

Beaufield Resources Inc.

Management's Discussion and Analysis

For the years ended

August 31, 2011 and 2010

Beaufield Resources Inc.

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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 years ended August 31, 2011 ("Fiscal 2011") and 2010 ("Fiscal 2010").

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.

Nature of activities

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

Highlights of operations

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

A diamond drill program was started in November 2010 and was finished in June 2011 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. Forty seven holes, totalling 11,393 metres, were drilled.

Beaufield has recently received a detailed interpretation of Megatam airborne data from Fugro Airborne Surveys. This work has identified a series of high priority geophysical targets in the general vicinity of the Tortigny deposit. Diamond drilling using two drills started in mid-November. In addition to the six to ten holes to be drilled on targets, at least three holes will be drilled on the Moleon deposit which is located approximately 5 kilometres southeast of Tortigny.

The Tortigny deposit is the subject of a 43-101 report under preparation with the objective of determining resource calculation by implementing a new geological model. Completion of this report is expected by early 2012.

Schefferville – Iron – 100% owned

In Fiscal 2011, Beaufield has expanded its land holdings in the central part of the Schefferville mining camp to bring the total to 883 claims or 431.9 square kms. Beaufield's prospective Iron property is located between Labrador Iron Mines (LIM-T), Tata Steel Minerals Canada Ltd., New Millennium Iron (NML-V) and Champion Minerals (CHM-T).

An airborne FALCON Gravity Gradiometer (AGG) survey was flown in the fall of 2010 and detected 20 high gravity anomalies some of which are 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 August 2011, Beaufield has completed seven weeks of helicopter supported geology and sampling on the property. A total of 1254 rock samples and 1,307 B-horizon soil samples have been sent to ALS Chemex for analysis. These results will be incorporated in a 43-101 technical report being prepared by an engineering firm.

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Highlights (Cont'd)

Opinaca – Gold – 100% owned

The Opinaca property is directly adjacent to Goldcorp Inc. ("Goldcorp") Eleonore gold project. In a press release issued on November 14, 2011, Goldcorp stated that it has secured a certificate of authorization for construction of the Eleonore project. With life-of-mine gold production expected to average 600,000 ounces of gold per year, Eleonore will be one of the largest gold mines in Canada. First gold production is expected late 2014.

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.

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 10 holes drilling program recovering 6,877 metres of core. The final 2,340 ICP-MS multi-element geochemical analytical results on this core were received in late June 2011. A second phase of diamond drilling will be planned based on the interpretation of all the phase one drilling data.

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. 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 loss of \$ 715,616 in Fiscal 2011 compared to a net loss of \$709,415 in Fiscal 2010.

Expenses

Expenses increased by \$862,468 this year versus the prior year (\$1,546,511 in Fiscal 2011 as compared to \$684,043 in Fiscal 2010). The change in administrative expenses is due primarily to:

- a) A \$845,000 stock-based compensation cost was recorded in Fiscal 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 year and granted in fiscal 2010 as compared to \$102,000 in Fiscal 2010 for the granting of 1,200,000 options to certain directors, officers and an investor relation company;

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Operating activities (Cont'd)

- b) Salaries and management fees decreased by \$51,570 (\$184,704 in Fiscal 2011 as compared to \$236,274 in Fiscal 2010). In Fiscal 2010, the Company recharged some of the geologist salaries as consulting fees (\$81,823 in Fiscal 2010 as compared to \$29,780 in Fiscal 2011) to Melkior Resources Inc. for its own projects. During Fiscal 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 due to an increased level of exploration and financing activities, and also to the application and enhancement of regulatory policies.

Professional fees consist of:

	2011	2010
	\$	\$
Accounting and audit fees	164,545	118,876
Legal fees	73,865	5,700
<i>Total professional and consulting fees</i>	<i>238,410</i>	<i>124,376</i>

- d) An increase in investors' relations expenses following the engagement of an investor relation company for a monthly fee of \$5,000 from July 2010 to June 2011 and \$20,000 paid to a director for promotion services from April to August 2011.

Project management fees

In Fiscal 2011, the Company earned \$29,780 (\$81,823 in Fiscal 2010) in project management fees mainly on Melkior's projects.

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 4 to the 2011 annual financial statements for additional details).

In Fiscal 2011, the disposal of publicly traded securities, at a cost of \$3,016,532 (\$471,849 in Fiscal 2010), generated a realized gain of \$355,830 (\$56,951 in Fiscal 2010) while the unrealized fair value variation on marketable securities totalled \$87,327 in gain (\$179,966 loss in Fiscal 2010). The unrealized fair value variation of the year 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 \$45,750 in Fiscal 2011 as compared with \$15,820 in Fiscal 2010. This increase is due primarily to higher market interest rates and higher cash balances held in Fiscal 2011.

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Operating activities (Cont'd)

Gold coins are considered a commodity and not a financial instrument and as such are recorded at cost. At August 31, 2011, the Company held 839 ounces of gold coins having an acquisition cost of \$999,420 and a market value of \$1,496,400 (\$1,115,077 in Fiscal 2010).

<u>Date</u>	<u>Fair market value per ounce</u> US\$	<u>Exchange rate</u>	<u>Fair market value per ounce</u> CDN\$	<u>Total fair market value</u> CDN\$
August 31, 2011	1,823	0.9786	1,784	1,496,400
August 31, 2010	1,246	1.0664	1,329	1,115,077
March 27, 2009 (acquisition date)	984	1.2104	1,191	999,420

Write-off of mineral properties

During Fiscal 2011, no mineral properties were written-off. In Fiscal 2010, the \$35,616 write-off relating to the Eastmain Lithium property reflects the Corporation's decision to drop the claims.

Investing activities

Purchase and disposal of gold coins and marketable securities

In Fiscal 2011, the Company purchased \$3,103,191 securities in publicly traded companies in the resource sector (\$814,004 in Fiscal 2010). During this year, the Company sold for an amount of \$3,372,362 (\$528,800 in Fiscal 2010) some of its previously invested marketable securities having a cost of \$3,016,532 (\$471,849 in Fiscal 2010) and realized a gain of \$355,830 (\$56,951 gain in Fiscal 2010).

Mineral properties

In Fiscal 2011, additions of \$168,147 to the mineral properties consisted of the following:

- a) Acquisition for an amount of \$8,345 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.

Then, the Company entered into an option agreement with Actus Minerals Corp. ("Actus"), a corporation listed on the TSX Venture Exchange, on this property (the "Option Property"). Actus has an option to acquire an undivided 50% of the Company's 100% interest in the property by performing a total of \$650,000 of exploration work on the Option Property over a three year period ending February 14, 2014. Actus has issued 300,000 of its common shares to the Company (valued at \$24,000, being the fair market value) and will issue an additional 950,000 of its common shares to the Company over the next three years.

The option payment received from Actus was applied in reduction of the acquisition cost and the deferred exploration expenses and the residual amount of \$12,208 was recorded in the statement of operations and comprehensive loss.

- b) The Company entered into a purchase agreement to acquire, on an arm's length basis, a Zinc property consisting of three mineral licenses located in Nova Scotia in consideration for a total of 300,000 common shares of the Company (valued at \$82,500, being the fair market value). The Company has also agreed to grant to the vendor a 2% NSR subject to the Company's right to purchase one-half of said royalty at any time for \$1,000,000.
- c) Claim renewal cost on the other owned properties.

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Investing activities (Cont'd)

In Fiscal 2010, additions of \$219,503 to the mineral properties consisted of the following:

- d) Acquisition for an amount of \$103,146 by map staking of a 100% interest in the Schefferville property.
- e) Acquisition for an amount of \$35,616 by map staking of a 100% interest in 297 claims in the Eastmain area of James Bay in northern Quebec. This acquisition was written-off at year-end.
- f) Claim renewal cost on the other properties.

In Fiscal 2010, the option agreement with Amseco generated \$125,000 consisting of 1,250,000 common shares of Amseco having a fair value of \$125,000.

Exploration expenses

During Fiscal 2011, the Company invested \$3,383,675 (\$1,080,215 in Fiscal 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 Fiscal 2011, the Company has accrued \$1,266,768 (\$474,294 in Fiscal 2010) in refundable tax credits related to exploration expenditures. Refundable tax and mining duties credits received in Fiscal 2011 amounted to \$441,567 (\$236,344 in Fiscal 2010).

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

2011	Scheffer						Casa	Cape	Total
	Tortigny	-ville	Opinaca	Urban	Hemlo	Raglan	Berardi	Breton	
	\$	\$	\$	\$	\$	\$			\$
Drilling	1,880,111	-	-	1,500	-	-	-	-	1,881,611
Geology	99,089	328,195	6,944	6,114	8,453	284	5,367	6,704	460,150
Geophysics	413,109	445,570	6,880	-	-	-	-	-	866,559
Geochemistry	25,355	-	-	-	-	-	-	-	25,355
Stock-based compensation	150,000	-	-	-	-	-	-	-	150,000
	<u>2,567,664</u>	<u>773,765</u>	<u>13,824</u>	<u>7,614</u>	<u>8,453</u>	<u>284</u>	<u>5,367</u>	<u>6,704</u>	<u>3,383,675</u>

2010	Scheffer						Total
	Tortigny	-ville	Opinaca	Urban	Hemlo	Raglan	
	\$	\$	\$	\$	\$	\$	\$
Drilling	647,855	-	-	1,200	183	-	649,238
Geology	60,890	22,304	131,204	14,485	3,929	-	232,812
Geophysics	24,750	69,921	76,111	908	-	1,400	173,090
Geochemistry	826	-	17,418	-	-	-	18,244
Depreciation	-	-	6,831	-	-	-	6,831
	<u>734,321</u>	<u>92,225</u>	<u>231,564</u>	<u>16,593</u>	<u>4,112</u>	<u>1,400</u>	<u>1,080,215</u>

Investing activities (Cont'd)

a) Tortigny and Frotet, Québec (Copper – Silver – Zinc – Gold)

Claims status

Beaufield holds a 100% interest in the-Tortigny, Frotet properties consisting of 869 claims covering 313 square kilometers and located approximately 100 kilometres northwest of the town of Chibougamou, Quebec with year-round road access.

Following an exploration expenditure of \$2.2 million, Beaufield 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 Beaufield 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 (Beaufield has an option to purchase one-half of Inco's NSR at any time for \$1,000,000).

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

The Tortigny polymetallic deposit consists of a deformed massive sulfide deposit hosted in meta-sedimentary rocks which are surrounded by mafic volcanic rocks. The deposit was interpreted to form a "V" shape fold where in 1997 Noranda Inc., 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. 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. 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.

In Fiscal 2009, Beaufield has decided to divide the 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 and are not subject to an NSR. These are referred to as the Frotet property.

In 2008, Beaufield entered into an option agreement to advance exploration of the Frotet property, whereby Melkior will earn a 50% interest on Frotet by spending \$500,000 on exploration over a four year period ending on October 20, 2012. Of the above amount \$463,137 has been spent by Melkior as at August 31, 2011.

2011 program

In November 2010, Beaufield initiated a drilling program with the objective to follow-up on the summer drilling program of 2010, to more thoroughly explore the Tortigny deposit, and to explore other targets in the vicinity. Drill hole orientations differed somewhat from historical drilling (south to north) in an effort to gain a different perspective on the orientation and the true thickness of the Tortigny mineralization.

The exploration program also tested geophysical targets (gravity and VTEM) recently discovered in close proximity to the Tortigny deposit.

The drilling program started in November 2010 and finished in June 2011. Forty seven holes, totalling 11,393 metres, were drilled. Results were released on February 4, 2011, April 20, 2011, July 27 2011 and September 15, 2011.

Investing activities (Cont'd)

The detailed drilling suggests a deposit more complex than originally supposed, with new mineralized lenses, or folded portions of known zones being located below the assumed bottom of the hinge as reported in 1997 by Noranda. Beaufield is presently building a model of the mineralized body. It should be noted that the mineralized in-hole sections reported are not necessarily 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. The 2011 drilling was undertaken to determine the geometry of the Tortigny deposit which is presently the subject of a 43-101 report.

2010 program

Winter drilling program:

During the winter of 2010, The Company completed 2,472 metres drilling program consisting of seven diamond drill holes in the vicinity of the Tortigny deposit.

The 2010 program consisted of two aspects. The first aspect was to drill four infill holes (TO-10-10; TO-10-11; TO-10-12 and TO-10-15) for a total of 879 metres between previously drilled, widely spaced holes to better define the deposit. The second aspect was verifying three electromagnetic conductors, with three holes (TO-10-09; TO-10-13 and TO-10-14), totalling 1,593 metres located in the vicinity of the deposit.

Hole TO-10-10 intersected a total of 33.1 metres of massive sulfide mineralization grading 2.32% copper, 5.94% zinc, 0.16% lead, 0.25 g/t gold and 63.30 g/t silver. Hole TO-10-12 assayed 2.20 g/t gold over 11.90 metres and TO-10-15 obtained the best assays of the drill program: 8 metres of 6.15% copper, 9.98% zinc, 0.31% lead, 1.72 g/t gold and 157.96 g/t silver. The best intersections are summarized in the press release dated March 30, 2010.

Summer drilling program:

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

- a) 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;
- b) 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 orebody 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 was originally interpreted to form a "V" shape 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.

Hole 10-19 was drilled to determine mineral continuity along the length of the deposit and to provide material for metallurgical testing. 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.

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Investing activities (Cont'd)

Select drill hole intersections for 2011 and 2010 are as follows:

Hole	From (m)	To (m)	Interval (m)	Zn (%)	Cu (%)	Ag (g/t)	Au (g/t)
TO-10-16	153.90	172.35	18.45	4.17	3.26	80.70	0.30
TO-10-19	14.85	337.00	322.15	4.20	2.72	72.02	0.53
TO-10-21	138.00	175.65	37.65	6.02	2.62	72.31	0.55
TO-10-24	100.00	113.00	13.00	10.21	4.48	116.62	0.52
TO-10-25	92.65	132.00	39.35	9.27	5.17	134.55	0.72
TO-10-27	10.00	97.50	87.50	5.91	1.87	55.49	0.39
TO-10-28	76.40	97.45	21.05	13.07	6.17	149.91	0.48
TO-10-31	6.90	24.35	17.45	13.08	6.89	192.81	0.95
TO-10-31	62.00	93.70	31.70	6.93	3.75	100.02	0.54
TO-10-33	74.15	107.65	33.50	11.51	4.77	126.06	0.64
TO-10-35	93.40	109.10	15.70	10.43	4.89	125.87	1.96
TO-10-41	123.55	142.50	18.95	11.78	5.70	128.76	0.76
TO-10-42	161.80	184.80	23.00	14.90	6.87	159.28	0.84
TO-10-51	167.50	189.00	21.50	8.48	6.75	146.00	0.82
TO-10-54	130.00	146.20	16.20	14.27	4.12	100.37	0.67

Future work

Beaufield has recently received a detailed interpretation of Megatem airborne data from Fugro Airborne Surveys. This work has identified a series of high priority geophysical targets in the general vicinity of the Tortigny deposit which will be explored in future programs.

Airborne geophysical targets are being followed up by geological mapping, rock sampling, soil geochemistry and by ground electromagnetic surveys. Diamond drilling using two drills started in mid-November 2011. In addition to the six to ten holes to be drilled on targets, at least three holes will be drilled on the Moleon deposit which is located approximately 5 kilometres southeast of Tortigny. Limited drilling was performed on the Moleon deposit in the 1990's and a non 43-101 compliant resource of 181,000 tonnes grading 1.56% copper and 3.4% zinc was reported (Selco Mining in 1974). The objective of the current program will be to verify the grade and to determine the exploration potential. The 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.

The Tortigny deposit is the subject of a 43-101 report under preparation with the objective of determining resource calculation by implementing a new geological model. Completion of this report is expected by early 2012. The planned budget for Fiscal 2012 is \$1 million and will include drilling exploration targets and a possible small bulk sample at Tortigny. The results of the 43-101 report may suggest advancing work of Tortigny which could require a revised budget.

Investing activities (Cont'd)

b) Schefferville Iron-Zinc project

Claims status

Beaufield holds 100% interest in over 879 claims covering a surface area of 430 square kilometers within the Labrador Trough approximately 40 kilometres northwest of the town of Schefferville, Quebec. This property is in the middle of a major iron ore camp with existing infrastructure including 2 DSO (Direct Shipping Ore) processing facilities and is located between Labrador Iron Mines (LIM-T), Tata Steel Minerals Canada Ltd., New Millennium Iron (NML-V) and Champion Minerals (CHM-T).

The Labrador Trough is the host of world class iron deposits and potential host of rare earth and sediment-hosted exhalative, lead-zinc deposits ("SEDEX") deposits.

The claims cover a series of very strong magnetic features of the type occurring on neighbouring properties as well as 20 gravity anomalies on Beaufield's property. Four DSO iron deposits owned by others are located inside Beaufield's boundaries; geophysics and mapping show these to extend on to Beaufield's ground.

2011 program

In Fiscal 2011, Beaufield has expanded its land holdings in the central part of the Schefferville mining camp to bring the total to 879 claims.

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.

In August 2011, Beaufield has completed seven weeks of helicopter supported geology and sampling on the property. A total of 1254 rock samples and 1,307 B-horizon soil samples have been sent to ALS Chemex for analysis. These results will be incorporated in a 43-101 technical report being prepared by an engineering firm.

The work involved follow-up of a series of significant ground and airborne gravity anomalies typically indicative of DSO iron oxide targets in the Sokoman Iron formation. Old trenches by the Iron Ore Company of Canada from the 1950's and 1960's have been located, mapped and sampled. Roads and trails linking the property to Schefferville were mapped and accessibility is considerably better than anticipated.

2010 program

In Fiscal 2010, the Company completed a 960 line kilometre airborne magnetometer and spectrometer survey. The survey was carried out using a high sensitivity magnetometer to map geology, structure and iron formations and using a spectrometer to map radioactive minerals. The equipment was flown in helicopter to get optimum ground clearance. The objective of the survey was to assist in the exploration for SEDEX and to map iron formations. The data was interpreted by Scott Hogg and Associates Ltd.

Future work

The completion in early 2012 of the 43-101 technical report will serve as the basis for planning a 2012 summer drill program for which a budget of \$1.5 million is planned.

Investing activities (Cont'd)

c) *Opinaca, Québec (Gold)*

Claims status

Beaufield holds a 100% interest. Parts of this property is subject to a 0.5% net smelter return ("NSR"). The property consisting of 192 claims totalling 100 km², and is located in the Opinaca reservoir, approximately 320 kilometres north of the town of Matagami in the James Bay area, northern Quebec. The property is directly adjacent to Goldcorp Eleonore gold project which is scheduled for gold production in late 2014, with life-of-mine gold production expected to average 600,000 ounces of gold per year.

The property is situated in the Superior province, within the Lower Eastmain Greenstone Belt, near the northern contact between the La Grande and the Opinaca Sub-Provinces. The different lithologies found on the property include volcanics, mostly matabasalt with minor intermediate to felsic tuffs, sediments (conglomerates and graywackes with slivers of siltstones and mudstone) and intermediate (diorite) to felsic (pegmatite and tonalite) intrusive rocks covering 5% of the North Block and 90% of the South Block.

In January 2006, the Company completed a brokered private placement with Goldcorp whereby Goldcorp has purchased 6.8 million units 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 Eleonore properties.

2011 program

In a press release issued on November 14, 2011 Goldcorp stated that it has secured a certificate of authorization for construction of the Eleonore Gold project and with life-of-mine gold production expected to average approximately 600,000 ounces of gold per year, Eleonore will be one of the largest underground gold mines in Canada and a key element in Goldcorp's growth profile.

Beaufield notes that this is the start of a completely new gold mining camp in Quebec If as expected develops as other major gold mining camps have developed in Canada which include Red Lake, Val d'Or and Timmins The priority of Beaufield's property will be upgraded based on these new developments.

2010 program

In June 2010, a geophysical IP survey totaling 30.5 km was carried out over the Vortex Zone. This zone is a diopside-tourmaline alteration and replacement zone mineralized in arsenopyrite and it is very similar to the East-Roberto Zone of the Eleonore deposit. The zone has now been traced for 2 kilometres.

During the summer of 2010, Beaufield's geologists collected 296 grab samples over the area covered by the IP Survey. 56 samples returned values greater than 100 ppb gold (Au), 22 greater than 500 ppb gold and 17 above 1 g/t gold. The best results are: **19.00 g/t gold; 2.50 g/t gold; 2.40 g/t gold and 2.27 g/t gold.** I.P. anomalies associated with gold values represent drill targets.

2009 and prior programs

In 2009, a summer program of geology and geochemistry succeeded in extending the surface expansion that previously discovered 300 metre long Vortex zone by another 4,700 metres for a total strike length of 5 kilometres. Samples of up to 5 g/t were collected. A geochemical survey consisting of 971 soil samples were collected on a grid covering the Kessel and Ylesia gold-copper-molybdenum zone.

In 2008, Beaufield 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 were approximately 2g/t gold.

Investing activities (Cont'd)

In 2007, the Company completed a 3,252 metres 12 holes diamond drill program. Best results were:

- a) Vortex Zone: 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 metres in DDH OP-06-01; and
- b) Channel Zone: Drill Hole 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.

Future work

Geophysics, geochemistry, geology and early indications of gold on the property suggest a readiness to undertake drilling. The key location with respect to Goldcorp's Eleonore is additional justification for a significant program. The Eleonore development is rapidly improving infrastructure in a previously remote area. Beaufield has not yet decided whether to drill in Fiscal 2012 or 2013 hence a limited preliminary budget allocation of \$200,000 for Fiscal 2012.

d) Urban Project, Québec (Gold)

Claims status

Beaufield holds a 100% interest in the Urban properties consisting of 436 claims covering 69 square kilometres. 50% interest in under option. Parts of these properties are subject to a 2% NSR and other portions are subject to a 10% net profits interest.

The property is located in the Abitibi area, at approximately 190 km northeast of the town of Val d'Or, Quebec. The project comprises the Lac Rouleau, Macho River and Lac Kent blocks.

The general area is underlain by Archean Volcano-Sedimentary Urban-Barry belt (VSUBB) of the East Central part of the North Volcanic Zone of the Abitibi sub-province of the Superior Province. The underlying rocks of the Rouleau Lake claims consist mainly of altered silicified, sericitized, chloritized and carbonatized felsic to mafic volcanics with some minor sedimentary units and gabbroic intrusions.

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.

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% interest in this property. Amseco is the operator during the earn-in period. Refer to Note 4 to the financial statements for additional details.

2011 program

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 ("LRF") 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).

2010 program

Amseco conducted a high sensitivity airborne magnetic survey in April 2010 and identified several potential new exploration targets. Amseco has also completed line cutting on the "Lac Rouleau" claim block, in preparation of an IP Survey over Zone 18 and its vicinity.

The southern boundary of the Lac Rouleau claim block is located approximately 400 metres from interesting gold results reported by Bonterra Resources Inc. (TSXV: BTR).

Investing activities (Cont'd)

Prior exploration programs conducted by Beaufield included a 869-metre drill program on the property in May 2004. The results of the drilling suggested a continuation to surface of good grade mineralization in the previously drilled Lac Rouleau Zone 18 (Hole 401: 3.73 metres at 11.63g/t gold and Hole 402: 4.05 metre at 7.65g/t gold).

Future work

Beaufield has commissioned a legal survey of the boundary between the Bonterra and Beaufield properties in the vicinity of the Bonterra gold discovery. A budget of \$75,000 funded by Amseco was allocated to this program.

e) Hemlo, Ontario (Gold)

Claims status

Beaufield holds a 100% interest in two groups of claims in the Hemlo gold camp known as Northern Eagle and Fowler located 10 km east of the town of Marathon, approximately 770 kilometres NW of Toronto. 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.

Northern Eagle

The claims are located along Highway 17 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.

The Northern Eagle Gold property, located in the western Superior Province, lies within the northern part of the Wawa Subprovince, in the Neoproterozoic Hemlo greenstone belt. The greenstone belt is bounded to the north, south and east by large granitoid batholiths. The western limits of the belt and its continuity with the Terrace Bay-Schreiber greenstone belt, is intruded by the Proterozoic Coldwell alkalic intrusion and obscured by the water of the Lake Superior.

In April 2009, the Company signed a letter of intent agreement whereby Jiminex, have an option to acquire an undivided 50% of Beaufield's undivided 100% interest in the Northern Eagle gold property. In addition, Jiminex must make exploration expenditures of \$1,300,000 over a three year period all subject to an up to 2 % net smelter royalty to outside non-related parties. Jiminex is the operator during the Option earn-in period. When Jiminex fulfills the preceding terms, earning its 50% interest, exploration will proceed pursuant to a joint venture with Beaufield.

Fowler

The claims are located approximately 25 kilometres northeast of the Hemlo gold mines. No recent work has been undertaken on these claims.

2011 program

Jiminex commenced a first phase diamond drilling program with a smaller drill unit to test selected Titan 24 geophysical anomalies on the Property in early November 2010 and, after a December holiday break, recommenced drilling in early January 2011 with two drill units: the smaller unit capable of drilling to 1,000 metres depth plus a larger drill unit capable of drilling to 2,000 metres depth.. By mid-March 2011, a total of 10 holes were drilled recovering 6,877 metres of core. The final 2,340 ICP-MS multi-element geochemical analytical results on this core were received in late June 2011. A second phase of diamond drilling will be planned based on the interpretation of all the phase one drilling data.

2010 program

In April 2010, Jiminex announced that the interpretation of an interactive computer geotechnical data model suggests the western part of the target alteration zone/barite horizon dips north at a moderate to steep angle rather than vertical as predicted by historical work. This model was examined by Jiminex to determine the best location to begin phase one of the deep geophysical surveying program.

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Investing activities (Cont'd)

Future work

The fowler claims will require exploration expenditure work to maintain them in good standing. The Company allocated a budget of \$30,000 in Fiscal 2012.

f) Raglan Ungava, Québec (Nickel – Copper)

Claims status

Beaufield hold a 100% interest.

2009 and prior programs

An airborne VTEM magnetic-electromagnetic survey was undertaken in 2008 to define exploration targets on the Raglan horizon. Beaufield undertook a detailed compilation of the VTEM data and other available data in the area during 2009. A geophysical expert has provided a new interpretation of the data.

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.

Exploration budget for Fiscal 2012

In summary, the anticipated works to be conducted by Beaufield and its partners and the related budgets for Fiscal 2012 are as follows:

<u>Properties</u>	<u>Amount</u>	<u>Work description</u>
	\$	
<i>By Beaufield:</i>		
Tortigny	1,000,000	Drilling, geology and geophysics
Schefferville	1,500,000	Drilling
Opinaca	200,000	Geology, sampling and mapping
Raglan	50,000	Geology
Hemlo, Fowler	30,000	Geology
Total Beaufield budget	<u>2,780,000</u>	
<i>By the partners:</i>		
<i>(Minimum work required to maintain the options)</i>		
Urban JV with Amseco	500,000	
Hemlo JV with Jiminex	600,000	
Casa Berardi with Actus	100,000	
Frotet JV with Melkior	40,000	
Total partners budget	<u>1,240,000</u>	
Total	<u>4,020,000</u>	

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 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.

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Subsequent event

Private placement

In September 2011, the Company closed a brokered private placement financing of 4,777,000 Flow-Through Common Shares at a price of \$0.36 per Flow-Through Common Share, for gross proceeds of \$1,719,720. The agent received a cash commission equal to 6% of the gross proceeds raised and Agent Compensation Options equal to 6% of the number of Flow-Through Common Shares sold. Accordingly, a total of 286,620 Agent Compensation Options were issued, each of which is exercisable to purchase one common share of the Company at \$0.36 per share until March 20, 2013.

A fair value of \$22,930 was calculated for those compensation options using the Black-Scholes option pricing model based on the following assumptions: average interest rate without risk of 0.94%, an estimated average volatility of 74%, 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 \$0.08 per each compensation option granted. The total amount of \$22,930 was expensed in the statement of deficit.

Concurrent with this financing, the Company issued on a non-brokered basis 1,000,000 Flow-Through Common Shares at a price of \$0.36 per Flow-Through Common Share, for gross proceeds of \$360,000. No commission was paid for this financing.

Liquidity and capital resources

The Company has no long-term debt and a working capital (current assets less current liabilities) of \$5,653,808 as at August 31, 2011 (\$6,122,344 as at August 31, 2010). In addition, Beaufield holds cash in the amount of \$1,298,814 restricted in use for exploration expenses pursuant to flow-through financing agreements.

With the closing of \$2,079,720 flow-through financing in September 2011, 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.

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.

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 complied with the requirements in this fiscal year.

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Policies and processes for managing capital (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.

Selected annual information

	Fiscal year ended August 31		
	2011	2010	2009
	\$	\$	\$
Net sales	-	-	-
Net loss for the year	715,616	709,415	623,159
Net loss per share	0.01	0.01	0.01
 Total assets	 17,927,650	 14,741,724	 14,980,903

Summary of quarterly information

	Three months ended			
	August 31, 2011	May 31, 2011	February 28, 2011	November 30, 2010
	\$	\$		
Net sales	-	-	-	-
Net income (loss) for the period	(899,945)	(677,072)	(95,652)	957,053
Net income (loss) per share	(0.01)	(0.01)	0.00	0.01

	Three months ended			
	August 31, 2010	May 31, 2010	February 29, 2010	November 30, 2009
	\$	\$	\$	\$
Net sales	-	-	-	-
Net income (loss) for the period	(408,970)	(10,787)	(111,677)	(177,981)
Net income (loss) per share	(0.005)	-	(0.001)	(0.002)

Fourth quarter analysis

The Company reported a net loss of \$899,945 for the three-month period ended August 31, 2011 ("Q4-2011") compared to a net loss of \$408,970 for the three-month period ended August 31, 2010 ("Q4-2010"). The main reasons for the variance are:

- In the fourth quarter of Fiscal 2011, investment income decreased by \$388,727 (\$247,089 decrease in Q4-2010) due to a decrease in unrealized fair value variation of marketable securities of \$426,523 offset by a gain on disposal of marketable securities of \$27,482 and interest of \$10,314; Total investment income for 2011 amounts \$488,907 (a loss of \$107,195 in 2010);
- A \$100,000 stock-based compensation cost was recorded in Q4-2011 as compared to \$2,000 in Q4-2010.
- A \$202,000 future income tax expense was recorded in Q4-2011 as compared to nil in Q4-2010.

On the investment activities, the Company expensed \$834,855 in exploration in Q4-2011, mostly on its Troilus drilling campaign and Shefferville geophysics program (\$535,055 in Q4-2010 mostly on its Troilus drilling campaign and Opinaca summer geology and sampling program).

There were no financing activities, in Q4-2011 nor in Q4-2010.

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Related party transactions

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

	2011	2010
	\$	\$
Deferred exploration expenses ¹⁾	45,890	31,770
Professional fees ²⁾	136,545	85,176
Management fees ³⁾	64,400	68,025
Rent ³⁾	30,000	30,000
Investor relations and promotion ⁴⁾	20,000	-
	<u>296,835</u>	<u>214,971</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.
- 4) Fees paid to a director for promotion services since April 2011.

There were accounts payable or accrued liabilities as at August 31, 2011 to companies controlled by officers in the amount of \$32,644 (\$20,315 as at August 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 December 8, 2011)	Number
Common shares	96,281,519
Options	6,100,000
Compensation options	613,920
Fully diluted	<u>102,995,439</u>

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

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 2 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

The Company did not adopt any new accounting standards during Fiscal 2011.

Financial instruments

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management manages financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

Financial risks

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

Fair Value

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

Financial instruments (Cont'd)

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 August 31, 2011 and 2010. During the years ended August 31, 2011 and 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.

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 5c). 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 or 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 August 31, 2011 and 2010 respectively) 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 significant interest rate risk. The Company does not use financial derivatives to decrease its exposure to interest risk.

Currency risk

As at August 31, 2011, the Company has no exposure to currency risk. As at August 31, 2010, the Company is exposed to currency risk as a result of marketable securities denominated in U.S. dollars totalling \$135,600. The Company believes that the currency risk exposure is remote. 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 August 31, 2011, a 10% increase or decrease in the closing bid prices on its publicly traded companies would result in an estimated decrease or increase in loss before income taxes of approximately \$102,000.

IFRS convergence

The Company is using a four step roadmap to convert to the International Financial Reporting Standards ("IFRS"):

Step 1: diagnostic

The initial diagnostic stage has been completed in 2009 to understand, identify and assess the overall effort required to produce financial information under IFRS.

Step 2: Design and planning

Step 2.1: Accounting policies

The detailed analysis of the accounting policies impacted by the IFRS convergence is expected to be completed by January 2012. Overall, a lot of effort will be put in the financial statements presentation as IFRS requires more disclosure.

Set out below are the main areas where changes in accounting policies are expected to have a significant impact on the Company's financial statements. The list below should not be regarded as a complete list of changes that will result from transition to the IFRS. It is intended to highlight areas that the Company believes to be the most significant; however, the analysis of changes is still in process and the selection of accounting policies where choices are available under IFRS has not been completed. The standards listed below are those existing based on current pre-change accounting standards and IFRS.

They are as follows:

First time adoption (IFRS 1)

IFRS 1 provides guidance to entities on the general approach to be taken when first adopting IFRS. The underlying principle of IFRS 1 is retrospective application of IFRS standards in force at the date an entity first reports using IFRS. IFRS 1 acknowledges that full retrospective application may not be practical or appropriate in all situations and prescribes:

- optional exemptions from specific aspects of certain IFRS standards in the preparation of the Company's opening balance sheet; and
- mandatory exceptions to retrospective application of certain IFRS standards.

Additionally, to ensure financial statements contain high-quality information that is transparent to users, IFRS 1 contains disclosure requirements to highlight changes made to financial statement items due to the transition to IFRS.

The Company expects that key IFRS 1 exemption decisions will be approved by the Audit Committee in January 2012. The Company's transition plan is currently on track with its implementation schedule.

The Company intends to adopt the following exemptions:

Mandatory exceptions:

- The estimates established by the Company in accordance with IFRS at the date of transition to IFRS are consistent with estimates made for the same date in accordance with pre-change accounting standards, after adjustments to reflect any difference in accounting principles, if applicable.

Optional exemptions:

- The Company has elected to not apply IFRS 2 on all options granted before November 7, 2002. IFRS 2 apply to all grants after November 7, 2002 that have not yet vested by the later of the September 1, 2010 transition date and January 1, 2005. The Company has no option issued between November 7, 2002 and the CICA 3870 adoption date that were not vested on the transition date.

IFRS convergence (Cont'd)

Share-based payment (IFRS 2)

The Company manages equity-settled stock-based remuneration plans for its directors, officers, employees and consultants. The plan does not feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.

Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is measured at grant date, using the Black-Scholes option pricing model.

For graded-vesting features, IFRS requires each instalment to be treated as a separate share option grant, because each instalment has a different vesting period and hence the fair value of each instalment will differ. However, the pre-change accounting standards allow an entity the option of either using the graded vesting method or the straight-line method which recognizes expenses equally over the average life of the grant. The Company is already using the graded vesting method for its grants.

An individual is classified as an employee when the individual is an employee for legal or tax purposes (including directors and officers) or provides services similar to those performed by an employee. This definition of an employee is broader than that currently applied by the Company and might result in certain contractors and consultants being classified as employees under IFRS. During the convergence, no consultant was reclassified as an employee.

For option granted to non-employees, IFRS requires that stock-based compensation be measured at the fair value of the services received unless the fair value of the services cannot be reliably measured.

Per IFRS, the forfeiture rate, with respect to share options, needs to be estimated by the Company at the grant date instead of recognizing the entire compensation expense and only record actual forfeitures as they occur. Forfeiture occurs when an option is granted with a vesting period, but the person who received the option leaves before all the option is vested. Each quarter, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. There was no forfeiture for options granted since the adoption of section 3870 and consequently we have considered the forfeiture rate to be nil based on our past experience for grants. At the date of transition, there was no material adjustment needed relating to forfeiture.

According to IFRS 1 transition rules, the Company has elected to not apply IFRS 2 on all options granted before November 7, 2002. IFRS 2 apply to all grants after November 7, 2002 that have not yet vested by the later of the date of transition to IFRS (January 1, 2010) and January 1, 2005. The Company has no option issued between November 7, 2002 and the CICA 3870 adoption date that were not vested on the transition date.

Exploration and evaluation ("E&E") assets (IFRS 6)

Under IFRS, the Company must identify and account for pre-E&E, E&E and development expenditure separately. There was no such obligation under pre-change accounting standards. The E&E phase begins when the Company obtains the legal rights to explore a specific area and ends when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Pre-E&E costs are and must be expensed.

E&E costs may be expensed as incurred or capitalized. Indeed according to IFRS, an entity must decide on an accounting method determining which expenses are accounted for as an E&E asset considering the level that the expense can be associated with a mineral resource.

IFRS convergence (Cont'd)

Unlike IFRS, pre-change accounting standards indicate that exploration costs may initially be capitalized if the Company considers that such costs have the characteristics of property, plant and equipment.

Amongst Canadian exploration companies that have announced their IFRS treatment, part are capitalizing and the other part are expensing the E&E costs.

Nevertheless, the management believes that it is important and relevant to display on the face of the statement of financial position that mining assets are one of its most valuable assets and the essence of the Company's business. In April 2010, IASB published a discussion paper on extractive activities. We are waiting to see the developments on these consultations that could bring a revised IFRS 6 in the future. We believe that we should wait for this new IFRS 6 before making a change from capitalizing the E&E costs to expensing them. Consequently the Company will continue to capitalize E&E costs. There is no transition impact on the statement of financial position and the statement of comprehensive loss.

E&E costs for each separate area of interest are recognized as an E&E asset where the following conditions are satisfied:

- The rights to explore the area of interest are current; and
- At least one of the following conditions is met:
 - The E&E costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
 - E&E activities in the area interest have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves, and active and significant operations in relation in the area are continuing.

E&E assets include: the acquisition of rights to explore; research and analysis of existing exploration data; topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching; sampling; activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource. General and administrative costs are only allocated to the extent that they can be related directly to operational activities in the relevant area of interest.

E&E assets shall be classified as either tangible or intangible asset according to the nature of the assets acquired. The Company will present them as intangible assets under the description exploration and evaluation assets on the face of the statement of financial position.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the costs capitalized in E&E assets are transferred to mining assets in development. Following this transfer, all construction, installation and infrastructure costs will be capitalized in the mining assets in development category or property plant and equipment under construction. At the end of the development phase, all assets in the mining assets in development will be transferred to mining assets and will be amortized according to the unit of production mode.

Under IFRS, initial measurement of E&E is at cost. Subsequently the Company can elect to measure exploration and evaluation assets using either the cost model or the revaluation model. Under pre-change accounting standards, E&E are measured at cost and the revaluation of E&E is not allowed other than during business combination and assets acquisition. Based on our review, the revaluation model has not been widely selected as an accounting policy due to the difficulty and the effort required to continually monitor fair values. Since it believes the cost is more reliable, the Company will continue to use the cost for initial and subsequent measurement and therefore there is no transition impact on the statement of financial position and statement of comprehensive loss.

No depreciation charge is recognized during the E&E phase. In circumstances where a property is abandoned or it is established that the E&E costs capitalized cannot be recovered, the cumulative capitalized costs relating to the property are written down to their fair value less cost to sell.

IFRS convergence (Cont'd)

IFRS 6's requirements for impairment are different to IAS 36 for: considering what are the triggering events and the level at which impairment testing is performed. E&E assets are assessed for impairment at least once a year if facts and circumstances indicate that impairment may exist. Following is a non exhaustive list of trigger events examples: the right to explore has, or will in the near future, expire, and renewal is not expected; further E&E expenses are not budgeted nor planned; the decision to discontinue activities had been made due to lack of discovery; the development is likely but the E&E asset is unlikely to be recovered in full. Concerning the level at which impairment testing is performed, IFRS 6 allows E&E assets to be grouped with producing assets or other long lived asset. Since the Company has no producing asset at the moment, impairment testing will be done on an area of interest basis.

Impairment of assets (IAS 36)

At least once a year, the carrying amount of the Company's assets is reviewed to determine whether there is any indication that those assets are impaired. The impairment loss is the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, management estimates the future cash flows for each asset or cash generating unit and then it determines an appropriate interest rate to calculate the present value of the cash flows. The actualization factors are established individually for each assets or cash generating unit and reflect their risk profile determined by management. If the recoverable amount of an asset is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of comprehensive loss for the period. For an asset that does not generate largely independent cash flow, the recoverable amount is determined for the cash generating unit to which the asset belongs. For E&E asset, the cash generating unit will be the area of interest.

IFRS requires the use of a one-step impairment test (impairment testing is performed using discounted cash flows) rather than the two-step test under pre-change accounting standards (using undiscounted cash flow as a trigger to identify potential impairment loss). IFRS requires reversal of impairment losses (excluding goodwill) where previous adverse circumstances have changed; this is prohibited under pre-change accounting standards. The Company believes that the changes of this policy should not have an impact on the financial statements on the changeover date. Nevertheless, in the subsequent years, this policy could generate more volatility in the statement of comprehensive loss.

When an impairment loss subsequently reverses when it is justified by a change of circumstances, the carrying value of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in the statement of comprehensive loss.

The Company assessed its assets by reviewing the trigger events and found that no impairment losses were required to be recognized as at the transition date of September 1, 2010.

Income taxes (IAS 12)

The principles of accounting for income taxes are the same under both IFRS and pre-change accounting standards.

Under IFRS, future income tax assets are recognized to the extent that it is probable that the benefit will be realized. In pre-change accounting standards, there is the notion of more likely than not. Under the convergence project between the IASB and the Financial Accounting Standards Board ("FASB") in the USA, it has been tentatively concluded that probable will be defined as more likely than not, eliminating any future tax asset recognition difference.

IFRS convergence (Cont'd)

Under IFRS, all deferred tax assets and liabilities are classified as non-current while under pre-change accounting standards, they are classified as either current or non-current depending on the classification of the underlying asset or liability. Since the Company's tax assets and liabilities arise mainly from non current asset or liabilities, this difference will not have a significant impact on the transition date.

Flow-through shares

Under pre-change accounting standards, the accounting treatment of flow-through shares is addressed by Emerging Issues Committee (EIC) 146, Flow Through Shares. Under IFRS, IAS 12 contains no specific guidance on the appropriate accounting for flow-through shares. The Company's initial review suggests that an approach similar to that applied under U.S. GAAP may be more appropriate.

Under Canadian GAAP, when flow-through shares are issued, they are initially recorded in share capital at their issue price. On the date the expenses are renounced (by filing the prescribed forms) to the investors, a deferred tax liability is recognized as a cost of issuing the shares (an increase in deficit). Under U.S. GAAP, flow-through shares are recognized based on the fair value of the existing shares on the date of the issue. The difference between the amount recognized in share capital and the amount the investors pay for the shares ("premium") is recognized as other liability which is reversed into recovery of deferred income taxes as eligible expenditures are incurred. The tax effect resulting from the payment of eligible expenditures is recorded as a deferred tax expense when eligible expenditures have been made.

The Company has not completed its detailed evaluation of the differences between IFRS and current GAAP related to accounting for income taxes. These differences could require changes to accounting policies that may impact the Company's financial statements and require adjustments to future income taxes liabilities and shareholders' equity.

Step 2.2: Financial statements preparation

By January 2012, we will prepare the financial statement model and we will identify the IFRS convergence adjustments.

Step 2.3: Training and communication

The CFO participated to several courses organized by the Ordre des comptables agréés du Québec and also courses specific to the mining industry given by CA firms.

A communication plan beyond the mandatory disclosure required in the MD&A will be developed by February 2012 if the changes on the financial statements are important.

Step 2.4: It systems

The accounting processes of the Company are simple since it is still at the exploration stage and no major challenges are expect at this point to operate the accounting system under the IFRS. Nevertheless, some supporting documents will probably have to be adapted to support the changes made in accounting policies.

Step 2.5: Internal Controls:

By January 2012, Management will review existing internal control process and procedures to address significant changes to existing accounting policies and practices.

IFRS convergence (Cont'd)

Step 2.6: Impact on the business:

The business processes of the Company are simple and no major challenges are expected at this point to operate under IFRS.

Step 3: Implementation

In this stage the Company will implement the changes that have been developed including changes to the accounting processes and policies. The Company will also quantify the IFRS impacts.

Management will prepare the structure of the first quarterly financial statements as of November 30, 2011 with the balance sheet reflecting the opening balance as of September 1st, 2010, and August 31, 2010, while the statement of operations, comprehensive loss and deficit will reflect the three-month period ended November 30, 2011 as compared to November 30, 2010. with the disclosure notes.

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.

In May 2011, the Quebec Government introduced Bill 14 which seeks to amend Quebec's Mining Act. The most important change that could impact the Company relates to areas within urbanization perimeter and areas dedicated to recreation. While Bill 14 has not been adopted yet, section 91 is already in force and allows any municipality to withdraw from staking any area within an urbanization perimeter and any area dedicated to vacationing. In order to perform work, the holders of claims in an area that has been so withdrawn must obtain the consent of the local municipality concerned.

The Company is presently assessing the impact of this Bill but the majority of its properties are located outside urbanization perimeter and areas dedicated to recreation.

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, 2011 and 2010

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. Unforeseen financial disruption in the financial market could have a negative impact on the Company's ability to seek additional financing.

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). The Company is entitled to refundable mining duties credits on mining exploration expenditures incurred in Québec. Furthermore, the Company is entitled to a refundable tax credit for mining sector companies on eligible exploration expenditures. The exploration taxes credits are recorded, provided that the Company has reasonable assurance that these credits will be received.

Marketable securities and gold coins

Beaufield's investments in securities of publicly traded companies in the resource sector are subject to volatility in the share prices of the companies. There can be no assurance that an active trading market for any of the subject shares is sustainable. The trading prices of the subject shares could be subject to wide fluctuations in response to various factors beyond the control of Beaufield, including, the high degree of risk associated to the business of exploration for minerals, quarterly variations in the subject companies' results of operations, changes in earnings (if any), estimates by analysts, conditions in the industry of the subject companies and general market or economic conditions. Such market fluctuations could adversely affect the market price of the Company's investment in marketable securities.

The Company may participate in a limited number of investments in marketable securities and, as a consequence, the Company's financial results may be adversely affected by the unfavourable performance of such investments.

Beaufield's investment in gold coins is subject to volatility in the gold price and also to the exchange rate between the US dollars and the Canadian Dollar. Commodity price fluctuate widely and are affected by numerous factors beyond the control of the Company. The Company's gold coins are stored in the vault of its bank.

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.

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

December 8, 2011