FOR THE NINE MONTHS ENDED

3

March 31, 2012

Beaumont Select Corporations Inc.

Beaumont Select Corporations Inc.

# REPORT TO SHAREHOLDERS

The third quarter saw the Corporation advance against a flat stock market with a solid improvement in the equity of the portfolio.

The Investment Division saw an 18.1% improvement in its equity in the third quarter; resulting in a nine month equity increase of 11.3%. The division generated $2.031 million in income for the third quarter, comprised mainly of unrealized gains of $2.365 million and realized losses of $427 thousand. Dividends and other investment income provided $180 thousand, well beyond the margin interest costs of $77 thousand.

Revenue in the Food Division decreased 8.1% in the third 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 third quarter ended March 31, 2012 were not audited or reviewed by the Corporation's auditors. This quarterly management's discussion and analysis is made as of May 22, 2012.

**FINANCIAL HIGHLIGHTS**

The Corporation's financial results for the three months ended March 31, 2012 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 continued an upward trend. For the quarter the portfolio rose 18.1%, moving it into positive territory. For the nine month period, the equity in the portfolio rose 11.3%.

| | **Mar 31, 2012** | Dec 30, 2011 | Jun 30, 2011 | 3 month Change | 9 month Change |
|---|---|---|---|---|---|
| Portfolio value | **$20,513,841** | $15,331,451 | $ 22,363,427 | 33.8% | -8.3% |
| Margin Loan | **8,688,476** | 5,320,345 | 11,739,382 | 63.3% | -26.0% |
| Equity in Portfolio | **11,825,365** | 10,011,106 | 10,624,045 | 18.1% | 11.3% |

- Sales decreased by 8.1% in the third quarter compared to the third quarter of 2010-11. For the nine month period, sales declined 5.8%, due to a very warm winter and competitive activity.
- Net income attributable for the shareholders for the third quarter was $1.171 million, or seven cents per share, compared to $2.203 million in the third quarter of 2010-11. For the nine month period, the net loss was $9 thousand or zero cents per share compared to a profit of $4.172 million or 26 cents per share.

Financial Highlights

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | **March 2012** | March 2011 | **March 2012** | March 2011 |
| Net Sales | **$4,314,757** | $4,696,790 | **$13,742,818** | $14,582,273 |
| Net Income attributable to shareholders (Loss) | **1,170,903** | 2,202,726 | **(9,484)** | 4,171,805 |
| Net Income (Loss) per share -basic | **0.07** | 0.14 | **0.00** | 0.26 |
| Net Income (Loss) per share -diluted | **0.07** | 0.13 | **0.00** | 0.25 |
| Funds from (required by) Operations | **(182,432)** | (144,036) | **(276,275)** | 338,708 |
| EBITDA | **1,889,578** | 2,830,587 | **1,123,354** | 5,761,661 |
| EBITDA per share – basic | **0.12** | 0.17 | **0.07** | 0.35 |
| EBITDA per share – diluted | **0.12** | 0.17 | **0.07** | 0.35 |

| | As at | As at |
|---|---|---|
| | **March 2012** | June 2011 |
| Total Assets | **$38,204,901** | $40,503,293 |
| Total Long-Term Debt | **9,402** | 15,707 |
| Shareholder's Equity | **21,669,839** | 21,695,730 |
| Shares outstanding | **16,175,097** | 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 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 nine months and the latest three months (referred to as the third quarter or Q3) 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 nine months ended March 31, 2012. 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 third quarter of fiscal 2011-12 decreased 8.1% (or $382 thousand) from the third quarter of 2010-11 to $4.315 million. For the first nine months sales declined by $839 thousand or 5.8% to $13.743 million.

### Operating Margin

The Operating margin is a non-IFRS term that represents the net sales less the cost of production and other costs associated with the food division. The operating margin for the third quarter fiscal 2011-12 decreased to negative 0.9% from 4% for the third quarter of 2010-11. For the first nine months, the operating margin was 0.25% of sales compared to 6.5% for the prior year.

### Financing Expenses

Interest on term debt, lines of credit and bank charges totalled $38 thousand for the third quarter, up from $32 thousand during the third quarter of 2010-11. For the first nine months, the financing expenses rose from $67 thousand to $102 thousand.

Interest on margin loans for investments in equity securities decreased to $77 thousand for the third quarter of 2011-12 compared to $138 thousand in the same quarter of the prior year. For the nine month period, margin interest declined to $248 thousand from $325 thousand the previous year. During the third quarter the average margin loan was $8.048 million, ($7.683 million nine months) down from $14,573 million in the third quarter of the prior year ($11.221 million for nine months). The effective margin interest rate was 4.5% for the first nine months of 2011-12 compared to 4.1% in the first nine months of 2010-11.

### Other Income

During the third quarter the Investment Division's contribution to other income included unrealized gains of $2.365 million and realized losses of $427 thousand. Dividends, distribution and interest income produced $180 thousand. By the end of March 2012, 79.5% of the portfolio was invested in dividend paying equities.

The third quarter brought a modest amount of realized capital losses within the equity portfolio ($427 thousand), concentrated in the oil exploration and gold sectors. Realized gains were concentrated in the forestry and transportation sectors.

For the first nine months, losses of $426 thousand were generated in the transportation, consumer and energy services sectors, and losses appeared in the services, oil exploration sectors.

At the end of the third quarter, the corporation was holding equity securities with an unrealized gains balance of $3.097 million. The majority of unrealized gains have been generated in the retail and transportation sectors, with unrealized losses sitting in the oil exploration and mining sectors.

**Net Income**

Net Income before income taxes was $1.593 million for the third quarter compared to an income of $2.479 million from Q3 2010-2011. The key differences were the lower operating margin and the lower realized gains for the current quarter. For the nine month period, the income of $228 thousand compared to the prior year's income of $4.824 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 $182 thousand from negative $144 thousand in the same period of 2010-11. Lower operating margin and lower sales combined to reduce funds from operations.

Funds from operations is a non IFRS term used to show the cash generated by the food division, prior to the affect of working capital adjustments.

EBITDA for the third quarter of 2011-12 decreased to $1.890 million ($0.12 per basic share) from $2.831 million ($0.17 per basic share). The decrease is due to lower realized 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 | | Nine months | |
|---|---|---|---|---|
| | March 2012 | March 2011 | March 2012 | March 2011 |
| Net Income | 1,192,839 | 2,225,421 | (3,506) | 4,239,422 |
| Add Back | | | | |
| Margin Interest | 77,271 | 137,731 | 248,231 | 324,867 |
| Loan Interest | 37,806 | 31,581 | 102,201 | 67,185 |
| Current Taxes | 18,853 | (30,511) | 93,936 | 68,899 |
| Deferred Taxes | 381,168 | 284,336 | 137,657 | 515,200 |
| Depreciation | 181,641 | 182,029 | 544,835 | 546,088 |
| EBITDA | 1,889,578 | 2,830,587 | 1,123,354 | 5,761,661 |

**Investing activities**
The Food Division invested $80 thousand in new equipment, while $1 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 $2.04 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 ($211,543 for the first nine 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 $36,716 of such expenses was included in corporate and administrative expenses during the quarter ($80,660 for the first nine months).

Rent for the quarter in the amount of $20,550 ($60,918 for nine months) 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 nine months of 2011-12 the Corporation borrowed an additional $167 thousand from its credit lines and loans, including payments made on its term loans.

During the third quarter the margin loan balance increased $3.368 million to $8.688 million compared to the beginning of the quarter. For the first nine months, the decline was $3.051 million, as the Corporation adjusted its portfolio to reduce its risk.

The third quarter's average margin loan represented 41.1% of the portfolio value (43% for nine months). By the end of the nine months the use of margin was reduced to 43%, a decrease from 53% at the start of the year. Given the volatility over the previous nine months, the Corporation worked to reduce borrowing levels and lower risk.

## LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2012, the Corporation had total operating credit facilities of $2 million with various institutions of which $697 thousand was available at the end of the third 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 third quarter.

Dividends and income trust distributions from the equity portfolio of $542,406 exceeded margin interest expense of $248,231 for the first nine months and continue to be cash flow positive net of margin interest charges. An additional $40,762 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 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 CGAAP | |
|---|---|---|---|---|---|---|---|---|---|
| | | | **2012** | | | **2011** | | **2010** | |
| | Q3 | Q2 | Q-1 | Q-4 | Q-3 | Q-2 | Q-1 | Q-4 | Q-3 |
| Revenue | 4,315 | 5,087 | 4,341 | 3,887 | 4,697 | 5,297 | 4,588 | 3,681 | 4,665 |
| Op Margin | (39) | 119 | (46) | (34) | 186 | 440 | 318 | 144 | 390 |
| Income (Loss) after tax | 1,193 | 1,526 | (2,722) | (3,172) | 2,225 | 1,402 | 612 | 582 | 1,593 |
| EBITDA | 1,890 | 2,038 | (2,804) | (3,196) | 2,831 | 1,900 | 1,031 | (903) | 2,160 |
| EBITDA Per share- basic and diluted | 0.12 | 0.12 | (0.17) | (0.20) | 0.17 | 0.12 | 0.06 | (0.06) | 0.13 |

**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 nine months of 2011-12, the Corporation repurchased 40,500 shares from the market for an aggregate cost of $22,250 (or an average of $0.55 per share) in a continued effort to improve shareholder value. The bulk of these transactions took place during the third quarter, where 24,500 shares were purchased at a cost of $12,500.

Subsequent to the end of the quarter, the Corporation has purchased an additional 1,500 shares under its Normal Course Issuer bid. The number of shares outstanding as of May 22, 2012 is 16,173,597.

## DIVISIONAL REPORTING

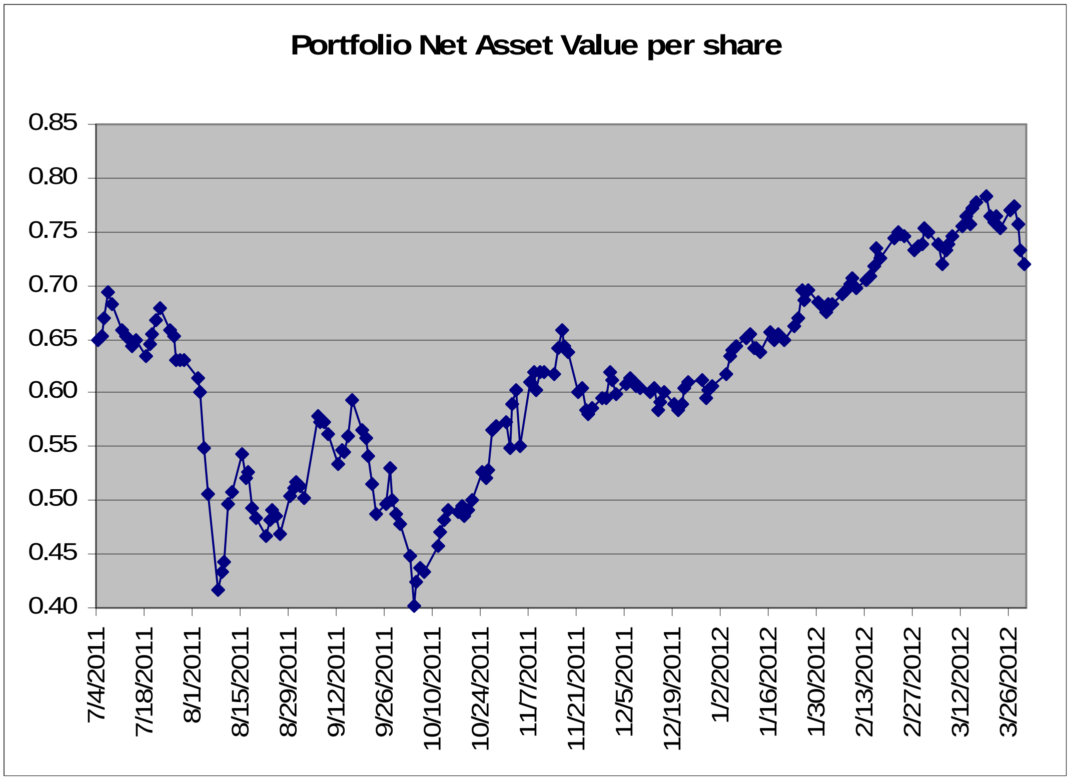
**INVESTMENT DIVISION**

During the first nine months of 2011-12 the portfolio of equity investments fought against the negative sentiment of the European debt crisis. The S&P TSX Composite index rose 3.7% in the third quarter, but was off by 6.8% in the first nine months of the fiscal year. The portfolio grew 18.1% in the third quarter, moving into positive territory for the year to11.3%.

For the third quarter the portfolio of investments recorded an investment gain of $2.031 million ($1.249 million for nine months). The investment change was made up of the following:

| | Three months | | Nine months | |
|---|---|---|---|---|
| | March 2012 | March 2011 | March 2012 | March 2011 |
| Dividends and Distributions | 243,788 | 147,199 | 615,897 | 694,737 |
| Return of Capital | (73,861) | (151,326) | (73,861) | (151,326) |
| Margin Interest Expense | (77,271) | (137,731) | (248,231) | (324,867) |
| Realized gains (losses) | (427,001) | 264,222 | (426,066) | 1,291,464 |
| Unrealized Gains (losses) | 2,365,080 | 2,599,880 | 1,381,328 | 3,698,249 |
| Total investment gain (loss) | 2,030,735 | 2,722,244 | 1,249,067 | 5,208,257 |

As is our practice, return of capital is treated as a reduction in dividend and distribution income.




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 nine months, 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 third quarter, there were realized gains in the forestry and transportation sectors, while the greatest realized losses occurred in the oil exploration and gold sectors.

As at March 31, 2012, 27.7% of investments (by market value) were in the oil and gas exploration sector, followed by the retail (25%), transportation (14%) and energy services (9%) sectors.

At the end of the third quarter, the ten largest investments comprised approximately 84.7% of the total portfolio's cost base, and 88% of the total market value. The top investments are (ranked by total market value):

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

The remainder of the portfolio is spread out over 41 other stocks. Overall the portfolio is weighted 79.5% 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 May 22, 2012 the total market value of the portfolio of investments has decreased to $19.922 million, and the margin loans have decreased to $7.424 million, resulting in a 5.7% increase in the equity portion of the portfolio to $12.497 million. The Corporation has been and will continue to preserve its capital. Margin levels have decreased to 37.3% of the total portfolio value. The top ten now consists of:

- AutoCanada Inc.
- Student Transport of America Ltd
- Bri-Chem Corp
- Poseidon Concepts Corp
- Horizons Beta Pro Natural Gas Bull
- Data Group Inc
- Altus Group
- Eagle Energy Trust
- Equal Energy Ltd
- Avenex Energy Corp

The portfolio net asset value stands at $0.77 per share as of May 22, 2012.

**FOOD DIVISION**
Sales for nine months fell 5.8% compared to the nine months of the previous year due to increasingly aggressive competitive activity and a very warm winter. Sales for the third quarter were down 8.1% compared to the third quarter of 2010-11 for the same reason.

The Food Division added $80 thousand in new equipment 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.

Cash flow generated by the Food Division declined in the first nine months to approximately one-third of that received in the same period in the prior year due to the above factors.

## OUTLOOK

Since the end of the third quarter the Canadian and US stock markets have weakened in response to continuing problems in Europe, falling 7.6% between March 31st, 2012 and May 22, 2012. The equity portfolio has moved downwards to $19.922 million, while margin loans have decreased to $7.424 million. The resulting net equity position stands at $12.497 million. The Corporation has continued to maintain its margin leverage, but looks to reduce in the near future.

## 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.

Currently the investments are under the influence of:

> Eurozone debt issues – the European debt situation has caused wild gyrations in the stock market, as investors weigh the risk of a Greek default and potential collateral damage at banks holding Greek debt. The debt situation within other European nations such as Spain and Italy continue to hold investor concern.
>
> Economic slowdown – The Chinese economy has been the dominant driver for growth for the past few years. Recently, there have been doubts that it can continue to grow at its current pace, and if it slows, so could worldwide growth.

Iranian Oil – There continues to be tension in the Middle East concerning Iran and their nuclear ambitions. A full embargo on Iranian Oil exports could drastically affect oil prices, affecting economies in Europe and Asia.

### 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
May 23, 2012