

Beaufield Resources Inc.

Interim Financial Statements

Three-months ended November 30, 2008

The attached financial statements have been prepared by Management of Beaufield Resources Inc. and have not been reviewed by an auditor.

Beaufield Resources Inc.
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Beaufield Resources Inc.

Balance Sheets

	November 30, 2008 (unaudited)	August 31, 2008 (audited)
	\$	\$
Assets		
Current assets		
Cash	6,881,511	7,203,196
Sales taxes recoverable	22,004	55,564
Due from a partner, without interest, on demand (Note 4)	76,804	-
Exploration taxes credits receivable	732,063	654,902
Prepaid expenses	15,199	21,481
	<u>7,727,581</u>	<u>7,935,143</u>
 Equipment (Note 3)	 13,656	 15,931
 Mineral Properties (Note 4)		
Acquisition cost	2,596,634	2,576,620
Deferred exploration expenses	5,155,218	5,060,752
	<u>15,493,089</u>	<u>15,588,446</u>
 Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	<u>36,526</u>	<u>69,632</u>
 Shareholders' equity		
Capital stock (Note 5)	31,324,120	31,324,120
Compensation options (Note 5a)	893,000	893,000
Contributed surplus (Note 5b)	89,760	89,760
Deficit	(16,850,317)	(16,788,066)
	<u>15,456,563</u>	<u>15,518,814</u>
	<u>15,493,089</u>	<u>15,588,446</u>

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

Beaufield Resources Inc.

Statements of Operations, Comprehensive Income (Loss) and Deficit (unaudited)

	Three-month period ended November 30	
	2008	2007
	\$	\$
Administrative expenses		
Professional fees	33,369	22,015
Administrative services, fees, rent and office	34,156	34,472
Shareholders' information, trustee and registration fees	6,419	1,791
Investors relations	4,562	8,185
Insurance	8,314	6,858
Travelling and promotion	1,534	638
Telecommunications	630	490
Director's fees	23,228	-
	<u>112,212</u>	<u>74,449</u>
Investment income	39,943	79,350
Project management fees	10,018	-
	<u>49,961</u>	<u>79,350</u>
Income (loss) before income taxes	(62,251)	4,901
Future income taxes	-	19,000
Net income (loss) and comprehensive income (loss)	<u>(62,251)</u>	<u>23,901</u>
Basic and diluted net income (loss) per share	<u>-</u>	<u>-</u>
Weighted average number of outstanding common shares	<u>83,349,519</u>	<u>83,349,519</u>
Deficit, beginning of period	(16,788,066)	(16,770,376)
Net income (loss)	(62,251)	23,901
Deficit, end of period	<u>(16,850,317)</u>	<u>(16,746,475)</u>

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

Beaufield Resources Inc.

Statement of Cash Flows

(unaudited)

	Three-month ended period	
	November 30	
	2008	2007
	\$	\$
Operating activities		
Net income (loss)	(62,251)	23,901
Non-cash items:		
Interest accrual on investment income	-	(11,079)
Future income taxes	-	(19,000)
	<u>(62,251)</u>	<u>(6,178)</u>
Changes in non-cash working capital items:		
Sales taxes recoverable	33,560	36,894
Due from a partner	(10,018)	-
Prepaid expenses	6,282	(13,374)
Accounts payable and accrued liabilities	(13,095)	44,069
	<u>16,729</u>	<u>67,589</u>
Cash flows from operating activities	<u>(45,522)</u>	<u>61,411</u>
Investing activities		
Temporary investments proceeds	-	2,945,113
Additions to mineral properties	(20,014)	(712,990)
Exploration taxes credit received	-	182,581
Deferred exploration expenses	(256,149)	(63,480)
Cash flows from investing activities	<u>(276,163)</u>	<u>2,351,224</u>
Net change in cash	(321,685)	2,412,635
Cash, beginning of period	<u>7,203,196</u>	<u>5,542,513</u>
Cash, end of period	<u><u>6,881,511</u></u>	<u><u>7,955,148</u></u>
Additional information – non cash transactions:		
Exploration taxes receivable credited to mineral properties	77,161	14,076
Depreciation included in deferred exploration expenses	2,275	2,275
Due from a partner included in deferred exploration expenses	66,786	-
Accounts payable and accrued liabilities related to exploration expenses	18,558	31,975

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

Beaufield Resources Inc.

Notes to Financial Statements

For the three-month period ended November 30, 2008

(unaudited)

1. Basis of presentation

The financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles in Canada for interim financial statements. The interim financial statements have, in management's opinion, been properly prepared using judgement within reasonable limits of materiality. These interim financial statements do not include all the note disclosures required for annual financial statements and therefore they should be read in conjunction with the Company's audited financial statements for the year ended August 31, 2008. The significant accounting policies follow that of the most recently reported audited annual financial statements, except for the new accounting standards as disclosed in Note 2.

2. Accounting estimates and accounting changes

The preparation of interim financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the carrying amount of mineral properties and the exploration tax credits receivable. Actual results could differ from management's best estimates as additional information becomes available in the future.

Accounting changes

Taking effect in fiscal 2009, the 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.
- 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 5c.
- 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 7.

Financial instruments – recognition and measurement

All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

- Financial assets and liabilities classified as held-for-trading are required to be measured at fair value, with gains and losses recognized in net earnings.
- Financial assets classified as held-to-maturity, loans and receivables and financial liabilities (other than those held-for-trading) are required to be measured at amortized cost using the effective interest method of amortization.
- Available-for-sale financial assets are required to be measured at fair value, with unrealized gains and losses recognized in Other Comprehensive Income (loss). Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market should be measured at cost.

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2. Accounting estimates and accounting changes (Cont'd)

The Company has implemented the following classification:

- Cash is classified as held-for-trading.
- Due from a partner is classified as loans and receivables.
- Accounts payable and accrued liabilities is classified as other liabilities.

3. Equipment

	November 30, 2008		
	Cost	Accumulated depreciation	Net value
	\$	\$	\$
Exploration equipment	27,306	13,650	13,656

4. Mineral Properties

Acquisition cost	August 31, 2008	Addition	November 30, 2008
	\$	\$	\$
Québec			
Mainstreet project	19,392	-	19,392
Urban project	523,774	5,140	528,914
Launay Township	312	-	312
Lac Evans	218,895	-	218,895
Raglan Ungava	15,016	5,244	20,260
Troilus	885,774	(175)	885,599
Opinaca	569,878	9,430	579,308
Matagami	11,400	25	11,425
Labrador Zinc	14,081	-	14,081
Ontario			
Hemlo properties	318,098	350	318,448
	<u>2,576,620</u>	<u>20,014</u>	<u>2,596,634</u>

Troilus property

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

On October 20, 2008, Beaufield 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 must be spent before June 30, 2009. Beaufield is the operator and the Company incurred an aggregate amount of \$76,804 for exploration cost on the New groups as at November 30, 2008. The President of the Company is also the President of Melkior. The Boards of Directors of both companies have approved this transaction.

Beaufield Resources Inc.

Notes to Financial Statements

For the three-month period ended November 30, 2008

(unaudited)

4. Mineral Properties (Cont'd)

Deferred exploration expenses	August 31, 2008	Expendi- tures	Taxes credits	November 30, 2008
	\$	\$	\$	\$
Québec				
Mainstreet project	41,262	-	-	41,262
Urban project	1,257,423	22,670	(9,702)	1,270,391
Launay Township	7,572	-	-	7,572
Lac Evans	100,019	-	-	100,019
Raglan Ungava	73,651	15,583	(7,183)	82,051
Troilus	1,685,762	11,248	(5,186)	1,691,824
Opinaca	1,584,549	121,776	(55,090)	1,651,235
Matagami	200	-	-	200
Ontario				
Hemlo properties	310,314	350	-	310,664
	<u>5,060,752</u>	<u>171,627</u>	<u>(77,161)</u>	<u>5,155,218</u>

5. Capital-stock

Authorized

An unlimited number of common shares without par value.

Issued:

	Three-month period ended November 30, 2008	
	Number	\$
Balance at beginning and end of period	<u>83,349,519</u>	<u>31,324,120</u>

a) Compensation options

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

	Three-month period ended November 30, 2008	
	Number of option	Weighted average exercise price
Options exercisable at beginning and end of period	<u>5,400,000</u>	<u>\$ 0.27</u>

Beaufield Resources Inc.

Notes to Financial Statements

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(unaudited)

5. Capital-stock (Cont'd)

a) Compensation options (Cont'd)

Option outstanding and exercisable as at November 30, 2008 are as follows:

<u>Number of options</u>	<u>Exercise price</u>	<u>Expiry date</u>
800,000	\$0.25	August 31, 2009
200,000	\$0.25	October 5, 2009
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
<u>1,300,000</u>	<u>\$0.12</u>	<u>August 29, 2013</u>
<u>5,400,000</u>		

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

	<u>Three-month period ended November 30, 2008</u>
	\$
Balance, beginning and end of period	<u>893,000</u>

b) Contributed surplus

Net change in contributed surplus is as follows:

	<u>Three-month period ended November 30, 2008</u>
	\$
Balance, beginning and end of period	<u>89,760</u>

c) 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 usually doesn't have access to long term debt since it doesn't 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 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.

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6. Related party transactions

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

	Three-month period ended November 30,	
	2008	2007
	\$	\$
Deferred exploration expenses	15,420	7,200
Professional fees	33,369	21,518
Administrative services, fees, rent and office	21,675	21,300
Total	<u>70,464</u>	<u>50,018</u>

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

There were accounts payable or accrued liabilities at November 30, 2008 to companies controlled by officers in the amount of \$nil (\$40,062 on November 30, 2007).

7. 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 fair value of its financial instruments is comparable to their carrying values due to the relatively short period to maturity of the instruments.

Interest rate risk

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

Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash as at November 30, 2008. During the three-month period ended November 30, 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.

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7. Financial instruments (Cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Company has at his disposal sufficient sources of financing such as private placement. The Company establishes cash estimates to ensure it has the necessary funds to fulfill its obligations. Obtaining additional funds makes it possible to the Company to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.