FOR THE SIX MONTHS ENDED 2

December 31, 2011

Beaumont Select Corporations Inc.

Beaumont Select Corporations Inc.

REPORT TO SHAREHOLDERS

The second quarter saw the stock markets 'climb a wall of worry', as indices moved up despite continuing European debt problems and China tightening credit.

The Investment Division saw a 25.7% improvement in its equity in Q2; however, this gain was not enough to recover from the first quarter loss, resulting in a six month equity decrease of 5.8%. The division generated $2,189,781 in income for the second quarter, comprised mainly of unrealized gains of $1.518 million and realized gains of $443 thousand. Dividends provided $161 thousand, well beyond the margin interest costs of $67 thousand.

Revenue in the Food Division decreased 4% in the second quarter compared to the same period in the prior year, with declines in the Canadian marketplace resulting from a very warm winter and some increases in US markets.

The Corporation's interim financial statements for the second quarter ended December 31, 2011 were not audited or reviewed by the Corporation's auditors. This quarterly management's discussion and analysis is made as of February 24, 2012.

FINANCIAL HIGHLIGHTS

The Corporation's financial results for the three months ended December 31, 2011 compared to the same period in the previous fiscal year included the following:

- The equity markets started to look past the European debt problems and China tightening credit and started an upward trend. For the quarter the portfolio rose 25.7%, making up most of the losses in the first quarter, but not all. For the six month period, the equity portfolio was down 5.8%.

	Dec 30, 2011	Sep 30, 2011	Jun 30, 2011	3 mo. Change	6 mo. Change
Portfolio value	**$15,331,451**	$14,548,704	$ 22,363,427	5.4%	-31.4%
Margin Loan	**5,320,345**	6,583,757	11,739,382	-19.2%	-54.7%
Equity in Portfolio	**10,011,106**	7,964,947	10,624,045	25.7%	-5.8%

- Sales decreased by 4% in the second quarter compared to the second quarter of 2010-11. For the six month period, sales declined 4.6%, due to a very warm winter and competitive activity.
- Operating margin has decreased to 2.3% from 8.5% for the second quarter last year due to increasing input costs.
- Net income attributable for the shareholders for the second quarter was $1.511 million, or nine cents per share, compared to $1.395 million in the second quarter of 2010-11. For the six month period, the net loss was $1.18 million or negative seven cents per share compared to a profit of $1.969 million or 12 cents per share

Financial Highlights

	Three Months Ended		Six Months Ended	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Net Sales	**$5,086,742**	$5,297,268	$9,428,060	$9,885,483
Operating Income (Loss)	**(292,584)**	(31,552)	(662,407)	(108,587)
Net Income attributable to shareholders (Loss)	**1,511,987**	1,395,288	(1,180,387)	1,968,698
Net Income (Loss) per share -basic	**0.09**	0.09	(0.07)	0.12
Net Income (Loss) per share -diluted	**0.09**	0.08	(0.07)	0.12
Funds from (required by) Operations	**(41,004)**	280,637	(93,844)	487,744
Funds from operations per share – basic	**0.00**	0.02	(0.01)	0.03
Funds from operations per share - diluted	**0.00**	0.02	(0.01)	0.03
EBITDA	**2,037,582**	1,899,520	(766,224)	2,930,692
EBITDA per share – basic	**0.13**	0.12	(0.05)	0.12
EBITDA per share – diluted	**0.12**	0.12	(0.05)	0.12
	As at			As at
	Dec 2011			June 2011
Total Assets	**$33,221,128**			$40,503,293
Total Long-Term Debt	**13,976**			15,707
Shareholder's Equity	**20,489,502**			21,695,730
Shares outstanding	**16,199,597**			16,215,597

CORPORATE PROFILE

Beaumont Select Corporations Inc. is a management corporation, which directs investments in the food processing and real estate industries, as well as a portfolio of equity securities.

The Food Division concentrates on providing high quality private label and branded products of a specialty nature in the food sector. These products are distributed to food wholesalers and retailers in North America including most major retail chains in Canada. The products are produced by a wholly owned subsidiary, Naleway Foods Ltd., located in Winnipeg, Manitoba in a Canadian Food Inspection Agency (CFIA) certified plant owned by the Corporation.

The Corporation manages a portfolio of equity securities held for investment purposes. The corporate Investment Division operates within defined parameters as established by the Board of Directors and reports to the Investment Committee of the Board.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's discussion and analysis (MD&A) of the results for the six months (referred to as the first half or H1) and the latest three months (referred to as the second quarter or Q2) in the fiscal year ending June 30, 2012 (referred to as 2011-12) should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended June 30, 2011 and the accompanying notes as well as the Corporation's unaudited consolidated financial statements and notes for the three and six months ended December 31, 2011. All financial information is reported in accordance with International Financial Reporting Standards (IFRS) unless noted otherwise. The financial measure of earnings before interest, taxes, depreciation and amortization (EBITDA) or funds from operations referred in this MD&A do not have a standardized definition prescribed by IFRS and are therefore not readily comparable to similar measures presented by other corporations even in the same industry. The Corporation's method of calculating EBITDA and funds from operations may not be comparable to similarly titled amounts reported by other issuers. The Corporation believes these earnings measures are useful supplemental measures of performance, as they provide investors with an indication of the amount of funds available for reinvestment or distribution to shareholders. Investors should be cautioned, however, that EBITDA and funds from operations should not be construed as alternatives to using net income as a measure of profitability or the statement of cash flows as a measure of liquidity and cash positions.

CONSOLIDATED FINANCIAL ANALYSIS

Revenues

Overall revenues for the second quarter of fiscal 2011-12 decreased 4% (or $211 thousand) from the second quarter of 2010-11 to $5.087 million. For the first six months sales declined by $457 thousand or 4.6% to $9.428 million.

Operating Margin

The operating margin for the second quarter fiscal 2011-12 decreased to 2.3% ($119 thousand) from 8.5% ($449 thousand) for the second quarter of 2010-11. For the first six months, the operating margin was 0.8% of sales compared to 7.7% for the prior year. The second quarter was an improvement over the first quarter margin of -0.46%.

Financing Expenses

Interest on term debt, lines of credit and bank charges totalled $33 thousand for the second quarter, up from $17 thousand during the second quarter of 2010-11. For the first half, the financing expenses rose 81% to $64 thousand. The Corporation's new loan within the realty division was the cause of the increase.

Interest on margin loans for investments in equity securities decreased to $67 thousand for the second quarter of 2011-12 compared to $102 thousand in the same quarter of the prior year. For the six month period, margin interest declined 8.6% to $171 thousand from $187 thousand the previous year. During the second quarter the average margin loan was $6 million, ($7.5 million six months) down from $10.5 million in the second quarter of the prior year. The effective margin interest rate was 4.8% for the first half of 2011-12 compared to 4.1% in the first half of 2010-11.

Other Income

During the second quarter the Investment Division's contribution to other income included realized gains of $443 thousand and unrealized gains of $1.518 million. Dividends, distribution and interest income fell compared to the second quarter of 2010-11 to $172 thousand, as the size of the portfolio fell. By the end of December 2011, 67.6% of the portfolio was invested in dividend paying equities. Of the $172 thousand in investment income generated in the second quarter, $11 thousand came from investments outside the equity portfolio, including bank interest and interest accrued on debentures held by the Corporation.

The second quarter brought a modest amount of realized capital gains within the equity portfolio ($443 thousand), concentrated in the oil exploration, energy services and transportation sectors. Modest losses occurred in the services and energy trust sectors. For the first half, gains were generated in the transportation, consumer and energy services sectors, and losses appeared in the services, financial, and manufacturing sectors.

At the end of the second quarter, the corporation was holding equity securities with an unrealized gains balance of $732 thousand. The majority of unrealized gains have been generated in the transportation and retail sectors, with unrealized losses sitting in the oil exploration sector.

Net Income

Net Income from continuing operations before income taxes was $1.756 million for the second quarter compared to an income of $1.599 million from Q2 2010-2011. While the overall income was similar, the second quarter of 2011-12 saw a greater unrealized gain compared to 2010-11. For the six month period, the loss of $1.365 million compared to the prior year's profit of $2.344 million and was the result of lower margins, lower realized gains and lower unrealized gains.

Cash Flow from Operating Activities, EBITDA

Funds from operations for the latest three months decreased to negative $41 thousand from $281 thousand in the same period of 2010-11. Lower operating margin lower revenue and lower margins combined to reduce funds from operations.

EBITDA for the second quarter of 2011-12 increased to $2.038 million ($0.13 per basic share) from $1.9 million ($0.12 per basic share). The increase is due to greater unrealized gains from the Investment Division in the most recent quarter.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is a non-IFRS measure commonly used by financial analysts and investors to show the cash generation potential of the Corporation, unaffected by its method of capitalization. The material difference between EBITDA and cash flow from operating activities is the inclusion of realized and unrealized gains in EBITDA, and the exclusion of working capital changes.

	Three months		Six months	
	Dec 11	Dec 10	Dec 11	Dec 10
Net Income	1,525,566	1,401,177	(1,196,345)	2,013,620
Add Back				
Margin Interest	67,454	102,412	170,960	187,136
Loan Interest	32,932	16,503	64,395	35,604
Current Taxes	16,801	12,366	75,083	99,410
Deferred Taxes	213,232	185,033	(243,511)	230,864
Depreciation	181,597	182,029	363,194	364,058
EBITDA	2,037,582	1,899,520	(766,224)	2,930,692

Investing activities

The Food Division invested $47 thousand in new equipment, while $45 thousand was spent on leasehold improvements in the new Calgary office during the most recent quarter. The leasehold improvements have now been fully completed and the lower floor of the building has been leased out.

Deferred Tax Assets and Liabilities

The Corporation's balance sheet includes a total of $2.937 million of deferred tax assets and $1.659 million of deferred tax liabilities. The Corporation's ability to realize the value of the deferred tax assets is dependent upon the Corporation generating taxable income within the time frame for those tax losses that have an expiry or taxable capital gains for those tax losses that are of a capital nature. The Corporation currently believes those conditions can be met. In the event such an assessment no longer seems reasonable, an impairment to that asset will have occurred and a corresponding impairment charge will be required at that time. The appropriateness of the deferred tax liability (and also deferred tax assets) carried on the Corporation's balance sheet is in turn monitored and tested through the regular annual income tax filing process.

Related Party Transactions

The following related party transactions occurred 2011-12:

Management fees were charged by companies associated with the Chairman, CEO for management services which are included in corporate and administrative expenses aggregating $70,514 during the quarter ($141,026 for the first six months).

Fees were paid to current and former directors of the Corporation for professional, management and other services rendered during the quarter in the ordinary course of business. The aggregate $28,144 of such expenses was included in corporate and administrative expenses during the quarter ($43,944 for the first six months).

Rent for the quarter in the amount of $20,367 was paid to Somerset Properties Ltd, a company controlled by the Chairman, and 19.4% owned by the Corporation.

FINANCING ACTIVITIES & LOANS

During the first half of 2011-12 the Corporation paid down a net $9 thousand from its credit lines and loans, including payments made on its term loans.

During the second quarter the margin loan balance decreased $1.263 million to $5.320 million compared to the beginning of the quarter. For the first half, the decline was $6.419 million, as the Corporation adjusted its portfolio to reduce its risk.

The second quarter's average margin loan represented 39.6% of the portfolio value (44% for six months), a decrease from 53% from the start of the year. By the end of the second half the use of margin was reduced to 34.7%. Given the volatility over the previous six months, the Corporation worked to reduce borrowing levels and lower risk.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2011, the Corporation had total operating credit facilities of $2 million with various institutions of which $916 thousand was available at the end of the first quarter. The operating facilities may be drawn down or repaid at any time, and there are no scheduled repayment terms. The Corporation believes that available cash flow from operations, working capital surplus and its borrowing facilities will be sufficient to fund its required limited capital expenditures and debt repayment obligations. Any material capital expenditure will likely require new credit facilities as a supplement to existing cash reserves. The Corporation and its affiliates were in compliance with all banking ratios during the second quarter.

Dividends and income trust distributions from the equity portfolio of $372,490 exceeded margin interest expense of $170,960 for the first half and continue to be cash flow positive net of margin interest charges. An additional $30,636 was earned from interest on debentures and deposits with banks.

The Corporation understands that income trust distributions are not guaranteed, can be reduced or eliminated at any time, and can be made up of return of capital. In order to ensure positive cash flow from the equity portfolio, individual investments may be sold and / or replaced from time to time in order to rebalance the portfolio.

Most large investment holdings are in liquid stocks, and provide an available cash source to fund any new or existing investments. The reduction of margin usage and the increased investment in dividend paying stocks has the dividends exceeding margin interest by a factor of two for the latest quarter. The Corporation has occasionally realized portions of its equity securities portfolio as and when capital resources were required for operations.

SUMMARY OF QUARTERLY RESULTS

Quarterly results are unaudited

$ Thousands (except per share data)

	IFRS						Under Canadian GAAP		
	2012		**2011**				**2010**		
	Q2	Q-1	Q-4	Q-3	Q-2	Q-1	Q-4	Q-3	Q-2
Revenue	5,087	4,341	3,887	4,697	5,297	4,588	3,681	4,665	5,584
Op Margin	119	(46)	(56)	188	448	331	144	390	832
Income (Loss) after tax	1,526	(2,722)	(2,939)	2,187	1,401	617	582	1,593	1,760
EBITDA	2,038	(2,804)	(2,945)	2,767	1,900	1,052	(903)	2,160	2,707
EBITDA Per share- basic and diluted	0.12	(0.17)	(0.18)	0.17	0.12	0.06	(0.06)	0.13	0.17

REPURCHASE OF COMMON SHARES

In June 2011, the Corporation received approval from The TSX Venture Exchange to acquire an additional 810,779 shares, representing approximately 5% of the issued and outstanding class “A” shares, through a renewed Normal Course Issuer Bid. During the first half of 2011-12, the Corporation repurchased 16,000 shares from the market for an aggregate cost of $9,751 (or an average of $0.61 per share) in a continued effort to improve shareholder value. The bulk of these transactions took place during the second quarter, where 11,000 shares were purchased at a cost of $5,750.

Subsequent to the end of the quarter, the Corporation has purchased an additional 24,500 shares under its Normal Course Issuer bid. The number of shares outstanding as of February 23, 2011 is 16,175,097.

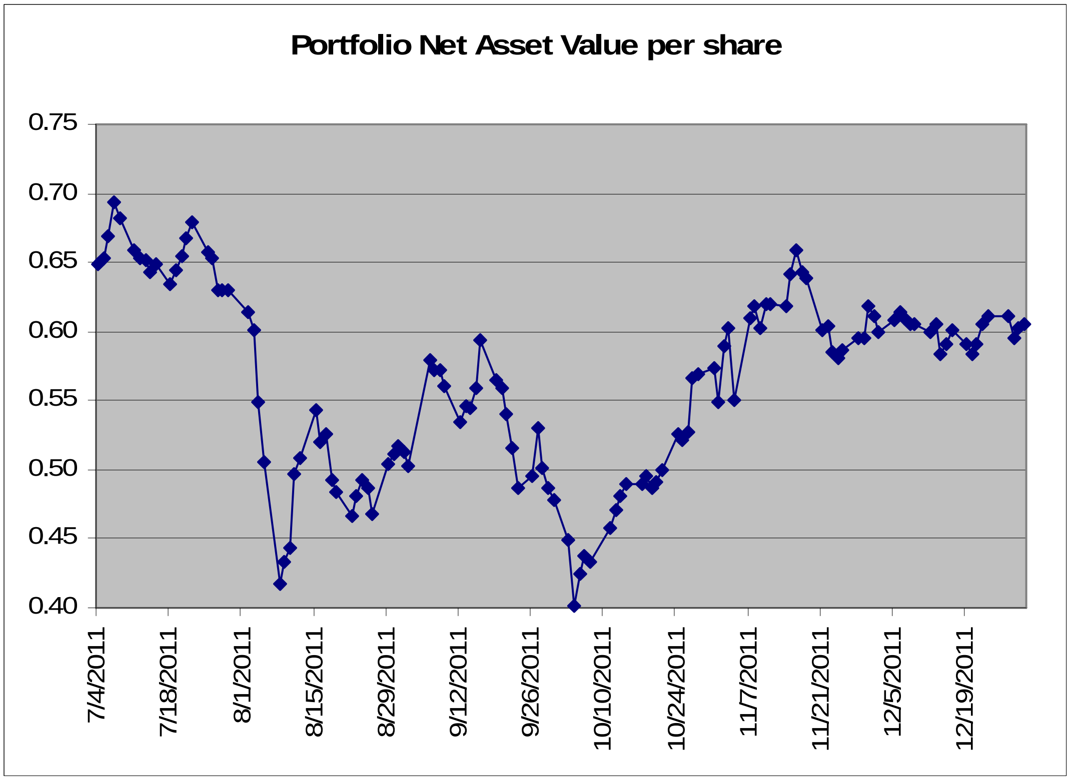
DIVISIONAL REPORTING

INVESTMENT DIVISION

During the first half of 2011-12 the portfolio of equity investments were caught in the downdraft of worldwide economic problems. The S&P TSX Composite index rose 2.8% in the second quarter, but was off by 10.1% in the first half of the fiscal year. While the portfolio grew 25.7% in the second quarter, this was not enough to overcome the challenges of the first quarter. For the six month period, the portfolio was off by 5.8%.

For the second quarter the portfolio of investments recorded an investment gain of $2.190 million (loss of $439 thousand for six months). The investment change was made up of the following:

	Three months		Six months	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Dividends and Distributions	$160,928	$255,970	$372,490	$547,538
Margin Interest Expense	67,454	102,412	170,960	187,136
Realized gains (losses)	443,364	759,638	935	1,027,242
Unrealized Gains (losses)	1,518,035	730,370	(983,753)	1,098,369
Total investment gain (loss)	2,189,781	1,848,390	(439,368)	2,860,285



Net Asset Value (NAV) is a non-IFRS term describing the total value of the equity portfolio less margin loans divided by the total number of shares outstanding as at a specific date. There is no comparable Canadian GAAP or IFRS measure. The Corporation presents NAV to assist shareholders in their evaluation of the Company's value. The NAV presented consists only of the Corporation's equity portfolio, and excludes all other assets and liabilities.

During the first half, there were realized gains in the transportation, consumer and energy services sectors, while the greatest realized losses occurred in the services and financial sectors.

During the second quarter, there were realized gains in the oil exploration and energy services sectors, while the greatest realized losses occurred in the energy trust and services sectors.

As at December 31, 2011, 42% of investments (by market value) were in the oil and gas exploration sector, followed by the transportation (17.5%), retail (17%) and energy services (9.9%) sectors.

At the end of the first quarter, the ten largest investments comprised approximately 85.7% of the total portfolio's cost base, and 88% of the total market value. The top investments are (ranked by total market value):

- Equal Energy Ltd
- Student Transport of America Ltd
- AutoCanada Inc
- Poseidon Concepts Corporation
- Avenex Energy Corp
- Bri-Chem Corp

- Canexus Corporation
- Eagle Energy Trust
- Pure Energy Services Ltd
- Pretium Resources

The remainder of the portfolio is spread out over 41 other stocks. Overall the portfolio is weighted 67.6% by market value into dividend paying stocks. The Corporation continues to monitor the market as a whole, along with a wide variety of stocks, and will change its market weight from time to time.

As of February 23, 2012 the total market value of the portfolio of investments has increased to $20.426 million, and the margin loans have decreased to $8.333 million, resulting in a 20.8% increase in the equity portion of the portfolio to $12.093 million. The Corporation has been and will continue to preserve its capital. Margin levels have increased to 40.8% of the total portfolio value. The top ten now consists of:

- Poseidon Concepts Corp
- AutoCanada Inc.
- Student Transport of America Ltd
- Equal Energy Ltd
- Canexus Corporation
- Avenex Energy Corp
- Bri-Chem Corp
- Pretium Resources Inc
- Data Group Income Fund
- Eagle Energy Trust

The portfolio net asset value stands at $0.74 per share as of February 23, 2012.

FOOD DIVISION

Sales for six months fell 4.6% compared to the six months of the previous year due to a very warm winter and competitive activity. Sales for the second quarter were down 4% compared to the second quarter of 2010-11.

The Food Division added $46 thousand in new equipment and $1 thousand in computer software during the quarter.

Sales for the Food Division's newest line of products started in October, and have been introduced into certain markets on a promotional basis. Early sales information has been small, but the feedback so far has been positive, both from our customers and the end consumer.

OUTLOOK

Since the end of the second quarter the Canadian and US stock markets have shown some upward movement, rising 5.6% between December 31st, 2011 and February 23, 2012. The equity portfolio has moved upwards to $20.426 million, while margin loans have increased to $8.333 million. The resulting net equity position stands at $12.093 million. The Corporation has continued to lower margin leverage in order to reduce the impact of day to day swings that are becoming a more common occurrence. Because of worldwide economic uncertainty stemming from the very poor handling of Sovereign debt in Europe, the dysfunctional political state of the US government, a worldwide slowing of economic activity as well as high input costs, the Corporation expects this fiscal year to be very challenging.

Forward-Looking Statements

This quarterly report, and principally in the Outlook section, contains forward-looking statements including statements regarding the business and anticipated financial performance of the Corporation. Words such as “anticipate”, “expect”, “believe”, “could”, “estimate”, “goal”, “intend”, “plan”, “seek”, “strive”, “will”, “may” and “should” and similar expressions, as they relate to the Corporation and its management, are intended to identify forward-looking statements. These forward-looking statements are not historical facts but reflect the Corporation’s current expectations concerning future results and events.

These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results and performance of the Corporation to be materially different from the future results and performance expressed or implied by such forward-looking statements. A number of factors could affect the actual results, including but not limited to, input costs, competition, general stock market sentiment and access to capital markets. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Corporation’s expectations only as of the date of this report and not as a representation by the Corporation that the objectives and plans of the Corporation will be achieved. The Corporation undertakes no obligation to update publicly or otherwise revise any forward looking statements, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

Risk Management

The Corporation's activities expose it to a variety of risks, including both financial and operating risks. These include, but are not limited to, the following:

Focus on Key Products, Customers

The Food Division offers a limited number of products. Its reliance on key product lines and key customers creates a risk both on the individual product as well as the dependence on the whole line in terms of sales revenue.

Operational downtime

The Food Division maintains a regular maintenance program and adequate insurance on its facilities and equipment with the objective of limiting production downtime. An extended period of unfilled orders could adversely affect future sales, however this has not been an issue to date given the Food Division's strong order fill rate over decades of operations.

Exchange Rates

While the percentage of sales to the United States is small, any change in exchange rates can affect the Corporation both in terms of revenue and cost of goods sold, as some of the ingredients are either sourced from the United States and / or priced in US dollars. Overall, a decrease in the Canadian Dollar versus the US Dollar is beneficial to the Corporation.

Interest Rates

As both an investor and a borrower of funds, changes in interest rates can affect the Corporation's returns as well as costs. The Corporation regularly monitors costs and returns and seeks to make adjustments quickly to mitigate risks.

Credit Risk

As both a long term and short term borrower, the Corporation is dependent on others to lend money to finance raw and finished goods inventories, and provide guarantees to customers and suppliers.

Margin Risk

The Corporation's Investment Division uses margin loans to enhance returns on investment. However, a fall in the value of investments results in a greater loss as the equity base is smaller.

Investment Risk

The Corporation's Investment Division invests in primarily securities publicly listed on Canadian stock markets in order to enhance returns, but has suffered losses when individual investments decline in value because of worldwide economic and political problems.

Contingencies

A subsidiary of the Corporation is involved in other litigation or claims in the ordinary course of business (currently mostly as plaintiffs). The amounts at stake in these disputes are not material individually nor in the aggregate. Therefore, no amount associated with these claims has been accrued as assets or liabilities, or recorded as income or charged as expenses on these consolidated financial statements. In the event that the subsidiary is successful in a claim or is found to be liable for a claim, the resulting settlement will be appropriately recorded to the income statement in the period as incurred.

Additional Information

For additional information on the Corporation, readers should also refer to the Corporation's annual report and other additional information filed on www.sedar.com.

Winston Ho Fatt
Chairman and Chief Executive Officer
February 24, 2012