

# **Beaufield Resources Inc.**

## **Annual Financial Statements**

**For the years ended**

**August 31, 2009 and 2008**

## Auditors' Report

To the Shareholders of  
Beaufield Resources Inc.

**Raymond Chabot Grant Thornton LLP**

Place du Québec  
888 3rd Avenue  
Val-d'Or, Québec J9P 5E6

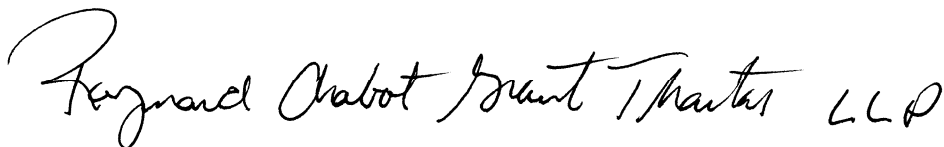
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We have audited the balance sheets of Beaufield Resources Inc. as at August 31, 2009 and 2008 and the statements of operations and comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

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Val-d'Or, October 23, 2009

# Beaufield Resources Inc.

## Balance Sheets

Years ended August 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
	\$	\$
<b>Assets</b>		
Current assets		
Cash	5,655,573	7,203,196
Gold coins (Note 4)	999,420	-
Marketable securities (Note 4)	445,749	-
Sales taxes recoverable	3,979	55,564
Due from partners, without interest (Note 6b and g)	92,596	-
Exploration taxes credits receivable	263,719	654,902
Prepaid expenses	11,948	21,481
	<u>7,472,984</u>	<u>7,935,143</u>
 Equipment (Note 5)	 6,831	 15,931
 Mineral Properties (Note 6)		
Acquisition cost	2,248,544	2,576,620
Deferred exploration expenses	5,252,544	5,060,752
	<u>14,980,903</u>	<u>15,588,446</u>
 <b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	<u>85,248</u>	<u>69,632</u>
 <b>Shareholders' equity</b>		
Capital stock (Note 7)	31,324,120	31,324,120
Compensation options (Note 7a)	713,000	893,000
Contributed surplus (Note 7c)	269,760	89,760
Deficit	<u>(17,411,225)</u>	<u>(16,788,066)</u>
	<u>14,895,655</u>	<u>15,518,814</u>
	<u>14,980,903</u>	<u>15,588,446</u>

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

On behalf of the Board,

(S) Jens E. Hansen  
\_\_\_\_\_  
Jens E. Hansen  
President and Director

(S) John Budden  
\_\_\_\_\_  
John Budden  
Director

## Beaufield Resources Inc.

### Statement of Operations and Comprehensive Loss and Deficit

Years ended August 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
	\$	\$
Administrative expenses		
Professional fees	143,767	120,920
Salaries, benefits and management fees	158,290	124,613
Rent and office expenses	56,669	45,395
Shareholders' information, trustee and registration fees	35,270	33,149
Investors relations	34,221	29,825
Insurance	31,075	31,610
Travelling and promotion	10,902	38,543
Director's fees	46,456	47,204
Stock-based compensation (note 7a)	-	156,000
	<u>516,650</u>	<u>627,259</u>
Project management fees	118,556	-
Investment income (Note 8)	188,093	256,667
Write-off of mineral properties	<u>(413,158)</u>	<u>(48,098)</u>
	<u>(106,509)</u>	<u>208,569</u>
Loss before income taxes	(623,159)	(418,690)
Future income taxes (Note 9)	<u>-</u>	<u>401,000</u>
<b>Net loss and comprehensive loss</b>	<u>(623,159)</u>	<u>(17,690)</u>
Basic and diluted net loss per share	<u>(0.01)</u>	<u>-</u>
Weighted average number of outstanding common shares	<u>83,349,519</u>	<u>83,349,519</u>
Deficit, beginning of year	(16,788,066)	(16,770,376)
Net loss	<u>(623,159)</u>	<u>(17,690)</u>
Deficit, end of year	<u>(17,411,225)</u>	<u>(16,788,066)</u>

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

# Beaufield Resources Inc.

## Statement of Cash Flows

Years ended August 31, 2009 and 2008

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net loss	(623,159)	(17,690)
Non-cash items:		
Stock-based compensation	-	156,000
Interest accrual on investment income	-	97,742
Gain on disposal of marketable securities (note 8)	(115,072)	-
Unrealized gain on marketable securities (note 8)	(7,659)	-
Write-off of mineral properties	413,158	48,098
Future income taxes	-	(401,000)
	<u>(332,732)</u>	<u>(116,850)</u>
Changes in non-cash working capital items:		
Sales taxes recoverable	51,585	(6,516)
Due from partners	(596)	-
Prepaid expenses	9,533	(9,331)
Accounts payable and accrued liabilities	28,790	6,828
	<u>89,312</u>	<u>(9,019)</u>
Cash flows from operating activities	<u>(243,420)</u>	<u>(125,869)</u>
<b>Investing activities</b>		
Temporary investments proceeds	-	2,836,292
Purchase of gold coins	(999,420)	-
Purchase of marketable securities	(618,218)	-
Disposal of marketable securities	295,200	-
Additions to mineral properties	(36,029)	(820,728)
Disposal of mineral properties	10,000	-
Deferred exploration expenses	(476,645)	(1,314,391)
Exploration taxes credits received	520,909	1,085,379
Cash flows from investing activities	<u>(1,304,203)</u>	<u>1,786,552</u>
<b>Net change in cash</b>	<b>(1,547,623)</b>	<b>1,660,683</b>
Cash, beginning of year	<u>7,203,196</u>	<u>5,542,513</u>
Cash, end of year	<u><u>5,655,573</u></u>	<u><u>7,203,196</u></u>
<b>Additional information – non cash transactions:</b>		
Exploration taxes receivable credited to mineral properties	171,742	662,987
Depreciation included in deferred exploration expenses	9,100	9,100
Option payment for a mineral property included in due from partners	92,000	-
Accounts payable and accrued liabilities related to mineral properties	25,395	38,569

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

# Beaufield Resources Inc.

## Notes of Financial Statements

Years ended August 31, 2009 and 2008

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### 1. Governing statutes and nature of operations

The Company, incorporated under the British Columbia Company Act, is in the business of acquiring and exploring mineral properties and has not yet determined whether the properties contain economically recoverable reserves.

The recovery of expenditures on mineral properties are dependent upon the existence of economically recoverable mineralization, securing and maintaining title and beneficial interest in properties, the ability of the Company to obtain financing necessary to complete the exploration and the development of the mineral properties, obtaining certain government approvals and upon future profitable production or alternatively, on the sufficiency of proceeds from disposition.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

### 2. Accounting changes

#### *Recent changes to accounting standards*

Taking effect in fiscal year 2009, the Canadian Institute of Chartered Accountants ("CICA") issued the following new sections:

- a) Section 1400, "General Standards of Financial Statement Presentation". The CICA modified this section in order to require that management make an assessment of the Company's ability to continue as a going concern over a period which is at least, but is not limited to, twelve months from the balance sheet date. This new requirement only addresses disclosures and has no impact on the Company's financial results. The new requirement is effective for annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company adopted this Section on September 1, 2008.
- b) Section 1535, "Capital Disclosures". This new standard requires disclosure of the Company's objectives, policies, and processes for managing capital; quantitative data about what the Company regards as capital; whether the Company has complied with any capital requirements; and, if the Company has not complied, the consequences of such non-compliance. The required disclosure is contained in Note 7d) and has no impact on the Company's financial results..The new requirement is effective for annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company adopted this Section on September 1, 2008.
- c) Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation". These new standards replace Section 3861, Financial Instruments - Disclosure and Presentation. Presentation requirements have not changed. Enhanced disclosure is required to assist users of the financial statements in evaluating the significance of financial instruments on the Company's financial position and performance, including qualitative and quantitative information about the Company's exposure to risks arising from financial instruments. The required disclosure is contained in Note 11 and has no impact on the Company's financial results. The new requirement is effective for annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company adopted this Section on September 1, 2008.

# Beaufield Resources Inc.

## Notes of Financial Statements

Years ended August 31, 2009 and 2008

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### 2. Accounting changes (Cont'd)

- d) EIC 174: "Mining exploration costs". In March 2009, the Committee provided additional guidance for mining exploration enterprises on when an impairment test is required. This abstract was applied during the current year. The adoption of this standard did not have a significant impact on the Company's financial statements.

#### *Future changes in accounting standards*

Other new standards were issued, but are not expected to have a material impact on the Company's financial requirements.

#### *Convergence with International Financial Reporting Standards*

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

### 3. Summary of accounting policies

#### **Accounting estimates**

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to the financial statements. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Significant estimates include the carrying amount of mineral properties and stock-based compensations. Actual results could differ from those estimates and such differences could be material.

#### **Basis of presentation**

The financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

#### **Gold coins**

Gold coins are recorded at cost. When there is a loss in value that is other than a temporary decline, gold coins will be written down to recognize the loss.

#### **Marketable securities**

Marketable securities in publicly traded shares on a recognized securities exchange are recorded at fair values based on quoted closing bid prices 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 with realized and unrealized gains and losses recorded in the statement of operations under investment income.

#### *Investment revenue recognition*

Investment transactions are accounted for on a settlement date basis. Gains or losses on the sale of marketable securities are determined using the average cost basis. Upon disposal of a marketable security, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. Interest income is accounted for on an accrual basis.

# Beaufield Resources Inc.

## Notes of Financial Statements

Years ended August 31, 2009 and 2008

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### 3. Summary of accounting policies (Cont'd)

#### **Exploration taxes credits**

##### *Mining duties credits*

The Company is entitled to refundable mining duties credits on mining exploration expenditures incurred in Québec. The refundable mining duties credits at a rate of 12% on qualified charges have been applied against the costs incurred.

##### *Tax credits for resources*

Furthermore, the Company is entitled to a refundable tax credit for mining sector companies on eligible expenditures incurred after March 29, 2001. The refundable tax credit may reach 38.75% of qualified charges incurred since March 30, 2004. This tax credit has been applied against the costs incurred.

The exploration taxes credits are recorded, provided that the Company has reasonable assurance that these credits will be received.

#### **Mineral properties**

Exploration, evaluation and development expenditures are accumulated and accounted for in each separate area of interest or mineral resource.

The Company follows the practice of capitalizing all costs related to acquisition, exploration and development of mineral properties until such time as mineral properties are put into commercial production, sold or abandoned. If commercial production commences, these capitalized costs will be amortized prospectively on a unit-of-production basis. If the mineral properties are abandoned, the related capitalized costs are expensed.

The amounts shown for mineral properties represent costs incurred to date less write-downs, and are not intended to reflect present or future values. Government assistance, and mining duties and tax credits are applied against the deferred exploration expenses. Option payments received are applied against the mineral properties or accounted in the operations if the property has already been written off or if the proceed is in excess of the deferred acquisition cost.

Management reviews on a regular basis the merits of each Company property interest to assess where the property merits further exploration and development expenditure and whether the carrying value of the properties is greater than the future expected return from the property. Empirical evidence such as geochemical analysis, drilling results, assays, mapping and field observation are the primary evidence that is then assessed against other factors such as commodity markets, exchange rates, closeness to other known operations, and availability of funds for future exploration programs when making decisions on impairment.

#### **Capital stock**

Capital stock issued for non-monetary consideration is recorded at the fair market value on the date the shares were issued, or the date the agreement to issue the shares was entered into, as determined by the Board of Directors of the Company. The fair market value is based on the trading price of the shares.

#### **Share issue expenses**

Share issue expenses are accounted for as an increase of the deficit.

#### **Basic or diluted net loss per common share**

Basic net loss per share is calculated based upon the weighted average number of shares outstanding during the year. The diluted net loss per share, which is calculated using the treasury stock method, is equal to the basic net loss per share due to the anti-dilutive effect of stock options outstanding as described in note 7.

# Beaufield Resources Inc.

## Notes of Financial Statements

Years ended August 31, 2009 and 2008

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### 3. Summary of accounting policies (Cont'd)

#### **Stock-based compensations plans**

The Company uses the fair value method based on the Black-Scholes pricing model to record the compensation cost related to the issue of stock options to its directors, officers, employees and consultants. When the options are granted, the compensation charge is recorded to the statement of operations or in deferred exploration expense and the counterpart is credited to compensation options. The expense is recorded over the vesting period for employees and over the performance period for consultants. Any consideration received when options are exercised is credited to capital stock together with the related compensation cost recorded as compensation options.

#### **Equipment**

Exploration equipment is recorded at cost and depreciated over their estimated useful life using the straight-line method over a three-year period.

#### **Income taxes**

The Company uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse.

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting for income taxes, the future income taxes related to temporary differences arising at the renunciation are recorded at that time together with a corresponding charge in the share issue expense.

#### **Financial assets and liabilities**

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value, except for financial assets and liabilities resulting from certain related party transactions. Subsequently, financial assets and liabilities are measured and recognized as follows:

- Held for trading financial assets are measured at their fair value and changes in fair value are recognized in the statement of operations. Changes in fair value that are recognized in the statement of operations include interest income and unrealized gains or losses. Cash and marketable securities are classified as held for trading;
- Loans and receivable are measured at amortized cost which is generally the initially recognized amount, less any allowance for doubtful account. Due from partners is classified as loans and receivable;
- Other financial liabilities are measured at amortized cost using the effective interest method. Interest calculated using the effective interest method is presented in the statement of operations. Account payable and accrued liabilities are classified as other financial liabilities;

# Beaufield Resources Inc.

## Notes of Financial Statements

Years ended August 31, 2009 and 2008

### 4. Gold coins and marketable securities

At August 31, 2009, gold coins (839 ounces) at an acquisition cost of \$999,420 would have had a market value of \$877,678 based on a gold spot price of US\$951 per ounce.

	August 31, 2009		
	Acquisition Cost	Unrealized Gain	Fair Value
	\$	\$	\$
Publicly traded shares	438,090	7,659	445,749

### 5. Equipment

	2009		
	Cost	Accumulated depreciation	Net value
	\$	\$	\$
Exploration equipment	27,306	20,475	6,831

	2008		
	Cost	Accumulated depreciation	Net value
	\$	\$	\$
Exploration equipment	27,306	11,375	15,931

### 6. Mineral properties

Acquisition cost	August 31, 2008	Addition	Option Payment	Write-off	August 31, 2009
	\$				\$
<b>Québec</b>					
Opinaca	569,878	9,510	-	-	579,388
Troilus	885,774	8,914	-	-	894,688
Raglan Ungava	15,016	5,244	-	-	20,260
Urban project	523,774	11,252	-	-	535,026
Mainstreet project	19,392	-	-	(19,392)	-
Launay Township	312	-	-	(312)	-
Lac Evans	218,895	-	-	(218,895)	-
Matagami	11,400	25	-	(11,425)	-
Lab Schefferville (formerly Labrador Zinc.)	14,081	-	-	(14,081)	-
<b>Ontario</b>					
Hemlo properties	318,098	1,084	(100,000)	-	219,182
	<u>2,576,620</u>	<u>36,029</u>	<u>(100,000)</u>	<u>(264,105)</u>	<u>2,248,544</u>

# Beaufield Resources Inc.

## Notes of Financial Statements

Years ended August 31, 2009 and 2008

### 6. Mineral properties (Cont'd)

Acquisition cost	August 31, 2007	Addition	Write-off	August 31, 2008
	\$			\$
<b>Québec</b>				
Opinaca	509,769	60,109	-	569,878
Troilus	151,824	733,950	-	885,774
Raglan Ungava	15,016	-	-	15,016
Urban project	511,186	12,588	-	523,774
Mainstreet project	19,392	-	-	19,392
Launay Township	312	-	-	312
Lac Evans	218,895	-	-	218,895
Storm Lake	9,072	-	(9,072)	-
Matagami	11,400	-	-	11,400
Lab Schefferville (formerly Labrador Zinc)	-	14,081	-	14,081
<b>Ontario</b>				
Hemlo properties	318,098	-	-	318,098
	<u>1,764,964</u>	<u>820,728</u>	<u>(9,072)</u>	<u>2,576,620</u>

Deferred exploration expenses	August 31, 2008	Expenditures	Taxes credits	Write-off	August 31, 2009
	\$				\$
<b>Québec</b>					
Opinaca	1,584,549	243,396	(101,500)	-	1,726,445
Troilus	1,685,762	77,915	(413)	-	1,763,264
Raglan Ungava	73,651	16,258	(7,495)	-	82,414
Urban project	1,257,423	47,471	(20,318)	-	1,284,576
Mainstreet project	41,262	-	-	(41,262)	-
Launay Township	7,572	-	-	(7,572)	-
Lac Evans	100,019	-	-	(100,019)	-
Storm Lake	-	-	-	-	-
Matagami	200	-	-	(200)	-
<b>Ontario</b>					
Hemlo properties	310,314	85,531	-	-	395,845
	<u>5,060,752</u>	<u>470,571</u>	<u>(129,726)</u>	<u>(149,053)</u>	<u>5,252,544</u>

Deferred exploration expenses	August 31, 2007	Expenditures	Taxes credits	Write-off	August 31, 2008
	\$				\$
<b>Québec</b>					
Opinaca	1,481,743	254,568	(151,762)	-	1,584,549
Troilus	1,293,370	822,457	(430,065)	-	1,685,762
Raglan Ungava	6,694	124,224	(57,267)	-	73,651
Urban project	1,225,691	55,475	(23,743)	-	1,257,423
Mainstreet project	41,262	-	-	-	41,262
Launay Township	7,400	300	(128)	-	7,572
Lac Evans	100,019	-	-	-	100,019
Storm Lake	39,026	-	-	(39,026)	-
Matagami	170	52	(22)	-	200
<b>Ontario</b>					
Hemlo properties	236,559	73,755	-	-	310,314
	<u>4,431,934</u>	<u>1,330,831</u>	<u>(662,987)</u>	<u>(39,026)</u>	<u>5,060,752</u>

## Beaufield Resources Inc.

### Notes of Financial Statements

Years ended August 31, 2009 and 2008

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#### 6. Mineral properties (Cont'd)

a) Opinaca, Québec

A 100% interest. Parts of this property is subject to a 0.5% net smelter return ("NSR").

b) Troilus, Québec

The Company earned a 50% interest in the Troilus Property with the total work expenditures of \$2.2 million completed as of October 31, 2006.

In November 2007, the Company acquired from Xstrata Canada Corporation, Xstrata's 50% interest in the Troilus Property for \$700,000 in cash. In addition to the cash payment, Xstrata retains a 1% NSR in the property, except for a portion of the property subject to a 2% NSR in favour of Inco Limited (The Company has an option to purchase one-half of Inco's NSR at any time for \$1,000,000). Under the terms of the agreement, Xstrata retains the first right of purchase up to 100% of ore concentrate produced from the property under competitive purchase terms in the then prevailing marketplace. Following the transaction, the Company owns 100% of the entire Troilus Property.

Since acquiring the interest from Xstrata, The Company has staked additional claims in this area; those are not subject to an NSR.

The Company has decided to divide the Troilus area claim blocks into two main groups. The one which is 100% owned by Beaufield contains the Tortigny, Moleon, Crab Lake and Inco Boulder areas. The other group consists mostly of newly staked claims. These are referred to as the New groups.

On October 20, 2008, the Company entered into an option agreement to advance exploration of the New groups, whereby Melkior Resources Inc ("Melkior") will earn a 50% interest on the New groups by spending \$500,000 on exploration over a three year period. Of the above amount \$250,000 had to be spent before June 30, 2009 by Melkior, which condition was fulfilled. The Company is the operator and therefore charges project management fees. Melkior exploration cost on the New groups including project management fees totalled \$461,547 as at August 31, 2009. An amount on demand of \$2,596 due by the partner as at August 31, 2009 was paid by Melkior in October 2009. The President of the Company is also the President of Melkior. The Boards of Directors of both companies have approved this transaction.

c) Raglan Ungava, Québec

A 100% interest.

d) Urban project – Barry, Urban, Carpiquet and Souart Townships, Québec

A 100% interest. Parts of this property are subject to a 2% NSR and other parts are subject to a 10% net profits interest («NPI»).

## Beaufield Resources Inc.

### Notes of Financial Statements

Years ended August 31, 2009 and 2008

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#### 6. Mineral properties (Cont'd)

- e) Mainstreet project, Launay Township, Lac Evans, Matagami and Lab Schefferville, Québec  
A 100% interest. The Mainstreet project and parts of the Lac Evans property are subject to a 2% NSR.

In early 2009, the Company didn't anticipate any exploration expenditures of its own on those properties in the near future owing to the depressed base metal market and the difficulty to bring in a joint venture partner with whom to share investment risk. Accordingly, the Company decided to take a write-off on those properties in 2009.

- f) Storm Lake, Québec  
The write-off in 2008 reflects the Company's decision to drop the claims.

- g) Hemlo properties, Ontario  
The Company owns a 100% interest in two groups of claims in the Hemlo gold camp known as Northern Eagle (formerly Highway 17) and Fowler. 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.

In April 2009, the Company signed a letter of intent agreement ("LOI") whereby Jiminex Inc. ("Jiminex"), a Capital Pool Corporation ("CPC"), have an option (the "Option") to acquire an undivided 50% of the Company's undivided 100% interest in the Northern Eagle gold property, by paying a non refundable cash deposit of \$10,000 on signing the LOI and a further \$90,000 cash or Jiminex common share equivalent after approval of the Option by the TSX Venture Exchange. An amount of \$90,000 due by a partner is recorded on the balance sheet as at August 31, 2009

This Acquisition will be the "Qualifying Transaction" through which Jiminex will evolve from a CPC into a junior natural resource exploration company subject to approval of the TSX Venture Exchange, which approval was obtained on August 27, 2009.

In addition, Jiminex must make exploration expenditures of \$1,300,000 over a three year period all subject to an up to 2 % NSR to outside non-related parties. Jiminex will be 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 the Company acting as operator.

On September 4, 2009, Jiminex issued 900,000 common shares to the Company at a deemed price of \$0.10 per share for the balance of the consideration. These shares are subject to a hold period expiring January 5, 2010.

##### Fowler

The claims are located approximately 25 kilometres northeast of the Hemlo gold mines.

# Beaufield Resources Inc.

## Notes of Financial Statements

Years ended August 31, 2009 and 2008

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### 7. Capital-stock

#### Authorized

An unlimited number of common shares without par value.

#### Issued and fully paid:

	2009		2008	
	Number	\$	Number	\$
Balance, beginning and end of year	83,349,519	31,324,120	83,349,519	31,324,120

As at August 31, 2009, 129,750 shares (129,750 in 2008) are under escrow.

#### a) *Stock option plan*

The Company maintains two stock option plans (the "2002 Plan" and "2006 Plan") pursuant to which options to purchase common shares may be granted to certain officers, directors and employees of the Company as well as persons providing ongoing services to the Company.

Under the 2002 Plan, options to purchase an aggregate of up to 5,300,000 of the common shares outstanding from time-to-time may be granted by the Board of Directors. Under the 2006 Plan, options to purchase an aggregate of up to 4,000,000 of the common shares outstanding from time-to-time may be granted by the Board of Directors.

All current options granted under the 2002 Plan will remain in place until such time as they are either exercised or expired, after which time the 2002 Plan will lapse and all future options will be granted pursuant to the 2006 Stock Option Plan.

Under these plans, no optionee shall be granted options which exceed 5% of the issued shares of the Company at the time the options are granted; however, the limit for services providers or persons engaged in investor relations activities is 2%. Exercise price of options shall not be less than \$0.10 per share or the last closing price of the Company's stock before the day of grant less the maximum allowable discount from such closing price as may be permitted under the policies of the stock exchange.

Under these plans, the option period shall be for a period of up to 10 years. Options granted to employees are exercisable on the day of grant, unless otherwise stated by the Board of Directors. Options granted to persons performing investor relations activities must at a minimum vest in stages over a period not less than 12 months with no more than one fourth of the options vesting in any three-month period. Unexercised options are cancelled 90 days after the termination of employment, directorship or consultancy (30 days in the case of a person engaged in investor relations activities).

# Beaufield Resources Inc.

## Notes of Financial Statements

Years ended August 31, 2009 and 2008

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

#### a) Stock option plan (Cont'd)

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

	2009		2008	
	Number of option	Weighted average exercise price	Number of option	Weighted average exercise price
Balance, beginning of year	5,400,000	0.27	4,100,000	0.30
Granted	-	-	1,700,000	0.15
Expired	(800,000)	0.25	(400,000)	0.145
Balance, end of year	<u>4,600,000</u>	0.27	<u>5,400,000</u>	0.27

Option outstanding and exercisable as at August 31, 2009 are as follows:

Number of options outstanding and exercisable	Exercise price	Expiry date
200,000	\$0.25	October 5, 2009 (not exercised on expiry date)
400,000	\$0.25	February 21, 2010
1,900,000	\$0.35	December 13, 2010
400,000	\$0.40	November 1, 2011
400,000	\$0.25	April 1, 2013
1,300,000	\$0.12	August 29, 2013
<u>4,600,000</u>		

For fiscal year 2008, 1,700,000 options were granted to directors, officers and an employee at an exercise price that equals the last closing price before the day of grant. The total fair value of these options amount to \$156,000 accounted for in stock-based compensation. All these options were evaluated according to the Black-Scholes pricing model. The assumptions used include an average interest rate without risk of 3.79%, an average expected life of the options of 5 years, an expected dividend yield of nil and an estimated average volatility of 81%.

Total compensation cost for the year ended August 31, 2009 amounts to nil (\$156,000 in 2008).

In 2008, the estimated average fair value of each option granted is approximately \$0.09.

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

	2009	2008
	\$	\$
Balance, beginning of year	893,000	737,000
Stock-based compensation cost when vested	-	156,000
Stock-based compensation cost credited to contributed surplus when expired	(180,000)	-
Balance, end of year	<u>713,000</u>	<u>893,000</u>

## Beaufield Resources Inc.

### Notes of Financial Statements

Years ended August 31, 2009 and 2008

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

##### b) Warrants

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

	2009		2008	
	Number of warrants	Exercise price	Number of warrants	Exercise price
Balance, beginning of year	-	\$ -	3,808,000	0.55
Expired	-	-	(3,808,000)	0.55
Balance, end of year	-	-	-	-

Net change of the warrants in the share capital is as follows:

	2009	2008
	\$	\$
Balance at beginning of year	-	89,760
Broker warrants cost credited to contributed surplus when expired	-	(89,760)
Balance at end of year	-	-

##### c) Contributed surplus

Net change in contributed surplus is as follows:

	2009	2008
	\$	\$
Balance, beginning of year	89,760	-
Broker warrants cost credited to contributed surplus when expired	-	89,760
Stock-based compensation cost credited to contributed surplus when expired	180,000	
Balance, end of year	269,760	89,760

##### d) Policies and processes for managing capital

The capital of the Company consists of the items included in shareholders' equity.

The Company's objectives when managing its capital are to safeguard its ability to continue its operations as a going concern, in order to develop and realize the full potential of its mining assets and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

To reach its objectives, the Company raises funds mainly through the issuance of share capital. Considering the nature of its activities, the Company does not expect to have access to long term debt since it does not generate operating revenues. At this stage of its development, it is the policy of the Company to preserve cash to fund its operations and not to pay dividends.

The Company is not subject to any externally imposed capital requirements.

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 in 2009.

# Beaufield Resources Inc.

## Notes of Financial Statements

Years ended August 31, 2009 and 2008

### 8. Investment income

	<u>2009</u>	<u>2008</u>
	\$	\$
Interest on income	65,362	256,667
Gain on disposal of marketable securities	115,072	-
Unrealized gain on mark-to-market on marketable securities held for trading	7,659	-
	<u>188,093</u>	<u>256,667</u>

### 9. Income taxes

The Company's effective income tax rate differs from the combined federal and provincial income tax rate in Canada. The difference results from the following:

	<u>2009</u>	<u>2008</u>
	\$	\$
Loss before income taxes	<u>(623,159)</u>	<u>(418,690)</u>
Income taxes at the combined federal and provincial tax rate of 30.9% (32% in 2008)	(193,000)	(134,000)
Stock-based compensation non deductible	-	50,000
Share issue expenses deductible	(50,000)	(56,000)
Write-off of tax benefits recognized previously	50,000	25,000
Non taxable gain on disposal of marketable securities	(18,000)	-
Difference resulting from mineral properties cost	-	(254,000)
Valuation allowance	211,000	-
Change in enacted rates	-	(45,000)
Other items	-	13,000
Income taxes	<u>-</u>	<u>(401,000)</u>

Future income tax assets and liabilities result from the differences between the carrying amount and the tax basis of the following:

	<u>2009</u>	<u>2008</u>
	\$	\$
Future income tax assets		
Operating losses carried forward	512,000	435,000
Share issue expenses deductible	15,000	58,000
Future income tax liabilities		
Marketable securities	(1,000)	-
Mineral properties	<u>(392,000)</u>	<u>(493,000)</u>
	134,000	-
Valuation allowance	<u>(134,000)</u>	<u>-</u>
	<u>-</u>	<u>-</u>

## Beaufield Resources Inc.

### Notes of Financial Statements

Years ended August 31, 2009 and 2008

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#### 9. Income taxes (Cont'd)

The future income tax asset resulting from operating losses carried forward is not recorded. Operating losses available to reduce income taxes in future years are detailed as follows:

2010	\$	153,000
2014		92,000
2015		362,000
2026		307,000
2027		193,000
2028		388,000
2029		437,000
		<u>\$ 1,932,000</u>

The Company will also be able to deduct in the future share issue expenses for which the future income tax asset is not recorded. These expenses total \$51,000.

#### 10. Related party transactions

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

	<u>2009</u>	<u>2008</u>
	\$	\$
Mineral properties <sup>1)</sup>	-	650
Deferred exploration expenses <sup>1)</sup>	36,595	48,945
Professional fees <sup>2)</sup>	104,100	88,185
Management fees <sup>3)</sup>	65,350	58,925
Rent <sup>3)</sup>	30,000	30,000
	<u>236,045</u>	<u>226,705</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 at August 31, 2009 to companies controlled by officers in the amount of \$20,595 (\$nil on August 31, 2008).

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.

#### 11. 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.

# Beaufield Resources Inc.

## Notes of Financial Statements

Years ended August 31, 2009 and 2008

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### 11. Financial instruments (Cont'd)

#### Financial risks

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

#### *Fair Value*

The 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 he 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 4.

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.

#### *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, 2009 and 2008. During the years ended August 31, 2009 and 2008, the Company has minimized its credit risk by holding the majority of its cash with a Canadian chartered bank and its cash equivalents in Government of Canada Treasury Bills. When not invested in Government of Canada Treasury Bills, the Company is subject to concentration of credit risk through its cash that is held substantially in one 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 7d). As the Company currently has no debt, the Company establishes cash estimates to ensure that there are adequate funds to fulfill its obligations and to meet its commitments, for the next year, as they become due under normal operating conditions.

#### *Interest rate risk*

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

Cash bear interest at a variable rate and the Company is, therefore, not exposed to the risk of changes in fair value resulting from interest rate fluctuations. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest. The Company does not use financial derivatives to decrease its exposure to interest risk.

#### *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, 2009, a 10% increase or decrease in the closing bid prices on its publicly traded companies would result in an estimated decrease or increase in net after-tax loss of approximately \$45,000.

## **Beaufield Resources Inc.**

### **Notes of Financial Statements**

Years ended August 31, 2009 and 2008

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#### **12. Subsequent event**

In October 2009, the board of directors of the Company authorized an amendment to its 2006 Plan to increase to 7,700,000 the maximum number of options issuable under the 2006 Plan (which represents 9.2% of the issued and outstanding common shares of the Company).

Under the amended 2006 Plan, the Board of directors also approved the granting of options for 1,000,000 shares to certain officers and directors at an exercise price of \$0.15 and expire five years from the date of issue, on October 23, 2014. The options vested immediately subject to a four month regulatory hold period.

A stock compensation cost fair value of \$100,000 was calculated for those options using the Black-Scholes option pricing model based on the following assumptions: average interest rate without risk of 2.73%, an estimated average volatility of 89%, an expected dividend yield of nil and an average expected life of the options of five years resulting in an average fair value of \$0.10 per each option granted. An amount of \$100,000 will be recognized in the statements of Operations and Deficit in the first quarter of 2010.

#### **13. Comparative figure**

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.