

# **Beaufield Resources Inc.**

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

**For the years ended**

**August 31, 2009 and 2008**

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## **Beaufield Resources Inc.**

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

Years ended August 31, 2009 and 2008

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The following discussion (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, 2009 ("Fiscal 2009") and 2008 ("Fiscal 2008").

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](http://www.sedar.com).

#### **Nature of activities**

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

#### **Highlights**

During the first half of Beaufield's 2009 fiscal year, the global financial conditions negatively impacted commodity prices, driving down equity prices for stocks in the resource sector. Access to public financing has significantly diminished for companies like Beaufield.

The Company dealt with the downturn by adopting several measures in order to preserve cash:

- a) In October 2008, Beaufield entered into an option agreement to advance exploration of the New groups of Troilus properties, 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. Exploration cost incurred by Beaufield, the operator on behalf of Melkior on the New groups totalled \$461,547 as at August 31, 2009;
- b) In April 2009, the Company signed a letter of intent agreement whereby Jiminex Inc. ("Jiminex"), have an option to acquire an undivided 50% of Beaufield's undivided 100% interest in the Northern Eagle – Hemlo gold property by paying \$100,000 in cash and shares of Jiminex and by making exploration expenditures of \$1,300,000 over a three year period;
- c) 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 and cash equivalents with an investment in one ounce gold maple leaf coins and securities in publicly traded companies in the resource sector;

By adopting those measures, the Company invested directly \$470,571 in exploration expenses mainly on its gold properties and managed, on behalf of Melkior, exploration expenditures of \$461,547 on its New groups of Troilus properties for a total aggregate amount of \$932,118 as compared to a budgeted amount of \$920,000.

At the beginning of 2009, the carrying values of the Company's base metal properties were tested for impairment and a write-off on those properties were taken for a total amount of \$413,158.

#### **Operating activities**

The Company reported a net loss of \$623,159 in the year ended August 31, 2009 compared to a net loss of \$17,690 in the previous year ended August 31, 2008.

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**Operating activities (Cont'd)**

*Administrative expenses*

Administrative expenses for Fiscal 2009 were \$516,650 (\$627,259 in Fiscal 2008). The change in expenses is due primarily to:

- a) A \$156,000 stock-based compensation cost was recorded Fiscal 2008 for the 1,700,000 vested options granted to directors, officers and employees (nil in Fiscal 2009);
- b) Administrative services that increased to \$158,290 in Fiscal 2009 as compared to \$124,613 in Fiscal 2008. This increase is mainly due to \$64,978 (\$29,700 in Fiscal 2008) of geologist administrative salaries in Fiscal 2009 related to project management on properties held by partners, review of new properties and attendance to mining conferences; Beaufield charged project management fees to partners as indicated in the next section.
- c) Professional fees, consisting of accounting, audit and legal fees, that increased to \$143,767 in Fiscal 2009 as compared to \$120,920 the prior year due to increased activities in investments and exploration, mainly on its Troilus optioned property to Melkior. Beaufield is the operator of this optioned property and therefore charged project management fees.

*Project management fees*

In Fiscal 2009, the Company earned \$60,006 (nil in 2008) in project management fees on its Troilus joint venture with Melkior and \$58,550 on other projects.

*Investment income*

Investment income in Fiscal 2009 consisted mainly of interest income and gain on disposal of marketable securities. Interest earned from cash balances invested in Government of Canada treasury bills or held at financial institutions was \$65,362 as compared with \$256,667 in Fiscal 2008. This reduction is due primarily to lower market interest rates and lower cash balances invested in fixed-income securities.

Due to the 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 and cash equivalents with an investment in one ounce gold maple leaf coins and securities in publicly traded companies in the resource sector.

In Fiscal 2009, the disposal of publicly traded securities, at a cost of \$180,128, generated a realized gain of \$115,072. As of August 31, 2009, those securities generated an unrealized gain of \$7,659.

Gold coins are considered a commodity and not a financial instrument and as such are recorded at cost. At August 31, 2009, the Company held 839 ounces of gold coins having an acquisition cost of \$999,420 and a market value of \$877,678.

<u>Date</u>	<u>Fair market value per ounce US\$</u>	<u>Exchange rate</u>	<u>Fair market value per ounce CDN\$</u>	<u>Total CDN\$</u>
March 27, 2009 (acquisition date)	984.46	1.21	1,191.20	999,420
August 31, 2009	951.00	1.10	1,046.10	877,678

*Write-off of mineral properties*

At the beginning of 2009, The Company decided to take a write-off for a total amount of \$413,158 (\$48,098 in 2008) on the Mainstreet project, Launay Township, Lac Evans, Matagami and Lab Schefferville (formerly Labrador Zinc) properties. At that time, the Company did not 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. In Fiscal 2008, the \$48,098 write-off relating to the Storm Lake property reflects the Corporation's decision to drop the claims.

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**Investing activities**

*Purchase and disposal of gold coins and marketable securities*

In Fiscal 2009, the Company invested \$999,420 in gold coins and purchased \$618,218 securities in publicly traded companies in the resource sector (Nil in Fiscal 2008). During this year, the Company sold for an amount of \$295,200 some of its previously invested marketable securities having a cost of \$180,128 and realized a gain of \$115,072.

*Mineral properties and exploration expenses*

In Fiscal 2009, investing activities relating to mineral exploration consisted of the following:

- Additions of \$36,029 (\$120,728 in 2008) to the mineral properties from claim renewal cost; Also in 2008, the Company acquired from Xstrata Canada Corporation, Xstrata's 50% interest in the Troilus Property for \$700,000 in cash.
- Disposal of a mineral property generated \$10,000 in cash. Jiminex has an option to earn 50% of the company's 100% interest in the Northern Eagle gold property in Hemlo, Ontario. Jiminex paid \$10,000 in cash during Fiscal 2009 and issued 900,000 common shares of its shares to Beaufield having a fair value of \$90,000 on September 4, 2009. In addition, Jiminex must make exploration expenditures of \$1,300,000 over a three year period;
- \$470,571 in exploration expenses mainly on its gold properties (\$1,330,831 in Fiscal 2008. The Company's primary exploration effort was drilling the Troilus - Tortigny base metal deposit where \$822,457 was invested).
- Refundable tax and mining duties credits received in Fiscal 2009 amounted to \$520,909 (\$1,085,379 in Fiscal 2008).

Following are the deferred exploration expenses incurred in Fiscal 2009 and 2008:

<b>2009</b>	<b>Urban</b>	<b>Launay</b>	<b>Troilus</b>	<b>Opinaca</b>	<b>Mata-gami</b>	<b>Raglan</b>	<b>Hemlo</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$	\$
Drilling	900	-	2,815	40	-	-	52	3,807
Assays	-	-	-	-	-	-	-	-
Geology	45,766	-	63,563	166,900	-	700	7,949	284,878
Geophysics	805	-	2,445	-	-	15,558	77,530	96,338
Geochemistry	-	-	9,092	67,356	-	-	-	76,448
Depreciation	-	-	-	9,100	-	-	-	9,100
	<b>47,471</b>	<b>-</b>	<b>77,915</b>	<b>243,396</b>	<b>-</b>	<b>16,258</b>	<b>85,531</b>	<b>470,571</b>

<b>2008</b>	<b>Urban</b>	<b>Launay</b>	<b>Troilus</b>	<b>Opinaca</b>	<b>Mata-gami</b>	<b>Raglan</b>	<b>Hemlo</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$	\$
Drilling	300	300	449,692	(4,626)	-	-	-	445,666
Assays	6,752	-	26,090	20,361	-	-	10,984	64,187
Geology	8,692	-	106,166	132,189	32	1,619	6,890	255,588
Geophysics & geochemistry	1,600	-	135,442	3,200	-	122,605	8,251	271,098
Line cutting	-	-	50,130	-	-	-	9,000	59,130
Travelling	12,169	-	9,791	23,139	-	-	10,215	55,314
General field expenses	3,881	-	1,276	22,361	20	-	836	28,374
Payroll & benefits	22,081	-	43,870	48,844	-	-	27,579	142,374
Depreciation	-	-	-	9,100	-	-	-	9,100
	<b>55,475</b>	<b>300</b>	<b>822,457</b>	<b>254,568</b>	<b>52</b>	<b>124,224</b>	<b>73,755</b>	<b>1,330,831</b>

**Note:** In Fiscal 2009, assays, travelling, general field expenses, and payroll & benefits were allocated to the exploration activities. In Fiscal 2008, the disclosure is on a separate line.

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

##### ***Opinaca, Québec (Gold)***

###### Claim status

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

The Opinaca property consisting of 185 claims or 9,684 hectares, located in the James Bay region of Quebec, is directly adjacent to Goldcorp Inc.'s ("Goldcorp") Eleonore property.

In January 2006, the Company completed a brokered private placement with Goldcorp whereby Goldcorp has purchased 6.8 million units at a price of \$0.50 per unit 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 Eleanor properties. The subscription agreement provides that Beaufield and Goldcorp have the opportunity to cooperate on technical, financial and permitting issues relating to Beaufield's Opinaca property. This agreement allows both companies to pool their exploration efforts in the camp. Beaufield will continue to control and explore its Opinaca property.

In Fiscal 2006, the Company acquired by staking additional claims known as the Opinaca West block located approximately 35km west of the Opinaca claims.

In Fiscal 2009 and 2008, the additions to the Opinaca property consist of claim renewals.

###### 2009 exploration program

A 2008 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 June 2009 a field geological and prospecting program was underway. The data from this work is being compiled.

###### 2008 and prior exploration programs

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.

A soil geophysical grid covered the Snoopy area where 972 B-horizon soil samples were collected. This data was assayed again in 2009 and remains to be reported.

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

###### 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 metre in DDH OP-06-01. Drill hole OP-07-19 (240 metres) intersected three interesting, mineralized and altered zones. The mineralization in pyrrhotite and arsenopyrite and the alteration in amphiboles and tourmaline are similar to those found on the East-Roberto zone of the Goldcorp, Eleonore project.

###### 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.

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

##### ***Urban Project, Québec (Gold)***

###### Claim status and previous work

Beaufield holds a 100% interest in the Urban properties. Parts of these properties are subject to a 2% NSR and other portions are subject to a 10% net profits interest.

The property is within a northeasterly trending belt of Archean volcanic and sediments which until recently has remained poorly explored for gold despite numerous gold occurrences. Access has until recently been difficult.

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. Beaufield has completed a 10 hole, 869-metre drill program on the Rouleau gold property in May 2004. The results of the drilling suggested a continuation to surface of good grade mineralization (Hole 401: 3.73 metres at 11.63g/t gold and Hole 402: 4.05 meter at 7.65g/t gold).

###### 2009 exploration program

A geological prospecting and sampling program on the Lac Rouleau block has confirmed a number of historical gold occurrences. The Urban properties have been held by Beaufield since 1986 and represent significant gold exploration potential. Exploration is planned to evaluate Zone 18 (Lac Rouleau gold), the surrounding area and the other gold occurrences. Metanor Resources Inc. is exploiting the Barry gold deposit located between the Lac Rouleau and Lac Kent properties.

###### 2008 exploration program

Beaufield has completed a sampling program in the northern portion of the property in a place referred to as Tourmaline Hill by Cominco who did earlier work at the location. Sampling was also undertaken south and west of Lac Rouleau. In total 258 rock samples were collected. Some positive assay results have been received but have not yet been compiled.

##### ***Troilus, Québec (Copper – Zinc – Gold)***

###### Claim status

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). Beaufield now owns 100%.

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

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. Noranda 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 located within an epiclastic sedimentary horizon (argillite and siltstone) intercalated between two distinct tholeiitic and transitional basal units. 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.

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**Investing activities (Cont'd)**

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 and are not subject to an NSR. These are referred to as the New groups

In October 2008, Beaufield entered into an option agreement to advance exploration of the New groups, whereby 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 President of the Company is also the President of Beaufield. The Boards of Directors of both companies have approved this transaction.

2009 exploration program

Drilling started on the New groups on December 4, 2008 and was completed on January 20, 2009. The current grassroots program consisted of drilling 6 holes for 933 metres. The holes targeted specific airborne geophysical anomalies with coincident electromagnetic and magnetic. Prior to drilling these targets they have been confirmed by ground geophysics. The geophysical anomalies drilled are indicative of those typically caused by massive sulphides which in this environment can host copper-zinc sulphides with accompanying gold and silver. Sulphides were intersected in 3 of the 6 holes. Significant base metals were not observed in the core.

In Fiscal 2009, \$461,547 has been spent on the new groups and \$77,915 on the other areas held 100% by the Company.

2008 exploration program

Between January and February 2008, eight diamond drill holes, totalling 3,411 metres, were completed in the vicinity of the 100% owned Tortigny base metal deposit. The program consisted of two aspects. The first aspect was to drill an infill hole between three widely space holes to better define the deposit. The second aspect was to probe for a westward extension of the southern arm of the deposit and to verify for near surface mineralization.

In a news released issued on April 8, 2008, Beaufield announced the results of the drilling program. The most promising infill hole delivered the following results:

	<b>From (m)</b>	<b>To (m)</b>	<b>Length (m)</b>	<b>Zinc</b>	<b>Copper</b>	<b>Silver</b>	<b>Gold</b>	<b>Cobalt</b>
TO-08-05	230.65	259.00	28.35	6.81%	2.77%	71.36 g/t	0.51 g/t	0.06%
Including	232.50	245.05	12.55	15.00%	6.02%	145.50 g/t	0.95 g/t	0.13%
Including	234.90	239.40	4.50	16.52%	7.58%	178.87 g/t	0.48 g/t	0.13%

Hole TO-08-05 was drilled to fill a gap of 75 metres between three holes drilled by Noranda in 1995-1996. The Noranda holes were TY-96-35 (11.75% Zn, 0.99%Cu, 48.89g/t Ag and 0.18g/t Au over 1.94m), TY-95-06 (5.30% Zn, 4.10%Cu, 94.81 g/t Ag and 0.48g/t Au over 5.30m) and TY-96-36 (9.00% Zn, 7.06% Cu, 147.63 g/t Ag and 0.81 g/t Au over 9.12m).

It is important to note the significant increase in grade and width from the earlier drilling which, in the opinion of Beaufield management, enhances the importance of the deposit.

Two holes T0-08-01 and TO-0803 were drilled to test the extension to surface of a previous hole.

	<b>From</b>	<b>To</b>	<b>Length</b>	<b>Zinc</b>	<b>Copper</b>	<b>Silver</b>
TO-08-01	150.60	169.55	18.95	0.83%	0.21%	14.37g/t
Including	160.90	164.65	3.75	1.32%	0.67%	38.38 g/t
TO-08-03	72.00	107.60	35.60	0.41%	0.05%	5.61 g/t

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**Investing activities (Cont'd)**

Wide intersections of low grade mineralization were intersected approaching the deposit. The sulphides are composed mostly of disseminated to semi-massive pyrrhotite, injected by millimetric stringers of sphalerite with traces of chalcopyrite, associated with an intense aluminosilicates alteration. This alteration halo is spatially located less than 20m from the deposit and was intersected in every hole. This suggests to management that a large, low grade halo potentially indicates a significantly higher grade base metal deposit.

The other five holes were drilled to search for a deeper extension of known mineralization. The holes encountered a halo of anomalous zinc, copper and silver. Management interprets this to be a strong indicator that the Tortigny zone could continue at a different level.

Hole T0-08-05 demonstrates that wider, higher grade portions exist within the undrilled portions of the Tortigny deposit, which can enhance the value of the deposit. Additional drilling will be undertaken to define and extend the high grade portions.

During the third quarter of Fiscal 2008, Beaufield completed line cutting at Tortigny and has undertaken a surface and downhole electromagnetic surveys on the previous holes to define massive sulphide targets, suggested by current drilling, in preparation for further drilling. Lines have been cut on three other targets including Moleon. During the fourth quarter of Fiscal 2008, the Company has completed a two week, helicopter supported exploration program using prospecting and Beep-Mats.

During the fourth quarter of Fiscal 2008, Beaufield completed surface and downhole Inifitem time domain EM survey. Further processing and interpretation intended to spot drill holes will be undertaken. The down-hole results from 8 holes surveyed have identified at least two off-hole conductors that merit drilling. A grid over the land portion of Moleon has been cut. Modelling has been completed using the EM data and a 4-hole drill program appears to be justified based on the results.

In addition, a 10 day sampling and mapping program was undertaken by the Company, interesting values in copper, zinc and silver were obtained from outcrops and gold values (8g/t Au; 19.8 g/t Au) were assayed from boulders. A follow-up program was undertaken in October 2009 and the results are pending.

***Hemlo, Ontario (Gold)***

Claim status

Beaufield 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 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 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 Beaufield

Jiminex evolved from a Capital Pool Corporation into a junior natural resource exploration company in August 27, 2009.

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**Investing activities (Cont'd)**

**Fowler**

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

2009 exploration program

A detailed VTEM airborne magnetic and electromagnetic survey covering 447 line kilometres has been completed on the Beaufield claim group during the year. The field report has been received. The survey has mapped the extent of the Hemlo shear on the property also the barite shear. Several conductors that could be representative of sulphide have been identified. This data encouraged Jiminex to enter a joint venture with Beaufield.

2008 exploration program

Beaufield completed a program of linecutting and sampling. The principal objective of the program was to maintain the claims in good standing. Sampling in the vicinity of known mineral occurrences, revealed highly anomalous arsenic and barite. Both are important associated or indicator minerals at the Hemlo gold mines. The gold values at these locations were weakly anomalous. Discussions with the Hemlo mine exploration staff suggest that deep drilling at this location will eventually be warranted. Apparently 95% of the gold ore at Hemlo is below 500 metres.

Previous work by Beaufield included the drilling of one 400 metre hole to test a geochemical anomaly in the southern portion of the property. While anomalous in gold, no additional work was warranted at that location.

**Raglan Ungava, Québec (Nickel – Copper)**

Claim status

A 100% interest.

2009 exploration program

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. The expert will recommend the next exploration steps for the property.

2008 exploration program

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.

**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.

At the beginning of 2009, the Company decided to take a write-off for a total amount of \$413,158 on the Mainstreet project, Launay Township, Lac Evans, Matagami and Lab Schefferville properties. At that time, the Company did not 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.

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#### Investing activities (Cont'd)

##### Lab Schefferville (formerly Labrador Zinc)

In 2008, the Company staked a group of claims within the Labrador Trough approximately 40 kilometres northwest of Schefferville Quebec. The 100% owned property consists of 139 claims or approximately 6,776 hectares. This area is in the middle of the current hot iron exploration area. 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.

After year-end, the Company completed a 960 line kilometre airborne survey of its Lab- Schefferville project. 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 will be interpreted and used in a follow-up program to explore for SEDEX lead-zinc, the summer of 2010 (November 24, 2009 news release).

##### Exploration budget for Fiscal 2010

In summary, the anticipated work and budgets for Fiscal 2010 are as follows:

<u>Properties</u>	<u>Amount</u>	<u>Work description</u>
	<u>\$</u>	
Opinaca	150,000	2010 summer geology with sampling and mechanical stripping
Urban	475,000	Winter drilling 2,000 metres and a summer geological and stripping program
Troilus, Tortigny	350,000	Winter drilling 1,800 metres
Troilus JV with Melkior	-	\$40,000 budgeted by Melkior
Hemlo	25,000	Monitoring cost (JV with Jiminex – Note 1)
Raglan Ungava	40,000	Data interpretation
Lab-Schefferville	200,000	Airborne survey and follow-up work
Total exploration budget	<u>1,240,000</u>	

##### Note 1: Hemlo JV budget:

In September 2009, Jiminex has begun a compilation, data standardization and digitization program for the historic geotechnical information on the Northern Eagle property. Jiminex will build a computer model for the geotechnical data which will assist in the selection of target zones over which to perform deep-penetrating ground geophysical surveys. Jiminex is planning also an induced polarization and magnetotelluric geophysical program to detect favourable deep diamond drill targets possibly representing Hemlo-style gold deposits.

#### Financing activities

There was no financing activities in Fiscal 2009 and 2008.

#### 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 Fiscal 2010.

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**Liquidity and capital resources**

The Company has no long-term debt and a working capital (current assets less current liabilities) of \$7,387,736 as at August 31, 2009 (\$7,865,511 as at August 31, 2008). Management is of the opinion that it will be able to maintain the status of its current exploration obligations and to keep its properties in good standing for several years with the level of liquidity on hand.

Acquisition of new properties or advanced exploration of some of the mineral properties would require substantially more financial resources. In the past, the Company has been able to rely on its ability to raise financing in public or privately negotiated equity offerings. There is no assurance that such financing will be available when required, or under terms that are favourable to the Company. The Company may also elect to advance the exploration and development of mineral properties through joint-venture participation. Management is not currently considering further financing at this time.

**Policies and processes for managing capital**

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

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

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

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

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 Fiscal 2009.

**Selected annual information**

	<b>Fiscal year ended August 31</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net sales	-	-	-
Net loss for the year	623,159	17,690	68,460
Net loss per share	0.01	0.00	0.00
Total assets	14,980,903	15,588,446	15,836,968

**Summary of quarterly information**

	<b>Three months ended</b>			
	<b>August 31, 2009</b>	<b>May 31, 2009</b>	<b>February 29, 2009</b>	<b>November 30, 2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net sales	-	-	-	-
Net income (loss) for the period	(87,443)	(218,634)	(254,831)	(62,251)
Net income (loss) per share	-	(0.005)	(0.005)	-

# Beaufield Resources Inc.

## Management's Discussion and Analysis

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### Summary of quarterly information (Cont'd)

	Three months ended			
	August 31, 2008	May 31, 2008	February 29, 2008	November 30, 2007
Net sales	\$ -	\$ -	\$ -	\$ -
Net income (loss) for the period	(21,723)	(115,365)	95,497	23,901
Net income (loss) per share	-	-	-	-

### Fourth quarter

The Company reported a net loss of \$87,443 for the quarter ended August 31, 2009 ("Q4-2009") compared to a net loss of \$21,723 for the quarter ended August 31, 2008 ("Q4-2008"). The main reasons for the variance are:

#### Administrative expense

- A \$104,000 stock-based compensation cost recorded in Q4-2008 for the 1,300,000 vested options granted to directors, officers and employees (nil in Q4-2009);

#### Investment income

- Interest income were lower in Q4-2009 at \$586 versus \$39,174 in Q4-2008 due to less cash available for investing and lower interest rates on the market;
- Realized gain on disposal of investments in publicly traded securities totalled \$56,102 compensated by a change in unrealized loss of \$129,287 on those securities in Q4-2009 (nil in Q4-2008);

#### Project management fees

In Q4-2009, the Company earned \$58,850 (nil in Q4-2008) in project management fees on its Troilus joint venture with Melkior and other projects.

#### Future income taxes

- A future income taxes recovery of \$181,000 recorded in Q4-2008 compared to nil in Q4-2009;

On the investment activities, the Company expensed \$164,493 in exploration in Q4-2009, mostly on its Opinaca and Troilus properties (\$594,817 in Q4-2008 mostly on its Raglan, Opinaca and Troilus properties).

There were no financing activities, in Q4-2009 nor in Q4-2008.

### Related party transactions

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

	2009	2008
	\$	\$
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.

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**Related party transactions (Cont'd)**

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.

**Disclosure of outstanding share data (as of November 20, 2009)**

	Number
Common shares	83,349,519
Options	5,400,000
Warrants	-
Fully diluted	<u>88,749,519</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 3 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.

## Beaufield Resources Inc.

### Management's Discussion and Analysis

Years ended August 31, 2009 and 2008

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#### Changes in accounting policies including initial adoption

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

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

- 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. The 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.
- 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.
- 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.
- EIC 174: "Mining exploration costs". In March 2009, the Committee provides 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.
- Other new standards were issued, but are not expected to have a material impact on the Company's financial requirements.

##### *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.

# Beaufield Resources Inc.

## Management's Discussion and Analysis

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### 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 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. The fair value and cost of the marketable securities is reflected on Note 4 of the annual financial statements.

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% decrease in the closing bid prices on its publicly traded companies and gold coins would result in an estimated increase in net after-tax loss of approximately \$45,000.

### **IFRS Convergence**

In February 2008, the Canadian Accounting Standards Board 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 changeover date for Beaufield will be September 1, 2011, to be in line with its August year end.

#### Team:

The implementation team will consist of internal resources and if necessary of external consultants. The implementation team will report to the CEO and to the Audit Committee on the progress towards IFRS convergence.

#### Training:

Members of the Company's finance department have taken steps to become proficient in IFRS, including participating in IFRS training sessions.

#### Accounting Policies impacted:

The detailed analysis of the accounting policies impacted by the IFRS convergence is expected to be completed in Fiscal 2010. Overall, a great deal of effort will be put in the financial statements presentation as IFRS requires more disclosure. Based on the analysis of expected accounting differences conducted so far, following is a non-exhaustive list of the IFRS accounting policies that could have a potential impact on the financial statements of the Company:

#### *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 IFRS 1 contains disclosure requirements to highlight changes made to financial statement items due to the transition to IFRS.

#### *Mineral property interests, exploration and evaluation costs (IFRS 6)*

Under IFRS, the Company would be required to develop an accounting policy to specifically and consistently identify which expenditures on exploration and evaluation activities will be recorded as assets. Unlike IFRS, Canadian GAAP indicates that exploration costs may initially be capitalized if the Company considers that such costs have the characteristics of property, plant and equipment. Exploration and evaluation assets shall be classified as either tangible or intangible according to the nature of the assets acquired.

#### *Impairment (IAS 36, IAS 6)*

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 Canadian GAAP (using undiscounted cash flow as a trigger to identify potential impairment loss). IFRS requires reversal of impairment losses where previous adverse circumstances have changed; this is prohibited under Canadian GAAP.

Impairment testing should be performed at the asset level for long-lived assets and intangible assets. Where the recoverable amount cannot be estimated for individual assets, it should be estimated as part of a Cash Generating Unit ("CGU").

#### *Share-based payments (IFRS 2)*

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.

## **IFRS Convergence (Cont'd)**

### Information systems:

The accounting processes of the Company are simple since it is still at the exploration stage and no major challenges are expected at this point to operate the accounting system under the IFRS. Nevertheless, some excel spreadsheets will probably have to be adapted to support the change made in accounting policies. The Company has yet to establish if historical data will have to be regenerated to comply with some of the choices to be made under IFRS 1.

As the Company will perform its accounting under Canadian GAAP fiscal 2011, it has yet to determine how it will generate in parallel the accounting under IFRS so that in fiscal 2012 it has the comparative available. Once the extent of the adjustments needed to convert to IFRS will be established, processes will be put in place effective September 2010 to generate the dual accounting.

### Internal Controls:

Since Beaufield is a TSX Venture issuer, management does not make representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in National 52-109.

Management is responsible for ensuring that processes are in place to provide them with sufficient knowledge to support their certification of the financial statements and MD&A, more specifically assessing that the SEDAR filings are presenting fairly the results of the Company. Management will make sure that once the convergence process is completed, it can still certify its filings.

### 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. The Company has limited foreign currency transactions, no hedging activities, no debt and no capital obligations. The Company doesn't expect that IFRS will have an impact on the requirements or business processes when it enters in flow-through financing. The Company has no compensation arrangements that will be affected by the IFRS implementation. The Company's Stock Option Plan is not affected by ratios or financial targets.

Business process will be monitored through Fiscal 2010 to detect unsuspected impact.

## **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.

# **Beaufield Resources Inc.**

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### **Risk factors (Cont'd)**

#### *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.

#### *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.**

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Years ended August 31, 2009 and 2008

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#### **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. In 2008, an unforeseen financial disruption in the financial market has occurred. While Management does not foresee an immediate problem, this could have a longer term negative impact if the recovery initiated in 2009 is not sustainable.

##### *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.

# Beaufield Resources Inc.

## Management's Discussion and Analysis

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### Forward-looking information

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

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

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

November 20, 2009