Rouleau Fault and Zone 18, while one hole did not show evidence of the typical alteration found in the LRF and the last hole was prematurely stopped due to a technical problem and the spring thaw. (Refer to Amseco news release for further details).

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

##### ***Northern Eagle property on Hemlo, Ontario (Gold)***

In April 2009, Jiminex optioned the Northern Eagle property. Jiminex must spend \$1,300,000 over a three year period ending August 31, 2012 to earn a 50% of the 100% interest held by the Company. Jiminex is the operator during the Option earn-in period. Refer to Note 6 to the 2010 annual financial statements for additional details.

Jiminex completed a 1,161 metres three diamond drill holes program in November 2010 and resumed drilling in January 2011 by contracting a second larger and more powerful diamond drill unit.

Jiminex indicated in a press release issued on February 3, 2011, that "diamond drilling continues testing the Titan 24 deep-penetrating ground geophysical survey anomalies and the barite/alteration zone using both a small and a larger drill rig. Since commencing the drilling in November 2010, approximately 3,565 metres of core has been recovered from 6 holes. The large rig is now preparing to drill hole 11NE-08 with a planned depth of approximately 1,500 metres and the small rig has recently began hole 11NE-07. The small rig will continue to test the Titan 24 anomalies to check for possible narrower gold mineralized zones brought up nearer to the surface, in a manner similar to the historic Corona discovery zone at the Hemlo deposit. The larger drill rig will continue to test the barite/alteration horizon and fault structures to depths in the range of 600 to 900 metres or deeper. These depths are necessary in order to test for a possible large Hemlo-style replacement gold mineralized body underneath the Northern Eagle property".

#### **Financing activities**

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 of \$180,015 equal to 6% of the gross proceeds raised and Compensation Options equal to 6% of the number of Flow-Through Common Shares sold. Accordingly, a total of 327,300 Compensation Options, having a fair value of \$62,187, were issued, each of which is exercisable to purchase one common share of the Company at \$0.55 per share until April 20, 2012.

Share issue expenses of \$796,906 for the nine-month period ended May 31, 2011 consisted of:

- Cash commission of \$180,015 equal to 6% of the gross proceed of the brokered financing paid to the agent;
- Issue cost consisting of legal fees and Exchange fees of \$52,704;
- Issuance of 327,300 Compensation Options equal to 6% of the number of Flow-Through Common Shares sold and valued at \$62,187.
- Future income tax recovery of \$502,000 (nil in Q3-2010) related to the flow-trough financing. When the Company filed the flow-through tax renunciation forms in favour of investors with the tax authorities in February 2011, the future income taxes cost of \$502,000 related to the resulting temporary difference was recorded as a share issue expense

During Q3 2011, 1,300,000 options were exercised for cash consideration of \$389,000 and a fair value of \$212,000 from these options has been reclassified from contributed surplus to share capital.

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#### **Liquidity and capital resources**

The Company has no long-term debt and a working capital (current assets less current liabilities) of \$6,374,474 as at May 31, 2011 (\$6,122,344 as at August 31, 2010). In addition, Beaufield holds cash in the amount of \$1,644,382 restricted in use for exploration expenses pursuant to flow-through financing agreements.

With the closing of \$3,000,250 flow-through financing in October 2010, 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.

Acquisition of new properties or 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.

#### **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.

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.

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#### Summary of quarterly information

	Three months ended			
	May 31, 2011	February 28, 2011	November 30, 2010	August 31, 2010
	\$			\$
Net sales	-	-	-	-
Net income (loss) for the period	(677,072)	(95,652)	957,053	(408,970)
Net income (loss) per share	(0.01)	0.00	0.01	(0.005)

	Three months ended			
	May 31, 2010	February 29, 2010	November 30, 2009	August 31, 2009
	\$	\$	\$	\$
Net sales	-	-	-	-
Net income (loss) for the period	(10,787)	(111,677)	(177,981)	(87,443)
Net income (loss) per share	0.00	(0.001)	(0.002)	0.00

#### Related party transactions

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

	Nine-month period ended May 31	
	2011	2010
	\$	\$
Deferred exploration expenses <sup>1)</sup>	38,690	17,175
Professional fees <sup>2)</sup>	100,968	68,185
Management fees <sup>3)</sup>	45,200	54,825
Rent <sup>3)</sup>	22,500	22,500
	<u>207,358</u>	<u>162,685</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 May 31, 2011 to companies controlled by officers in the amount of \$28,165 (\$19,726 as at May 31, 2010).

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.

#### Disclosure of outstanding share data

(as of July 25, 2011)	Number
Common shares	90,154,519
Options	6,450,000
Compensation options	327,300
Fully diluted	<u>96,931,819</u>

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#### **Stock option plans**

The purpose of the stock option plans are to serve as an incentive for the directors, officers, employees and service providers who will be motivated by the Company's success as well as to promote ownership of common shares of the Company by these people. There is no objective attached to the plans and no relationship to manage the entity's risks.

#### **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**

There is no significant change relating to the Management's responsibility for financial information and critical accounting estimates since the annual MD&A of August 31, 2010.

#### **Changes in accounting policies including initial adoption**

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

As at October 15, 2010, certain new primary sources of Canadian generally accepted accounting principles (standards) have been published but are not yet in effect. These standards should not have a significant impact on the Company's financial statements.

In January 2009, the CICA published Section 1582, "Business Combinations", that replaces Section 1581 of the same title. On the same date, the CICA also published new Sections 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests". These two new sections replace Section 1600, "Consolidated Financial Statements".

The objective of Section 1582 is to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. Section 1601 establishes standards for the preparation of consolidated financial statements following a business combination that involves a purchase of an equity interest by one company in another. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1582 must be applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 and Sections 1601 and 1602 are effective for fiscal years beginning on or after January 1, 2011.

Beginning on September 1, 2011, the Company will cease to prepare its financial statements in accordance with Canadian GAAP as set out in Part V of the CICA Handbook – Accounting ("Canadian GAAP") and will apply as its primary basis of accounting, International Financial Reporting Standards as published by the International Accounting Standards Board as set out in Part I of the CICA Handbook – Accounting. Consequently, management has not determined the impact of the aforementioned future accounting changes to Canadian GAAP that are for periods beginning on or after January 1, 2011.

#### **Financial instruments**

There is no significant change relating to the financial instruments since the annual MD&A of August 31, 2010.

## **Beaufield Resources Inc.**

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

For the nine-month period ended May 31, 2011

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#### **IFRS Convergence**

Effective September 1, 2011, the Company is required to prepare its financial statements in accordance with International Financial Reporting Standards ("IFRS") for interim and annual periods. Due to the requirement to present comparative financial information, the effective transition date is September 1, 2010. The three months ended November 30, 2011 is the Company's first reporting period under IFRS.

There is no new development to report on this subject since the filing of the MD&A included in the 2010 annual report dated November 29, 2010 except for the following items:

*Accounting policies and financial statements preparation:* The Company is expected to complete the detailed analysis of the accounting policies impacted by the IFRS convergence by the end of August 2011. In addition, the financial statement model and the identification of the IFRS convergence adjustments will be completed by that date;

*Internal Controls:* The conversion to IFRS is not expected to have a significant impact on the Company's internal controls (including information technology systems), and accounting processes. However, the extent of change in accounting framework will require the Company to update its internal controls, disclosure controls and procedures to ensure they are appropriately designed and operated effectively for reporting under IFRS. These include: training communication to ensure IFRS knowledge is transferred from subject matter experts to the entire organization; documentation to ensure corporate accounting policies are updated for IFRS, and transitional analysis and decisions are adequately supported; and review to ensure segregation of duties in the review and approval of IFRS information from preparer to management, and ultimately by the Audit Committee. As a result of these incremental internal control enhancements, the impact of the conversion from Canadian GAAP to IFRS on the Company's risk management or other business activities will be reduced.

*Business activities and key performance measures:* The Company is not subject to any financial covenants or key ratios, therefore the transition will not have an impact in this regard.

#### **Risk factors**

Details of risk factors are outlined in the Company's MD&A included in the 2010 annual report.

#### **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.

## **Beaufield Resources Inc.**

### Management's Discussion and Analysis

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#### **Forward-looking information**

This report contains "forward looking information" within the meaning of applicable Canadian securities legislation. Forward looking information includes, but is not limited to, statements with respect to the future financial or operating performance of the Company. Generally, forward looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: general business, economic, competitive, geopolitical and social uncertainties; the actual results of current operations and investment activities; acquisition risks; and other risks of the venture capital industry. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

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

(s) Vatche Tchakmakian  
Vatche Tchakmakian  
*Chief Financial Officer and Secretary*

July 25, 2011