crowflight minerals inc.

ANNUAL REPORT
FOR THE PERIOD ENDED
DECEMBER 31, 2005

crowflight minerals inc.

Dear Shareholders,

2005 was a transitional year for Crowflight Minerals. During the year the Company made significant advancements towards its objective of advancing from an exploration company towards becoming a base metal producer. Of particular note was the building of the project management team during the early part of the year, reaching an agreement in principal on amended terms of Crowflight's earn-in agreement with Falconbridge Limited on the Thompson Nickel Belt (TNB) projects, the successful addition of 300,000 tonnes of additional Indicated Resources to the Bucko Deposit through a highly targeted surface in-fill program, and the advancement of the Bucko Lake Nickel Deposit to the feasibility study stage.

With regards to the additions to the management team, these included the return to Crowflight of Peter Karelse, P. Geo. to the position of Project Manager with responsibility for geological aspects of the Bucko project, Paul Keller, P. Eng. to the position of Vice President Operations and Chief Operating Officer with responsibility in the area of mining engineering and management of the Bucko project development; and Greg Collins, P. Geo. to the position of Exploration Manager with responsibility for Crowflight's TNB joint venture with Falconbridge and the Company's Sudbury Basin projects.

Crowflight was pleased to reach an agreement in principal, which was subsequently signed as a definitive agreement in the first quarter of 2006, on amendments to the terms of Crowflight's earn-in commitments with Falconbridge on both the TNB North and TNB South project areas, including its obligations to earn an interest in the Bucko Deposit. These amendments permitted Crowflight shareholders the opportunity to earn up to a 100 percent interest in an area 18 times larger than the original Bucko Resource Block and reduced annual regional exploration commitments to annual levels of $1.5 million in the TNB South area and $1.0 million in the TNB North area, in the case of the TNB South commitments, amounts as much as 70 percent below what had previously been committed. These reduced expenditure commitments provided Crowflight the opportunity to focus its capital resources on the development of the Bucko Project.

As the Company advanced the feasibility study on the Bucko Deposit it became apparent from early geological resource modelling exercises that there appeared to be excellent potential to add to the historical Indicated Resources at the Bucko Deposit. In the summer of 2005 an eleven hole surface program was commenced and in the early fall 2005, nine of the eleven planned holes were completed which resulted in an increase of 300,000 tonnes of Indicated Resources grading 2.1% nickel for approximately 14 million additional pounds of contained nickel. The exploration program cost a total of approximately $600,000 for amounted to a cost of only $0.04 per pound of additional contained nickel proved-up to the Indicated category and added to the feasibility study resources.

Coincident with the announcement of amendments to the joint venture agreement, the Company announced the results of a feasibility study on the Bucko Lake Nickel Deposit. The study considered the exploitation of the Bucko Lake Nickel Deposit Indicated Resources as an underground mine accessed via the rehabilitated three-compartment shaft employed by Falconbridge in the 1070's to perform underground exploration activities and a surface concentrator plant operating at a rate of 1,000 tonnes per day to produce on average 12.5 million pounds of contained nickel in concentrate. The feasibility study returned a compelling rate of return and discounted cash flow valuation at a life-of-mine price of US$5.00 per pound nickel. At a US$5.00 perpound life-of-mine nickel price, the project would require just over two years to repay all project capital. At a life-of-mine price of US$6.00 per pound nickel, the project has very robust economics with an approximate one-and-one-half year pay-back period on all project capital.

Looking Forward to 2006

Following on the successes of 2005, **Crowflight is focused on completing a Bankable Feasibility Study (BFS) on the Bucko Deposit** towards the middle of 2006. The objective of the BFS is to have a fully permitted project at the Bucko Deposit along the lines of the production rate and process considered in the 2005 feasibility study and to have enhanced project economics. The application for full project permitting was submitted to the authorities in late April and Crowflight believes there is a very high likelihood that the project will have received full project permitting in the third quarter 2006. Coincident with this submission approval period, the Company is focusing its efforts on enhancing the economics of the previous feasibility study completed in 2005. Activities in this regard include a combination of continued resource in-fill drilling, the pursuit of revenue enhancing activities and activities to reduce capital and operating costs, advancing the procurement of capital equipment and the rehabilitation and access to the underground infrastructure. These enhanced BFS activities are expected to be completed in the third quarter 2006 coincident with the receipt of full project permitting. Project development activities initiated in the second quarter are expected to continue through to planned Bucko Deposit production in late 2007.

In addition to the Company's activities at the Bucko Deposit, Crowflight is pleased to be able to report that in early 2006, only the second exploration season in the joint venture regional program operated by Falconbridge in the TNB regional exploration program, the two parties are able to boast **two new discoveries**. What is particularly attractive about these discoveries is: (i) the currently understood shallow nature of the zones of discovery (from 100 to 200 metres vertical depth): (ii) the large geophysical signatures over these areas which are interpreted to host rocks of a similar signature as those intersected in the discovery holes; and (iii) the close proximity of these discoveries (within 3 kilometres) to the Bucko Deposit.

Closing Remarks

I want to thank our shareholders for their continued support of Crowflight, its management and its board of directors. Furthermore, I want to commend Crowflight's management team, its small group of dedicated employees and the dedicated employees of our joint venture partner Falconbridge Limited who are active in the joint exploration activities for their efforts during the past year. These individual's continued strong focus on value-added activities to advance the Company to its production and exploration goals are evident in the execution and performance in these areas. Congratulations on a successful 2005. Your focus should result in continued strong performance in 2006!

"*Thomas Atkins*"

Thomas Atkins
President and CEO

CROWFLIGHT MINERALS INC.

65 Queen Street West, Suite 815
Toronto, Ontario M5H 2M5

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting of the shareholders of Crowflight Minerals Inc. (the "Corporation") will be held at the Corporation's offices at 65 Queen Street West, Suite 815, in Toronto, Ontario on Thursday, the 15th of June, 2006, at 4:00 p.m. (Toronto time) for the following purposes:

1. to receive and consider the audited financial statements of the Corporation for the fiscal year ended December 31, 2005, together with the report of the auditors thereon;

2. to elect directors;

3. to appoint auditors and to authorize the directors to fix their remuneration;

4. to re-approve the Corporation's Stock Option Plan;

5. to amend the articles of the Corporation by changing the name of the Corporation; and

6. to transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

This notice is accompanied by a form of proxy, a management information circular and the audited consolidated financial statements of the Corporation for the fiscal year ended December 31, 2005. Shareholders who are unable to attend the meeting in person are requested to complete, date, sign and return the enclosed form of proxy so that as large a representation as possible may be had at the meeting.

DATED at Toronto, Ontario as of the 27th day of April, 2006.

BY ORDER OF THE BOARD

(Signed) *"Stan Bharti"*

Stan Bharti, Chairman of the Board

CROWFLIGHT MINERALS INC.

MANAGEMENT INFORMATION CIRCULAR
AS AT AND DATED APRIL 27, 2006

Solicitation of Proxies

THIS INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF CROWFLIGHT MINERALS INC. (THE "CORPORATION") OF PROXIES TO BE USED AT THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS OF THE CORPORATION (THE "MEETING") TO BE HELD ON JUNE 15, 2006 AND AT ANY ADJOURNMENT THEREOF. References in this management information circular to the "Meeting" include references to any adjournment thereof. It is expected that the solicitation will be primarily by mail but proxies may also be solicited personally by regular employees of the Corporation at nominal cost. The cost of solicitation by management will be borne directly by the Corporation.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are directors of the Corporation. **A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING MAY DO SO** either by inserting such person's name in the blank space provided in that form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the office of the transfer agent indicated on the enclosed envelope not later than 48 hours (excluding Saturdays and holidays) before the time of holding the Meeting, or delivering it to the chairman on the day of the Meeting or adjournment thereof.

A proxy given pursuant to this solicitation may be revoked by instrument in writing, including another proxy bearing a later date, executed by the shareholder or by his attorney authorized in writing, and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of such Meeting on the day of the Meeting, or adjournment thereof, or in any other manner permitted by law.

Voting of Proxies

Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed form of proxy **WILL BE VOTED FOR EACH OF THE MATTERS TO BE VOTED ON BY SHAREHOLDERS AS DESCRIBED IN THIS MANAGEMENT INFORMATION CIRCULAR OR WITHHELD FROM VOTING OR VOTED AGAINST IF SO INDICATED ON THE FORM OF PROXY**. **WHERE NO CHOICE IS SPECIFIED, THE PROXY WILL CONFER DISCRETIONARY AUTHORITY TO BE VOTED IN FAVOUR OF EACH MATTER FOR WHICH NO CHOICE HAS BEEN SPECIFIED**. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, or other matters which may properly come before the Meeting. At the time of printing this management information circular management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting.

Non-Registered Holders

Only registered shareholders of the common shares of the Corporation (the "Common Shares") or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, shares beneficially owned by a holder who is not a registered holder (a "Non-Registered Holder") are registered either: (i) in the name of an intermediary with whom the Non-Registered Holder deals in respect of the Common Shares such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans (an "Intermediary"); or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited of which the Intermediary is a participant). In accordance with the requirements of National Instrument 54-101, the Corporation will distribute copies of the Notice of Meeting, form of proxy and this management information circular to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are then required to forward the materials to the appropriate Non-Registered Holders. Non-Registered Holders will be given, in substitution for the proxy otherwise contained in proxy-related materials, a request for voting instructions (the "Voting Instructions Form") which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary, will constitute voting instructions which the Intermediary must follow.

The purpose of this procedure is to permit Non-Registered Holders to direct the voting of the shares they beneficially own. Should a Non-Registered Holder who receives the voting instructions form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should so indicate in the place provided for that purpose in the Voting Instructions Form and a form of legal proxy will be sent to the Non-Registered Holder. In any event, Non-Registered Holders should carefully follow the instructions of their Intermediary set out in the Voting Instructions Form.

Voting Securities and Principal Holders Thereof

The authorized capital of the Corporation consists of an unlimited number of Common Shares. As of April 27, 2006, the Corporation had issued and outstanding 121,509,030 Common Shares.

The Corporation shall make a list of all persons who are registered holders of Common Shares on April 27, 2006 (the "Record Date") and the number of Common Shares registered in the name of each person on that date. Each shareholder is entitled to one vote for each Common Share registered in his name as it appears on the list except to the extent that such shareholder has transferred any of his shares after the Record Date and the transferee of those shares produces properly endorsed share certificates or otherwise establishes that he owns the shares and demands, not later than ten days before the Meeting, that his name be included in the list. In such case the transferee is entitled to vote his Common Shares at the Meeting.

To the knowledge of the directors and officers of the Corporation, as of April 27, 2006, no person beneficially owns, directly or indirectly, or exercises control or direction over securities carrying more than 10% of the voting rights attached to the Common Shares.

Election of Directors

It is proposed to fix the number of directors for the following year at five. Each director will hold office until the next annual meeting or until his successor is duly elected unless his office is earlier vacated in accordance with the by-laws of the Corporation.

At the Meeting, shareholders will be asked to elect five directors (the "Nominees"). The following table provides the names of the Nominees and information concerning such Nominees. The persons in the enclosed form of proxy intend to vote for the election of the Nominees. Management does not contemplate that any of the Nominees will be unable to serve as a director. Each Nominee elected will hold office until his successor is elected at the next annual meeting of the Corporation, or any adjournment thereof, or until his successor is elected or appointed.

Name and Municipality of Residence	Principal Occupation	Director Since	Number of Shares Beneficially Owned or Over which Control is Exercised(1)
Thomas Atkins Toronto, Ontario	President of the Corporation	March 14, 2005	35,000
Stan Bharti Toronto, Ontario	Professional Engineer	June 26, 2003	3,699,333
Maurice Colson(2) Toronto, Ontario	Investment Banker	October 12, 2004	Nil
Major General (ret'd) Lewis MacKenzie(2) Bracebridge, Ontario	Independent Businessman	February 25, 2005	Nil
Gerald McCarvill(2) Toronto, Ontario	Independent Businessman	June 26, 2003	3,569,333

Notes: (1) The information as to Common Shares owned or over which the Nominees exercise control or direction not being within the knowledge of the Corporation has been furnished by the respective Nominee.
(2) Member of the Audit Committee.

IF ANY OF THE FOREGOING NOMINEES IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR, PROXIES IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR ANOTHER NOMINEE IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN THE ELECTION OF DIRECTORS.

Each of the Nominees has been principally engaged in the occupation set opposite his or her name for the past five years.

(a) Compensation of Executive Officers

The following table summarizes the compensation paid during the last three financial years ended December 31, 2005, 2004 and 2003 in respect of the individuals who were, at each year-end, carrying out the role of the Chief Executive Officer of the

Corporation and/or those executive officers whose total salary and bonuses exceeded $150,000 during the financial year ended December 31, 2005 (the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

	Annual Compensation				Long Term Compensation			
					Awards		Payouts	
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Other Annual Compensation ($)**	**Securities Under Options SAR Granted (#)**	**Restricted Shares or Restricted Share Units ($)**	**LTIP Payouts ($)**	**All Other Compensation ($)**
Thomas Atkins, President, C.E.O. and Director(1)	2005	Nil	Nil	225,831	1,000,000	Nil	Nil	Nil
	2004	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2003	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Deborah Battiston, C.F.O.	2005	Nil	Nil	55,500	Nil	Nil	Nil	Nil
	2004	Nil	Nil	65,500	100,000	Nil	Nil	Nil
	2003	Nil	Nil	10,000	100,000	Nil	Nil	Nil
Stan Bharti, Past President(1)	2005	Nil	Nil	285,000	Nil	Nil	Nil	Nil
	2004	Nil	Nil	179,000	500,000	Nil	Nil	Nil
	2003	Nil	Nil	103,500	1,000,000	Nil	Nil	Nil
Jean Lafleur, Past President(1)	2005	Nil	Nil	50,000	Nil	Nil	Nil	Nil
	2004	Nil	Nil	170,000	75,000	Nil	Nil	Nil
	2003	Nil	Nil	25,000	125,000	Nil	Nil	Nil
Keith Minty, Past President(1)	2005	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2004	Nil	Nil	40,000	Nil	Nil	Nil	Nil
	2003	Nil	Nil	55,000	200,000	Nil	Nil	Nil
James M. Brady Past President(1)	2005	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2004	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2003	Nil	Nil	34,000	Nil	Nil	Nil	Nil

Notes: (1) Mr. Atkins replaced Mr. Bharti as President of the Corporation on March 15, 2005. Mr. Bharti, replaced Mr. Lafleur on October 1, 2004. Mr. Lafleur replaced Mr. Minty on March 1, 2004. Mr. Minty replaced Mr. Brady as President of the Corporation on June 5, 2003.

(b) Long Term Incentive Plan (LTIP Awards)

The Corporation does not have a LTIP, pursuant to which cash or non-cash compensation intended to serve as an incentive for performance (whereby performance is measured by reference to financial performance or the price of the Corporation's securities), was paid or distributed to the Named Executive Officers during the most recently completed fiscal year.

(c) Options and Stock Appreciation Rights (SARs)

OPTION/SAR GRANTS DURING THE MOST RECENTLY COMPLETED FISCAL PERIOD

Stock options granted to the Named Executive Officers during the fiscal year ended December 31, 2005 are provided in the table below:

Name	**Securities Under Options/SARs Granted (#)**	**% of Total Options/SARs Granted to Employees in Fiscal year(1)**	**Exercise or Base Price (Cdn.$/Security)**	**Market Value of Securities Underlying Options/SARs on the Date of Grant (Cdn.$/Security)**	**Expiration Date**
Thomas Atkins, President, C.E.O. and Director	1,000,000	55.6%	$0.33	$0.33	March 1/10
Deborah Battiston, C.F.O.	Nil	N/A	N/A	N/A	N/A
Stan Bharti, Past President	Nil	N/A	N/A	N/A	N/A
Jean Lafleur, Past President	Nil	N/A	N/A	N/A	N/A
Keith Minty, Past President	Nil	N/A	N/A	N/A	N/A
James M. Brady Past President	Nil	N/A	N/A	N/A	N/A

(1) Based on the total number of options granted to directors/officers/consultants of the Corporation pursuant to the stock option plan during the fiscal period ended December 31, 2005.

During the fiscal period ended December 31, 2005, there has been no repricing of stock options held by any Named Executive Officer.

OPTION/SAR EXERCISED DURING THE MOST RECENTLY COMPLETED FISCAL PERIOD

The following table provides detailed information regarding options exercised by the Named Executive Officers during the fiscal period ended December 31, 2005 and options held by the Named Executive Officers as at December 31, 2005:

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized ($)	Unexercised Options at December 31, 2005		Value of Unexercised In-the-money Options at December 31, 2005	
			Exercisable (#)	Unexercisable (#)	Exercisable ($)[1]	Unexercisable ($)[1]
Thomas Atkins, President, C.E.O. and Director	0	N/A	500,000	500,000	0[2]	0[3]
Deborah Battiston, C.F.O.	0	N/A	200,000	0	0[4]	N/A
Stan Bharti, Past President	0	N/A	1,500,000	0	15,000[5]	N/A
Jean Lafleur, Past President	0	N/A	200,000	0	0[6]	N/A
Keith Minty, Past President	0	N/A	200,000	0	3,000[7]	N/A
James M. Brady Past President	0	N/A	0	0	N/A	N/A

(1) Based on a closing price on December 31, 2005 of $0.215
(2) Based on 500,000 options exercisable at $0.33.
(3) Based on 500,000 options that, once vested, are exercisable at $0.33.
(4) Based on 100,000 options exercisable at $0.56 and 100,000 options exercisable at $0.245.
(5) Based on 1,000,000 options exercisable at $0.20 and 500,000 options exercisable at $0.245.
(6) Based on 200,000 options exercisable at $0.62.
(7) Based on 200,000 options exercisable at $0.20.

(d) Termination of Employment, Change in Responsibilities and Employment Contracts

The Corporation has consulting contracts with the current Named Executive Officers as follows: The Corporation entered into a contract with Thomas Atkins effective March 15, 2005 pursuant to which Mr. Atkins agreed to provide consulting services to the Corporation. Mr. Atkins is entitled to compensation for the provision of such services at $175,000 per annum. In the event of a "change of control" of the Corporation, Mr. Atkins would be entitled to compensation equal to two years' base fees. The Corporation entered into a contract with Deborah Battiston effective October 22, 2003, subsequently amended March 1, 2005, pursuant to which Ms. Battiston agreed to provide consulting services to the Corporation. Ms. Battiston is entitled to compensation for the provision of such services at $48,000 per annum. In the event of a "change of control" of the Corporation, Ms. Battiston would be entitled to compensation equal to two years' base fees. The Corporation entered into a contract with Stan Bharti effective June 5, 2003, subsequently amended May 1, 2004 and March 1, 2005, pursuant to which Mr. Bharti agreed to provide consulting services to the Corporation. Mr. Bharti is entitled to compensation for the provision of such services at $120,000 per annum. In the event of a "change of control" of the Corporation, Mr. Bharti would be entitled to compensation equal to two years' base fees. The Corporation entered into a contract with Jean Lafleur effective September 22, 2003, subsequently amended March 1, 2004 and January 1, 2005, pursuant to which Mr. Lafleur agreed to provide consulting services to the Corporation. Mr. Lafleur is entitled to compensation for the provision of such services at $75,000 per annum. Other management services for the Corporation are not, to any material degree, performed by persons other than the senior officers of the Corporation.

(e) Compensation of Directors

Directors are not paid any fees in their capacity as directors of the Corporation, however members of the Audit Committee are paid. The Chair of the Audit Committee, Paul Carroll (who recently resigned from the Board of Directors and was replaced by Gerald McCarvill as Chair of the Audit Committee) was paid $1,000 per quarter and the other members were paid $500 per quarter. Directors are entitled to participate in the Corporation's stock option plan. The stock option plan is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer term. Individual grants are determined by an assessment of an individual's current and expected future performance, level of responsibilities and the importance of his/her position and contribution to the Corporation. Directors were granted the following options during the financial year ended December 31, 2005: Mr. Atkins was granted 1,000,000 options at $0.33 which expire on March 1, 2010.

Other Arrangements

None of the directors of the Corporation were compensated in their capacity as a director by the Corporation during the financial year ended December 31, 2005 pursuant to any other arrangement or in lieu of any standard compensation arrangement.

Securities Authorized for Issuance Under Equity Compensation Plans

The table below sets out the outstanding options under the Corporation's existing Stock Option Plan under which common shares of the Corporation are authorized for issuance as of the end of the Corporation's most recently completed fiscal period.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available under equity compensation plans (excluding securities reflected in column (a))**
Plan Category	**(a)**	**(b)**	**(c)**
Equity compensation plans approved by security holders	7,555,000	0.30	2,307,125
Equity compensation plans not approved by security holders	0	N/A	0
TOTAL	7,555,000	0.30	2,307,125

Indebtedness of Directors and Executive Officers

None of the directors or executive officers of the Corporation was indebted to the Corporation or its subsidiaries during the financial year ended December 31, 2005, including under any securities purchase or other program.

Interest of Informed Persons in Material Transactions

No informed person of the Corporation has had any interest in any material transactions involving the Corporation since December 31, 2004 other than as may be disclosed herein.

Interest of Persons in Matters to be Acted Upon

No director, executive officer, proposed nominee for election as a director nor their respective associates or affiliates has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any matter to be acted upon at this Meeting other than the election of directors.

Appointment of Auditors

Unless such authority is withheld, the persons named in the accompanying proxy intend to vote for the re-appointment of McGovern, Hurley, Cunningham, LLP, as auditors of the Corporation for the 2005 fiscal year, and to authorize the directors to fix their remuneration. McGovern, Hurley, Cunningham, LLP have been the Corporation's Auditors since April 13, 2004, when they took over from Lee & Kim, Chartered Accountants.

Management Contracts

No management functions of the Corporation are performed to any substantial degree by a person other than the directors or executive officers of the Corporation.

Audit Committee Charter

(Implemented pursuant to Multilateral Instrument 52-110)

Instrument 52-110 (the "Instrument") relating to the composition and function of audit committees was implemented for Alberta reporting companies effective March 30, 2004 and, accordingly, applies to every TSX Venture Exchange listed company, including the Corporation. The Instrument requires all affected issuers to have a written audit committee Charter which must be disclosed, as stipulated by Form 52-110F2, in the management information circular of the Corporation wherein management solicits proxies from the security holders of the Corporation for the purpose of electing directors to the Board.

This Charter has been adopted by the Board in order to comply with the Instrument and to more properly define the role of the Committee in the oversight of the financial reporting process of the Corporation. Nothing in this Charter is intended to restrict the ability of the Board or Committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

PART 1

Purpose: The purpose of the Committee is to:

- a) significantly improve the quality of the Corporation's financial reporting;
- b) assist the Board to properly and fully discharge its responsibilities;
- c) provide an avenue of enhanced communication between the Board and external auditors;
- d) enhance the external auditor's independence;
- e) increase the credibility and objectivity of financial reports; and
- f) strengthen the role of the outside members of the Board by facilitating in depth discussions between Members, management and external auditors.

1.1 Definitions

"accounting principles" has the meaning ascribed to it in National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*;

"Affiliate" means a company that is a subsidiary of another company or companies that are controlled by the same entity;

"audit services" means the professional services rendered by the Corporation's external auditor for the audit and review of the Corporation's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements;

"Board" means the board of directors of the Corporation;

"Charter" means this audit committee charter;

"Corporation" means Crowflight Minerals Inc.;

"Committee" means the committee established by and among certain members of the Board for the purpose of overseeing the accounting and financial reporting processes of the Corporation and audits of the financial statements of the Corporation;

"Control Person" means any person that holds or is one of a combination of persons that holds a sufficient number of any of the securities of the Corporation so as to affect materially the control of the Corporation, or that holds more than 20% of the outstanding voting shares of the Corporation, except where there is evidence showing that the holder of those securities does not materially affect control of the Corporation;

"executive officer" means an individual who is:

- a) the chair of the Corporation;
- b) the vice-chair of the Corporation;
- c) the President of the Corporation;
- d) the vice-president in charge of a principal business unit, division or function including sales, finance or production;
- e) an officer of the Corporation or any of its subsidiary entities who performs a policy-making function in respect of the Corporation; or
- f) any other individual who performs a policy-making function in respect of the Corporation;

"financially literate" has the meaning set forth in Section 1.3;

"immediate family member" means a person's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the person or the person's immediate family member) who shares the individual's home;

"independent" has the meaning set forth in Section 1.2;

“Instrument” means Multilateral Instrument 52-110;

"MD&A" has the meaning ascribed to it in the National Instrument;

“Member” means a member of the Committee;

"National Instrument 51-102" means National Instrument 51-102 *Continuous Disclosure Obligations*;

"non-audit services" means services other than audit services;

1.2 Meaning of Independence

1. A Member is independent if the Member has no direct or indirect material relationship with the Corporation.

2. For the purposes of subsection 1, a material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of a Member's independent judgement.

3. Despite subsection 2 and without limitation, the following individuals are considered to have a material relationship with the Corporation:

   a) a Control Person of the Corporation;
   b) an Affiliate of the Corporation; and
   c) an employee of the Corporation.

1.3 Meaning of Financial Literacy -- For the purposes of this Charter, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

PART 2

2.1 Audit Committee – The Board has hereby established the Committee for, among other purposes, compliance with the Instrument.

2.2 Relationship with External Auditors – The Corporation will henceforth require its external auditor to report directly to the Committee and the Members shall ensure that such is the case.

2.3 Committee Responsibilities

1. The Committee shall be responsible for making the following recommendations to the Board:

   a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and
   b) the compensation of the external auditor.

2. The Committee shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting.

This responsibility shall include:

   a) reviewing the audit plan with management and the external auditor;
   b) reviewing with management and the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting;
   c) questioning management and the external auditor regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
   d) reviewing any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
   e) reviewing audited annual financial statements, in conjunction with the report of the external auditor, and obtaining an explanation from management of all significant variances between comparative reporting periods;
   f) reviewing the post-audit or management letter, containing the recommendations of the external auditor, and management's response and subsequent follow up to any identified weakness;

g) reviewing interim unaudited financial statements before release to the public;

h) reviewing all public disclosure documents containing audited or unaudited financial information before release, including any prospectus, the annual report, the annual information form and management's discussion and analysis;

i) reviewing any evaluation of internal controls by the external auditor, together with management's response;

j) reviewing the terms of reference of the internal auditor, if any;

k) reviewing the reports issued by the internal auditor, if any, and management's response and subsequent follow up to any identified weaknesses; and

l) reviewing the appointments of the Chief Financial Officer and any key financial executives involved in the financial reporting process, as applicable.

3. The Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the issuer's external auditor.

4. The Committee shall review the Corporation’s financial statements, MD&A and annual and interim earnings press releases before the Corporation publicly discloses this information.

5. The Committee shall ensure that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements, and shall periodically assess the adequacy of those procedures.

6. When there is to be a change of auditor, the Committee shall review all issues related to the change, including the information to be included in the notice of change of auditor called for under National Policy 31, and the planned steps for an orderly transition.

7. The Committee shall review all reportable events, including disagreements, unresolved issues and consultations, as defined in the National Instrument, on a routine basis, whether or not there is to be a change of auditor.

8. The Committee shall, as applicable, establish procedures for:

a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and

b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

9. As applicable, the Committee shall establish, periodically review and approve the Corporation’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer, as applicable.

10. The responsibilities outlined in this Charter are not intended to be exhaustive. Members should consider any additional areas which may require oversight when discharging their responsibilities.

2.4 De Minimis Non-Audit Services – The Committee shall satisfy the pre-approval requirement in subsection 2.3(3) if:

a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the issuer and its subsidiary entities to the issuer's external auditor during the fiscal year in which the services are provided;

b) the Corporation or the relevant subsidiary of the Corporation, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and

c) the services are promptly brought to the attention of the Committee and approved by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee, prior to the completion of the audit.

2.5 Delegation of Pre-Approval Function

1. The Committee may delegate to one or more independent Members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2.3(3).

2. The pre-approval of non-audit services by any Member to whom authority has been delegated pursuant to subsection 1 must be presented to the Committee at its first scheduled meeting following such pre-approval.

PART 3

3.1 Composition

1. The Committee shall be composed of a minimum of three Members.
2. Every Member shall be a director of the issuer.
3. The majority of Members shall be independent.
4. Every audit committee member shall be financially literate.

PART 4

4.1 Authority – Until the replacement of this Charter, the Committee shall have the authority to:

a) engage independent counsel and other advisors as it determines necessary to carry out its duties,
b) set and pay the compensation for any advisors employed by the Committee,
c) communicate directly with the internal and external auditors; and
d) recommend the amendment or approval of audited and interim financial statements to the Board.

PART 5

5.1 Disclosure in Information Circular -- If management of the Corporation solicits proxies from the security holders of the Corporation for the purpose of electing directors to the Board, the Corporation shall include in its management information circular the disclosure required by Form 52-110F2 (*Disclosure by Venture Issuers)*.

PART 6

6.1 Meetings

1. Meetings of the Committee shall be scheduled to take place at regular intervals and, in any event, not less frequently than quarterly.
2. Opportunities shall be afforded periodically to the external auditor, the internal auditor, if any, and to members of senior management to meet separately with the Members.
3. Minutes shall be kept of all meetings of the Committee.

SPECIAL BUSINESS

Stock Option Plan

Currently, the Corporation has a 10% "rolling" stock option plan as described in TSX Venture Exchange Policy 4.4. Under Exchange Policy 4.4, the Corporation is required to obtain the approval of its members to any stock option plan that is a "rolling" plan yearly at the Corporation's Annual Meeting. Accordingly, the Members will be asked to re-approve the Corporation's existing Stock Option Plan.

Amendment to Articles of the Corporation

The shareholders will be asked to consider and, if deemed advisable, pass a resolution to amend the name of the Corporation as the current name does not accurately reflect the nature of the business of the Corporation (the "Amendment"). Management is of the view that the Amendment is in the best interests of the Corporation.

The directors of the Corporation consider the Amendment to be in the best interests of the shareholders of the Corporation and recommend that the shareholders vote in favour of the Amendment. The shareholders will be requested to approve the Amendment by special resolution which must be passed by two-thirds of the votes cast by the shareholders in person or by proxy at the Meeting or any adjournment or adjournments thereof.

Shareholders are asked to pass the following special resolution authorizing and approving the Amendment:

"BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the articles of the Corporation be amended to provide that the name of the Corporation be amended, as determined by the Board of Directors of the Corporation; and

2. any director or officer of the Corporation is hereby authorized to execute (whether under the corporate seal of the Corporation or otherwise) and deliver all such documents and to do all such other acts and things as such director or officer may determine to be necessary or advisable in connection with such amendment, the execution of any such document or the doing of any such other act or thing by any director or officer of the Corporation being conclusive evidence of such determination."

OTHER MATTERS

Management does not know of any other matters to come before the Meeting other than those referred to in the Notice of Meeting. Should any other matters properly come before the Meeting, the shares represented by the proxy solicited hereby will be voted on such matters in accordance with the best judgment of the persons voting the proxy.

The contents and sending of this information circular have been approved by the directors of the Corporation.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) *"Stan Bharti"*

Stan Bharti, Chairman of the Board of Directors

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

AUDITORS' REPORT

To the Shareholders of
CROWFLIGHT MINERALS INC.
(A Development Stage Company)

We have audited the balance sheets of Crowflight Minerals Inc. (A Development Stage Company) as at December 31, 2005 and 2004 and the statements of operations and deficit and cash flows for each of the years in the two-year period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2005 in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants

TORONTO, Canada
March 7, 2006, except for
Note 10 which is at
March 13, 2006

2005 Sheppard Avenue East, Suite 300, Toronto, Ontario, Canada, M2J 5B4
Telephone: (416) 496-1234 – Fax: (416) 496-0125 – E-Mail: info@mhc-ca.com – Website: www.mhc-ca.com

BALANCE SHEETS
As at December 31
(in Canadian dollars)

		2005		2004
ASSETS				
Current				
Cash and cash equivalents	**$**	**633,669**	$	5,805,455
Amounts receivable		**279,909**		113,834
Prepaid expenses and deposits		**49,880**		65,648
Future income tax asset (Note 6(b))		**598,000**		-
		1,561,458		5,984,937
Deposits and advances		**178,255**		-
Property, plant and equipment (Note 3)		**36,873**		45,430
Exploration properties and deferred exploration expenditures (Note 4)		**21,006,374**		10,845,424
	$	**22,782,960**	$	16,875,791
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**1,327,926**	$	898,458
SHAREHOLDERS' EQUITY				
Common Shares (Note 5(a))		**30,375,246**		25,851,956
Warrants (Note 5(b))		**3,191,425**		3,159,359
Contributed surplus (Note 5(d))		**3,842,714**		3,049,199
Deficit		**(15,954,351)**		(16,083,181)
		21,455,034		15,977,333
	$	**22,782,960**	$	16,875,791

Commitments and Contingencies (Notes 1, 4 and 8)

APPROVED ON BEHALF OF THE BOARD:

Signed "THOMAS ATKINS", Director

Signed "PAUL CARROLL", Director

STATEMENTS OF OPERATIONS AND DEFICIT

For the years ended December 31
(*in Canadian dollars*)

		2005	2004
Expenses			
Professional and consulting		**$ 588,019**	$ 576,390
General and office		**122,840**	169,286
Shareholder communications		**271,695**	241,693
Travel		**142,871**	121,746
Stock-based compensation expense (Note 5(c))		**260,500**	1,138,122
Interest and bank charges		**2,441**	47,545
Amortization		**28,424**	22,394
		1,416,790	2,317,176
Loss before the undernoted		**(1,416,790)**	(2,317,176)
Interest income		**12,655**	72,798
General exploration expenses		**(16,838)**	-
Write-down of exploration properties and deferred exploration expenses (Note 4)		**(228,349)**	(287,361)
Recovery of expenses		**15,912**	1,371
Loss before income taxes		**(1,633,410)**	(2,530,368)
Future income taxes (Note 6(a))		**1,762,240**	-
Net income *(loss)* for the year		**128,830**	(2,530,368)
Deficit, beginning of year		**(16,083,181)**	(13,552,813)
Deficit, end of year		**$ (15,954,351)**	$ (16,083,181)
Income *(loss)* per share	- basic	**$ 0.00**	$ (0.05)
	- diluted	**0.00**	(0.05)
Weighted average number of shares	- basic	**86,477,353**	55,024,922
	- diluted	**86,858,770**	55,024,922

-- See notes to the financial statements --

STATEMENTS OF CASH FLOWS

For the years ended December 31
(*in Canadian dollars*)

		2005		2004
Cash (used in) provided by:				
OPERATING ACTIVITIES:				
Net income (loss) for the year	**$**	**128,830**	$	(2,530,368)
Charges not affecting cash:				
Amortization		**28,424**		22,394
Stock-based compensation expense (Note 5(c))		**260,500**		1,138,122
Write down of property interests (Note 4)		**228,349**		287,361
Future income tax recovery (Note 6(a))		**(1,762,240)**		-
Net change in non-cash working capital		**(593,962)**		(81,526)
		(1,710,099)		(1,164,017)
FINANCING ACTIVITIES:				
Common shares issued through private placements		**5,025,963**		4,527,111
Common share purchase warrants issued through private placements		**699,787**		1,765,139
Exercise of options		**-**		8,750
Exercise of warrants		**512,000**		51,000
Financing costs		**(441,638)**		(516,721)
		5,796,112		5,835,279
INVESTING ACTIVITIES:				
Exploration properties and deferred exploration expenditures		**(9,932,799)**		(6,234,167)
Increase in accounts payable attributable to property exploration		**694,867**		484,189
Property, plant and equipment		**(19,867)**		(39,909)
		(9,257,799)		(5,789,887)
CHANGE IN CASH AND CASH EQUIVALENTS		**(5,171,786)**		(1,118,625)
CASH AND CASH EQUIVALENTS, beginning of year		**5,805,455**		6,924,080
CASH AND CASH EQUIVALENTS, end of year	**$**	**633,669**	$	5,805,455
Cash and cash equivalents consists of:				
Cash	**$**	**633,669**		2,845,284
Cash equivalents		**-**		2,960,171
	$	**633,669**	$	5,805,455
SUPPLEMENTAL INFORMATION:				
Common shares issued for interest in exploration properties	**$**	**350,000**		615,000
Warrants granted for interest in exploration properties		**106,500**		620,000
Interest paid		**44,070**		-
Income taxes paid		**-**		-

-- See notes to the financial statements --

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2005 and December 31, 2004

1. NATURE OF OPERATIONS AND GOING CONCERN

Crowflight Minerals Inc. (the "Company") is in the process of exploring its exploration properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in these financial statements.

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and their basis of application is consistent with that in the previous year. Outlined below are those policies considered particularly significant.

a) Exploration properties and deferred exploration expenditures

Expenses relating to exploration properties in which the Company has an interest are deferred until the properties are brought into production, at which time they are amortized on a unit-of-production basis. Other general exploration expenses are charged to operations as incurred. The cost of mineral properties abandoned or sold and their related deferred exploration costs are expensed to operations in the year of abandonment or sale.

Costs include the cash consideration and the quoted market value of the shares issued for the acquisition of exploration properties. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company are recorded in the accounts at the time of payment. Any government assistance received is used to reduce the carrying value of the property for which it was received.

Continued...

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2005 and December 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Exploration properties and deferred exploration expenditures (continued)

The Company reviews capitalized costs on its exploration properties on a periodic basis and will recognize impairment in value based upon current exploration or production results, if any, and upon management's assessment of the future probability of profitable revenues from the property or from sale of the property. Management's assessment of the property's estimated current value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

b) Asset retirement obligations

Effective January 1, 2004, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") accounting standard on "Asset retirement obligations". Under the new standard the Company is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its exploration properties. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to exploration properties and deferred exploration expenditures and amortized over the useful life of the properties. The Company does not currently have any legal obligations relating to the reclamation of its exploration properties.

c) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and deposits that, which generally mature within 90 days from the date of acquisition. The investments are held in Canadian chartered banks or a financial institution controlled by a Canadian chartered bank.

d) Property, plant and equipment

Property plant and equipment are recorded at cost less accumulated amortization and are amortized on a straight-line basis over their estimated useful lives of 2 years to 5 years.

e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations or stock-based compensation, warrants and brokers' options and tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

f) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

Continued...

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2005 and December 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Flow through financing

The Company finances a portion of its exploration activities through the issue of flow-through shares. Proceeds received on the issue of such shares have been credited to capital stock and the related exploration costs have been charged to exploration properties. Funds raised pursuant to exploration financing agreements must be expended on qualifying exploration expenditures. For income tax purposes, exploration expenses under flow-through financing agreements are renounced in favour of the investors and are not deductible by the Company. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce share capital.

h) Stock based Compensation

The Company has a stock-based compensation plan which is described in Note 5(c). The Company applies the fair value based method of accounting for stock option awards, as prescribed by CICA 3870 "Stock-based Compensation and Other Stock-based Payments". Under this method, the estimated fair value of the stock options at the date of grant is recorded over the vesting period, with the offsetting credit to contributed surplus. If the stock options are exercised, the proceeds are credited to share capital.

i) Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted earnings (loss) per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings (loss) per share calculation. The diluted earnings (loss) per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

j) Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

3. PROPERTY, PLANT AND EQUIPMENT

	2005		
	Cost	**Accumulated Amortization**	**Net**
	$	$	$
Computer	60,286	(46,931)	13,355
Furniture and fixtures	4,736	(2,311)	2,425
Field equipment	30,161	(9,068)	21,093
	95,183	(58,310)	36,873

Continued...

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2005 and December 31, 2004

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	2004		
	Cost $	**Accumulated Amortization** $	**Net** $
Computer	52,436	(23,683)	28,753
Furniture and fixtures	4,736	(1,364)	3,372
Field equipment	18,144	(4,839)	13,305
	75,316	(29,886)	45,430

4. EXPLORATION EXPENDITURES AND DEFERRED EXPLORATION EXPENDITURES

	MANITOBA			SUDBURY, ONTARIO					
	Bucko Feasibility Study	Thompson Nickel Belt South	Thompson Nickel Belt North	AER Kidd	Airport	Mystery Offset Dyke	Peter's Roost	New Exploration	TOTAL
Acquisition costs									
Balance, December 31, 2004	1,227,100	154,515	-	891,858	356,403	-	102,887	-	2,732,763
Acquisition and property costs	231,331	25,296	228,693	100,000	-	50,000	-	-	635,320
Write off of property costs	-	-	-	-	-	(50,000)	-	-	(50,000)
Balance, December 31, 2005	**1,458,431**	**179,811**	**228,693**	**991,858**	**356,403**	**-**	**102,887**	**-**	**3,318,083**
Exploration expenditure									
Balance, December 31, 2004	431,193	1,360,753	-	4,869,853	671,733	163,868	615,261	-	8,112,661
Drilling	1,686,492	1,819,306	729,673	-	-	-	-	-	4,235,471
Assaying, laboratory, metallurgy	284,106	5,762	-	-	-	-	-	-	289,868
Geology and geological consulting	521,216	643,122	198,064	17,651	17,584	6,243	28,884	1,890	1,434,654
Travel and transportation	162,415	16,046	6,110	1,657	1,295	20	1,136	422	189,101
Geochemistry and geophysics	96,676	796,673	406,512	(14,000)	4,000	-	3,530	-	1,293,391
Reports	361,137	-	-	-	-	-	-	-	361,137
Mine and mill design	809,147	-	-	-	-	-	-	-	809,147
Site development	463,621	-	-	-	-	-	-	-	463,621
Environmental	123,657	24,845	3,176	-	-	-	-	-	151,678
Field and office support	85,456	47,216	11,487	4,681	19,711	8,218	5,434	101	182,304
Management fees	42,719	327,566	131,796	-	-	-	-	-	502,081
Incurred to date	**5,067,835**	**5,041,289**	**1,486,818**	**4,879,842**	**714,323**	**178,349**	**654,245**	**2,413**	**18,025,114**
Less: Government assistance	-	(64,810)	(93,664)	-	-	-	-	-	(158,474)
Write off of property costs	-	-	-	-	-	(178,349)	-	-	(178,349)
Balance, December 31, 2005	**5,067,835**	**4,976,479**	**1,393,154**	**4,879,842**	**714,323**	**-**	**654,245**	**2,413**	**17,688,291**
TOTAL DEFERRED COSTS December 31, 2005	**6,526,266**	**5,156,290**	**1,621,847**	**5,871,700**	**1,070,726**	**-**	**757,132**	**2,413**	**21,006,374**

Continued...

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2005 and December 31, 2004

4. EXPLORATION EXPENDITURES AND DEFERRED EXPLORATION EXPENDITURES (continued)

	MANITOBA		SUDBURY, ONTARIO						
	Bucko Feasibility Study	Thompson Nickel Belt South	AER Kidd	Airport	Mystery Offset Dyke	Marble Mountain	Copenhagen	Peter's Roost	TOTAL
Acquisition costs									
Balance, December 31, 2003	-	-	836,575	326,403	-	39,622	-	50,000	1,252,600
Acquisition and property costs	1,227,100	154,515	55,283	30,000	-	12,272	40,864	52,887	1,572,921
Write off of property costs	-	-	-	-	-	(51,894)	(40,864)	-	(92,758)
Balance, December 31, 2004	**1,227,100**	**154,515**	**891,858**	**356,403**	**-**	**-**	**-**	**102,887**	**2,732,763**
Exploration expenditure									
Balance, December 31, 2003	-	-	1,924,605	480,910	-	691	-	4,762	2,410,968
Drilling	125,000	210,805	2,259,458	54,632	-	-	28	-	2,649,923
Line cutting	594	-	-	-	-	98	-	37,610	38,302
Assaying, laboratory, metallurgy	-	-	45,421	4,476	27	2,015	5	103	52,047
Geology and geological consulting	246,447	365,734	316,745	109,418	160,390	144,600	42,168	485,195	1,870,697
Travel and transportation	22,000	-	10,669	9,525	202	186	85	6,836	49,503
Geochemistry and geophysics	7,878	627,805	209,557	(6,233)	122	108	31	63,914	903,182
Environmental	18,926	11,568	-	-	-	-	-	-	30,494
Field and office support	10,349	7,241	103,398	19,005	3,127	3,920	668	16,841	164,549
Management fees	-	137,599	-	-	-	-	-	-	137,599
Incurred to date	**431,194**	**1,360,752**	**4,869,853**	**671,733**	**163,868**	**151,618**	**42,985**	**615,261**	**8,307,264**
Write off of property costs	-	-	-	-	-	(151,618)	(42,985)	-	(194,603)
Balance, December 31, 2004	**431,194**	**1,360,752**	**4,869,853**	**671,733**	**163,868**	**-**	**-**	**615,261**	**8,112,661**
TOTAL DEFERRED COSTS December 31, 2004	**1,658,294**	**1,515,267**	**5,761,711**	**1,028,136**	**163,868**	**-**	**-**	**718,148**	**10,845,424**

MANITOBA

Bucko Feasibility Study and Thompson Nickel Belt South

On June 16, 2004, the Company entered into an option and joint venture agreement with Falconbridge Limited ("Falconbridge). This agreement was amended on March 1, 2006.

To earn an initial 33% conditional interest and an additional 17% conditional interest in Bucko deposit, and an initial 25% interest in certain other claims in the Thompson Nickel Belt region of Manitoba, the Company is required to incur expenditures, issue shares and warrants, and meet other requirements as follows:

The Company is required to issue and grant the following common shares and warrants:

- issue 2,000,000 common shares of the Company upon execution of the agreement (issued in 2004). The fair value of the shares was determined to be $600,000 based upon the quoted market value of the Company's shares at the date of issue;
- issue 1,000,000 common shares of the Company by June 1, 2005 (issued in 2005). The fair value of the shares was determined to be $230,000 based upon the quoted market value of the Company's shares at the date of issue;
- issue 1,000,000 common shares of the Company by June 1, 2006; and
- grant 5,000,000 warrants (issued in 2004) to purchase common shares of the Company for a period of two years, with half of the warrants exercisable at an exercise price of $0.35 per share and the remaining half exercisable at a price of $0.75 per share. The fair value of the warrants, estimated to be $620,000, was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 100%, risk free interest rate of 4%, and an expected life of two years.

Continued...

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2005 and December 31, 2004

4. EXPLORATION EXPENDITURES AND DEFERRED EXPLORATION EXPENDITURES (continued)

MANITOBA

Bucko Feasibility Study and Thompson Nickel Belt South (continued)

To earn an initial 33% interest in the Bucko deposit, the Company is required to:

- incur $4,650,000 towards exploration and a bankable feasibility study (completed);
- demonstrate that the Company has raised sufficient funding to complete the bankable feasibility study;
- meet all additional funding requirements.

Upon earning the 33% conditional interest, the Company will have the option to earn an additional 17% conditional interest in the Bucko deposit (for a total 50% conditional interest) by incurring an additional $2,850,000 (total expenditure of $7,500,000) and completing a bankable feasibility study on the Bucko deposit.

The Company is also required to incur an additional $10,500,000 of expenditures as follows:

- $1,376,000 by December 31, 2004 (completed);
- an additional $3,276,000 by December 31, 2005 (completed);
- an additional $1,500,000 by April 30, 2006;
- an additional $1,500,000 by April 30, 2007;
- an additional $1,500,000 by April 30, 2008;
- an additional $1,348,000 by April 30, 2009;

If these requirements are not met, the conditional interests will revert back to Falconbridge.

The Company may increase its interest in the Bucko Deposit to 100% by making a decision within six-months of the completion of the bankable feasibility study to put the Bucko Deposit into commercial production and to complete a financing for and commence construction of the production facilities. The Company may elect to increase its interest in the other claims to 50% by providing funding to Falconbridge as operator of $7,000,000 plus administrative charges of 10% of expenditures for exploration by April 13, 2013 as follows: $1,500,000 on the date of election, an additional $1,500,000 by the first anniversary of election, an additional $2,000,000 by the second anniversary of election and an additional $2,000,000 by the third anniversary of election. In order to increase either or both interests, the Company must issue 1,000,000 common shares of the Company to Falconbridge within 30 days after exercising the election and an additional 1,000,000 common shares of the Company within one-year of the election.

Certain areas of the property are subject to underlying agreements whereby those portions are subject to i) a 2% NSR; ii) a 10% net proceeds of production royalty; or iii) a $500,000 payment due on commencement of commercial production.

The agreement also provides Falconbridge a back in right, property buy back right, Joint Venture bump up option, Net Smelter Returns royalty and an off take right.

Thompson Nickel Belt North

In January 2005, the Company entered into an option agreement with Falconbridge to acquire a 50% interest in the Thompson Nickel Belt North Project ("TNB North"). This agreement was amended on March 1, 2006.

The Company is required to spend $5,000,000 on or before April 30, 2009 in the following tranches:

- $1,300,000 by December 31, 2005 (paid);
- $1,000,000 by April 30, 2006;
- $1,000,000 by April 30, 2007;
- $1,000,000 by April 30, 2008; and
- $700,000 by April 30, 2009.

Continued...

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2005 and December 31, 2004

4. EXPLORATION EXPENDITURES AND DEFERRED EXPLORATION EXPENDITURES (continued)

Thompson Nickel Belt North (continued)

In addition to the expenditures, the Company issued to Falconbridge 400,000 common shares and warrants to purchase 1,000,000 common shares for a two-year period from the date of issue. The 1,000,000 warrants consist of 500,000 warrants exercisable at $0.35 and 500,000 warrants exercisable at $0.75. The fair value of the common shares was determined to be $120,000 using the quoted market value of the Company's stock at the date of issuance. The fair value of the warrants was estimated to be $106,500. The value of the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 90%; risk free interest rate of 2.9%; and an expected life of two years.

The agreement also provides Falconbridge a back in right, property buy back right, Joint Venture bump up option, Net Smelter Returns royalty and an off take right.

During the year ended December 31, 2005, the Company applied for and was approved for financial assistance under the Manitoba Mineral Exploration Assistance Program (“MEAP”) and received $158,474 in government assistance. Subsequent to the year end, the Company received an additional $80,394 in government assistance.

SUDBURY, ONTARIO
AER Kidd Property

The Company acquired the AER Kidd Property in 2003 for $150,000 cash, 1,000,000 common shares, and 1,000,000 common share purchase warrants that expired unexercised, and a 3% net smelter royalty. The Company may purchase up to 50% of this royalty for $1,250,000 up to the time when commercial production commences. A $50,000 advance royalty payment payable semi-annually commenced January 31, 2001. All required advance royalty payments to date have been made.

Airport property

In 2003, the Company signed a Participation and Joint Venture Agreement with Millstream Mines Ltd. to earn an undivided 50% interest in certain Airport Property claim blocks in the Sudbury Mining Camp. To earn this interest, the Company is required to:

- Fund a mutually approved $325,000 Phase I exploration program (funded);
- Fund an additional $600,000 for Phase II exploration subsequent to the completion of Phase I ($390,000 funded); and
- Make annual advance royalty payments of $30,000 annually commencing November 1, 2003 (paid to November 2004).

In December 2005, the Company elected to no longer fund Phase II of the exploration program. Consequently, the Company's interest in the property has been diluted to 30%.

Continued...

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2005 and December 31, 2004

4. EXPLORATION EXPENDITURES AND DEFERRED EXPLORATION EXPENDITURES (continued)

Mystery Offset Dyke Property

Pursuant to agreements dated April 8, 2004, May 31, 2004 and January 1, 2005, the Company acquired an option to acquire 100% of the Mystery Offset Dyke Property ("MOD Property") along the Mystery Offset Dyke, located in Lorne Township of the South Range sector of the Sudbury Basin.
During the year ended December 31, 2005, the Company decided not to pursue its option to acquire the Mystery Offset Dyke Property, and consequently, an amount of $228,349 in expenditures was written off to operations.

Peter's Roost Property

In the first half of 2004, the Company acquired by staking the Peter's Roost Property, a land package along the North Range of the Sudbury Basin.

Subsequent to the year end, the Company acquired by staking an additional 32 mining units, and allowed 14 existing mining claims to lapse, leaving the Company with a 100% interest in 72 claims totaling 916 exploration units (approximately 146 square kilometres).

Marble Mountain Property

The Company had entered into an option agreement to earn a 100% interest in 73 claims in the Marble Mountain Property in Pankin Township, Sudbury.

During 2004, the Company decided to no longer pursue the exploration of this property, and consequently, $203,512 in expenditures were written off to operations.

Copenhagen Property

On February 19, 2004 the Company entered into an option agreement to acquire a 100% interest in 624 hectares of the Copenhagen Property in the Sudbury Basin.

During 2004, the Company has decided to no longer pursue the exploration of this property. Consequently, the February 2005 payments of shares and cash were not made and, $83,849 in expenditures were written off to operations.

Continued...

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2005 and December 31, 2004

5. CAPITAL STOCK

Authorized

Unlimited common shares without par values
Unlimited class A preference shares with a par value of $10 each, issuable in series, cumulative dividends
Unlimited class B preference shares with a par value of $50 each, issuable in series, cumulative dividends

a) Common shares issued	Number of Shares		Value
Balance, December 31, 2003	50,462,651	$	21,132,600
Adjustment	(110)		-
Private placement (iii)	5,000,000		1,000,000
Private placement - non flow-through (iv)	5,880,713		2,058,250
Private placement - flow-through (v)	7,335,000		2,934,000
Private placement (vi)	750,000		300,000
Issue of warrants - warrant valuation (iii, iv, v, vi)	-		(1,765,139)
Shares issued in acquisition of properties (Note 4)	2,050,000		615,050
Exercise of warrants	255,000		51,000
Exercise of warrants - warrant valuation	-		24,026
Exercise of stock options	25,000		8,750
Exercise of options - option valuation	-		10,140
Cost of issue	-		(516,721)
Balance, December 31, 2004	71,758,254	$	25,851,956
Private placement - non flow-through (i)	5,000,000		1,250,000
Private placement - flow-through (i)	14,903,000		3,725,750
Private placement (ii)	3,000,000		750,000
Issue of warrants - warrant valuation (i, ii)	-		(699,787)
Shares issued in acquisition of properties (Note 4)	1,400,000		350,000
Exercise of warrants	2,560,000		512,000
Exercise of warrants - warrant valuation	-		241,205
Flow-through shares tax effect	-		(1,164,240)
Cost of issue	-		(441,638)
Balance, December 31, 2005	**98,621,254**	**$**	**30,375,246**

(i) In June, 2005 the Company completed a private placement offering in two tranches. In the first tranche, 14,803,000 flow-through units and 5,000,000 non flow-through units were issued for gross proceeds of $4,950,750. The flow-through units were priced at $0.25 per flow-through unit and consisted of one flow-through common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase a common share of the Company at an exercise price of $0.40 until December 8, 2006. The non flow-through units were priced at $0.25 per unit and consisted of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.40 until December 8, 2006.

In the second tranche of this private placement, 100,000 flow-through units were issued at a price of $0.25 per flow-through unit, for gross proceeds of $25,000. The flow-through units consist of one flow-through common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase a common share of the Company at $0.40 until December 18, 2006.

Continued...

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2005 and December 31, 2004

5. CAPITAL STOCK (continued)

The fair value of the warrants of $578,287 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 90%; risk free interest rate of 2.9%; and an expected life of 18 months.

(ii) In September 2005, the Company completed a private placement offering through the issuance of 3,000,000 units to Golden Omega Fund LP at $0.25 per unit for gross proceeds of $750,000. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase a common share of the Company at an exercise price of $0.40 until March 8, 2007. All of the shares and warrants are subject to a hold period that will expire on January 9, 2006.

The fair value of the warrants of $121,500 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 90%; risk free interest rate of 3.4%; and an expected life of 18 months.

(iii) In October of 2004, the Company completed a private placement issuing a total of 5,000,000 units at a price of $0.20 per unit for gross proceeds of $1,000,000. Each unit consists of one common share and one common share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.30 for a period of two years. The fair value of the warrants was estimated using the Black-Scholes option pricing model under the following assumptions: estimated dividend yield of 0%, risk-free interest rate of 3.1%, estimated volatility of 100% and estimated life of two years. The gross proceeds have been prorated to common shares and warrants based on the fair value of each component as follows: common shares - $350,000; warrants - $650,000.

(iv) In November 2004, the Company issued 5,880,713 units at a price of $0.35 per unit for gross proceeds of $2,058,250. Each unit consists of one common share and one-half share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one common share at a price of $0.50 for a period of two years. The fair value of these warrants was estimated using the Black-Scholes option pricing model under the same assumptions as described in Note 5(a)(iii). The gross proceeds have been prorated to common shares and warrants based on the fair value of each component as follows: common shares - $1,555,449; warrants - $502,801.

(v) In November 2004, the Company also issued 7,335,000 flow-through units at a price of $0.40 per unit for gross proceeds of $2,934,000. Each unit consists of one flow-through share and one-half share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of $0.60 for a period of two years. The fair value of these warrants was estimated using the Black-Scholes option pricing model under the same assumptions as described in Note 5(a)(iii). The gross proceeds have been prorated to common shares and warrants based on the fair value of each component as follows: common shares - $2,365,538; warrants - $568,463.

(vi) In December 2004, the Company completed an offering of 750,000 flow-through units at a price of $0.40 per flow-through unit for gross proceeds of $300,000. Each flow-through unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company exercisable at a price of $0.60 per share for a period of 2 years. Each of the common shares and shares issued upon the exercise of the warrants are subject to a hold period that will expire on April 30, 2005. The fair value of these warrants was estimated using the Black-Scholes option pricing model under the same assumptions as described in Note 5(a)(iii). The gross proceeds have been prorated to common shares and warrants based on the fair value of each component as follows: common shares - $256,125; warrants - $43,875.

Continued...

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2005 and December 31, 2004

5. CAPITAL STOCK (continued)

b) Warrants

The following is a summary of warrant transactions during 2005 and 2004:

	2005		2004	
	Number of warrants	Weighted Average Exercise price	Number of warrants	Weighted Average Exercise price
Balance, beginning of year	26,033,465	$0.42	12,292,276	$0.52
Granted, private placements	11,451,500	0.40	11,982,856	0.45
Granted property acquisition	1,000,000	0.55	5,000,000	0.55
Exercised	(2,560,000)	0.20	(255,000)	0.20
Expired or cancelled	(6,490,609)	0.36	(2,986,667)	1.15
Balance, end of year	29,434,356	$0.45	26,033,465	$0.42

A summary of the outstanding warrants as of December 31, 2005 are as follows:

Value ($)	Number of Warrants	Exercise Price ($)	Expiry Date
377,500	2,500,000	0.35	June 17, 2006
242,500	2,500,000	0.75	June 17, 2006
650,000	5,000,000	0.30	October 12, 2006
568,462	3,667,500	0.60	November 4, 2006
502,801	2,940,356	0.50	November 4, 2006
574,287	9,901,500	0.40	December 8, 2006
4,000	50,000	0.40	December 17, 2006
43,875	375,000	0.60	December 29, 2006
67,500	500,000	0.35	January 18, 2007
39,000	500,000	0.75	January 18, 2007
121,500	1,500,000	0.40	March 8, 2007
3,191,425	29,434,356		

Continued...

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2005 and December 31, 2004

5. CAPITAL STOCK (continued)

c) Stock Options

The following is a summary of stock option transactions during 2005 and 2004:

	2005		2004	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Balance, beginning of year	5,755,000	$0.36	4,525,000	$0.41
Granted	1,650,000	0.31	3,542,500	0.41
Exercised	-	-	(25,000)	0.35
Expired or cancelled	-	-	(2,287,500)	0.54
Balance, end of year	7,405,000	$0.30	5,755,000	$0.36

As of December 31, 2005, the following stock options were outstanding:

	Value ($)	Number of Options	Exercise Price ($)	Expiry Date
	60,840	150,000	0.60	September 18, 2006
	19,000	100,000	0.30	December 31, 2007
	973,440	2,400,000	0.20	June 5, 2008
	121,680	300,000	0.35	June 5, 2008
	152,100	375,000	0.35	July 18, 2008
	40,560	100,000	0.56	November 21, 2008
	20,280	50,000	0.70	November 17, 2008
	76,050	187,500	0.62	December 11, 2008
	86,000	200,000	0.56	January 20, 2009
	37,312	187,500	0.62	June 17, 2009
	11,150	50,000	0.35	June 17, 2009
	4,050	30,000	0.20	October 1, 2009
	285,000	1,425,000	0.25	October 12, 2009
	14,850	50,000	0.39	October 20, 2009
	40,050	150,000	0.35	November 8, 2009
	19,600	100,000	0.30	January 10, 2010
*	28,126	200,000	0.28	February 14, 2010
	39,600	200,000	0.29	February 21, 2010
*	166,074	1,000,000	0.33	March 1, 2010
	7,100	50,000	0.20	July 14, 2010
**	-	100,000	0.24	October 18, 2010
		7,405,000		

Continued...

NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2005 and December 31, 2004

5. CAPITAL STOCK (continued)

The Company has a stock option plan designed to advance the interest of the Company by encouraging employees, officers, directors and consultants of the Company to have equity participation in the Company though the acquisition of common shares. The Company may issue options to purchase common shares equal to 10% of the issued and outstanding common shares of the Company. Options are non-transferable, non-assignable and may be granted for a term not exceeding five years. The exercise price of the options and vesting provisions, if any, are fixed by the board of directors of the Company at the time of grant at a price not below the market price of the common shares at the time of grant, subject to all applicable regulatory requirements.

During the year ended December 31, 2005, 1,650,000 stock options (2004 - 3,542,500) were granted to directors, officers and consultants of the Company with a weighted average grant date fair value of $0.16 (2004 - $0.32). Of these options granted, 1,200,000 options vest one eighth every quarter from the date of grant over a two year term(*) and 100,000 options vest one quarter every three months from the three month grant anniversary(**). At December 31, 2005, 450,000 of these options are currently exercisable. The remaining options granted during the period vested immediately. The fair value of each option was estimated on the date of grant using the Black Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0% (2004 - 0%); expected volatility of 90% (2004 - 100%); risk-free interest rates ranging from 3.4% to 3.75% (2004 - 4%); and an expected average life of 5 years (2004 - 5 years). For the year ended December 31, 2005, an amount of $260,500 (2004 - $1,138,122) was recorded as stock based compensation expense.

d) Contributed Surplus

		2005		2004
Balance, beginning of year	$	3,049,199	$	1,808,655
Stock options granted and/or vested during the year:				
Directors and officers		214,000		110,000
Consultants		46,500		1,028,122
Exercise of stock options, reallocation of valuation		-		(10,140)
Expiry of warrants, reallocation of valuation		533,015		112,562
Balance, end of year	$	3,842,714	$	3,049,199

Compensation Units
During 2003, the Company completed a private placement and issued 204,408 compensation options to the underwriter. Each compensation option entitles the holder to purchase one compensation unit at a price of $0.42 per compensation unit until August 20, 2005. Each compensation unit consisted of one common share and one-half common share warrant. Each whole warrant entitled the holder to purchase one additional common share at a price of $0.60 per share until August 20, 2005. A value of $24,549 was recorded as cost of issue, with an offsetting entry to contributed surplus in 2003. These units expired unexercised on August 20, 2005.

Continued...

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2005 and December 31, 2004

6. INCOME TAXES

a) Provision for income taxes

The major items causing the Company's income tax expense to differ from the Canadian combined federal and provincial statutory rate of 36% (2004 - 36%) were:

		2005		2004
Net loss for the year	$	(1,633,410)	$	(2,530,368)
Expected recoverable income taxes at statutory rates		(588,000)		(911,000)
Increase (decrease) resulting from:				
Writedown of exploration properties and deferred exploration expenditures		88,000		103,000
Share issue costs		(159,000)		(100,000)
Stock based compensation		94,000		410,000
Other		463,760		15,000
Change in valuation allowance		(1,661,000)		483,000
Provision for income taxes	$	1,762,240	$	-

b) Future tax balances

The tax effect of temporary differences that give rise to future income tax assets and liabilities in Canada at December 31, 2005 and 2004 are as follows:

Future income tax assets (liabilities)		2005		2004
Non-capital losses	$	1,136,000	$	1,388,000
Resources properties		(1,125,000)		(202,000)
Share issue costs		377,000		287,000
Other assets		210,000		188,000
Valuation allowance		-		(1,661,000)
	$	598,000	**$**	**-**

The Company has non-capital losses in Canada which, under certain circumstances, can be used to reduce the taxable income of future years. The losses and expiry dates are as follows:

Expiry Date	Amount ($)
2006	163,000
2007	290,000
2008	219,000
2009	216,000
2010	1,584,000
2014	299,000
2015	384,000
	3,155,000

The Company has approximately $17,882,000 of development and exploration expenditures as at December 31, 2005 which under certain circumstances may be utilized to reduce the taxable income of future years.

The Company will record an additional income tax liability of approximately $1,341,000 upon renunciation of flow-through expenditures in 2006. See Note 8(a).

Continued...

NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2005 and December 31, 2004

7. RELATED PARTY TRANSACTIONS

Related party transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company shares its premises with other companies that have common directors. The Company reimburses the related companies for their proportionate share of the expenses. At December 31, 2005 an amount of $43,180 (2004 - $95,109) is payable in relation to these expenses. As well, the Company is owed $15,883 (2004 - $26,000) at December 31, 2005 for shared expenses.

During 2005, directors of the Company subscribed for 1,300,000 units as part of the private placement described in Note 5(a)(i).

During 2004, a director of the Company subscribed for 1,250,000 units of the private placement described in Note 5(a)(iv) for gross proceeds of $436,500.

8. COMMITMENTS AND CONTINGENCIES

(a) Pursuant to the issuance of 14,903,000 flow through shares in June 2005, the Company renounced $3,725,750 on qualified exploration expenditures with an effective date of December 31, 2005 in February 2006. As of December 31, 2005, the Company has expended $3,594,265 related to these flow through funds and will be committed to expend the balance of $131,485 between January 1 and December 31, 2006.

(b) The Company is party to certain management contracts. These contracts require monthly payments and termination payments totaling approximately $1,628,000 as follows: 2006 - $664,000; 2007 - $445,000; and 2008 - $519,000). These contracts also contain clauses requiring additional payments of up to $890,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these financial statements.

9. FINANCIAL INSTRUMENTS

Fair value:
Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying value of amounts receivable and accounts payable and accrued liabilities reflected in the balance sheet approximate fair value because of the limited term of these instruments.

Commodity Price Risk:
The ability of the Company to develop its properties and the future profitability of the Company are directly related to the market price of certain minerals.

Continued...

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2005 and December 31, 2004

10. SUBSEQUENT EVENTS

In January 2006, the Company completed the first tranche of a private placement financing through the issuance of 6,000,000 units of the Company at a price of $0.19 per unit for gross proceeds of $1,140,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase a common share of the Company at a price of $0.30 until July 20, 2007. All of the shares and warrants are subject to a hold period that will expire on May 21, 2006.

In February 2006, the Company completed the second tranche of a private placement financing through the issuance of 6,050,000 units at a price of $0.19 per unit and the issuance of 1,177,776 flow-through shares at a price of $0.225 per flow-through share for total gross proceeds of $1,414,500. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase a common share of the Company at a price of $0.30 until August 29, 2007. All of the shares and warrants are subject to a hold period that will expire on June 29, 2006.

Also in February 2006, the Company completed a brokered private placement of 9,200,000 flow-through common shares at a price of $0.225 per flow-through share for total gross proceeds of $2,070,000. Dundee Securities Corporation ("Dundee") acted as agent in connection with this private placement, and was issued 460,000 common shares as a portion of its commission (the "Fee Shares"). Additionally, Dundee was issued 460,000 Broker Warrants which are exercisable into common shares of the Company at a price of $0.225 per common share until August 28, 2007. The shares, Fee Shares and common shares issuable upon the exercise of the Broker Warrants are subject to a hold period that will expire on June 29, 2006.

In March 2006, the Company granted 3,120,000 stock options to directors, officers and consultants of the Company with an exercise price of $0.225 and an expiry date of March 13, 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS

of financial condition and results of operations

for the Year ended December 31, 2005

Unless otherwise noted the information in this Management Discussion and Analysis ("MD&A") is provided as at April 10, 2006.

The following MD&A should be read in conjunction with the Company's Audited Financial Statements for the year ended December 31, 2005.

SIGNIFICANT ACCOUNTING POLICIES

A detailed summary of the Company's significant accounting policies is included in note 2 of the Company's Annual Audited Financial Statements for the year ended December 31, 2005.

OVERVIEW

Crowflight Minerals Inc. is a junior mineral exploration and development company exploring for copper, nickel and Platinum Group Metals ("PGM's") on several properties of high potential in the Thompson Nickel Belt, Manitoba, and Sudbury Basin area of Ontario, Canada.

The Company is in the process of exploring its mineral properties, held either wholly by Crowflight, under joint venture or upon which it is earning either an entire interest or percent interest, many upon which it has not yet determined whether such mineral resources could be economically recoverable. The exception to this is the option interest the Company is earning in the Bucko Lake Nickel Deposit in the Thompson Nickel Belt, Manitoba, in which the Company completed a feasibility study during the fourth quarter of 2005. The recoverability of amounts shown for mineral properties and related deferred expenditures is dependent upon the discovery of economically recoverable resources, confirmation of the Company's interest in the underlying mining claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition thereof. The ability of the Company to continue as a going concern is dependent on the Company's ability to obtain future financing. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The following commentary will include all material events and activities to the date of this report as well as a description of each active property and the cost commitments by the Company related to those properties.

HIGHLIGHTS:

- The Company adds 300,000 tonnes of Indicated Resources grading 2.1% nickel within the Bucko deposit as a result of its summer 2005 resource in-fill drill program.

- Crowflight and Falconbridge agree to amend the terms of the Thompson Nickel Belt South and Thompson Nickel Belt North Project Area earn-in agreements between the two companies.

- The Company completes a feasibility study on the Bucko Deposit demonstrating the ability of the Deposit to deliver a 28.1% rate of return with a net present value of $29.7 million at a 10% discount rate assuming a life-of-mine nickel price of US$5.00 per pound nickel and a 46.3% rate of return and $61.6 million net present value assuming a life-of-mine nickel price of US$6.00 per pound nickel.

- Falconbridge begins a high resolution helicopter-borne magnetic geophysical survey over portions of the TNB South and TNB North Project Areas in search of ultramafic bodies directly associated with nickel deposits in the region.

MINERAL PROPERTIES:

THOMPSON NICKEL BELT PROPERTIES – MANITOBA

Thompson Nickel Belt South Project

In June 2004 the Company entered into an option agreement with Falconbridge Limited ("Falconbridge") to explore and develop certain properties in the Thompson Nickel Belt ("TNB"), including: (1) the Bucko Nickel Deposit; and (2) five highly prospective properties (Bucko/Bowden, Resting Lake, Rock Island Lake, Halfway Lake and Gonlin Lake) within 30 kilometres of the Bucko Deposit. The properties cover more than 190 square kilometres of mining leases and claims located in the Wabowden segment of the TNB, approximately 100 kilometres south of Inco Limited's producing Thompson and Birchtree mines.

In January 2005, the Company entered into a second agreement with Falconbridge to acquire a 50% interest in six additional properties (Burntwood River, Birchtree South, Birchtree North, Airport, Moak Lake and Strong Lake) located adjacent to Inco's Thompson and Birchtree mines on the TNB North Project. The properties cover approximately 250 square kilometres of mining leases and claims.

The TNB hosts nickel mineralization along a well established geological trend, extending for over 250 kilometres. Inco produced more than 100 million pounds of nickel in 2003 along the same mineralized belt from its Thompson and Birchtree mines which host reported reserves of 34 million tonnes grading 2.19% nickel and 0.15% copper. The belt has yielded an estimated 4.5 billion pounds of nickel in past production. Crowflight's partner, Falconbridge has been an active participant in the TNB since the early 1960's and has produced an extensive technical database for this section of the TNB.

CROWFLIGHT - FALCONBRIDGE AGREEMENTS

Bucko Resource Block, Bucko-Bowden Property and Exploration Claims, Thompson Nickel Belt, Manitoba ("TNB South")

Under the terms of its original earn-in agreements with Falconbridge, Crowflight is required to spend $18 million over 3 years during an initial earn-in period to acquire a 50% interest in the Bucko Resource Block (or "Bucko Deposit") and a 25% interest in the Bowden Lake, Halfway Lake and Resting Lake claims (together the "TNB South Properties"). These expenditures include: (1) $7.5 million on producing a Bankable Feasibility Study on the Bucko Deposit prior to December 31, 2006, and (2) $10.5 million on exploration expenditures prior to December 31, 2006.

Upon expending $10.5 million and completing a Bankable Feasibility Study, Crowflight will have earned a 50% interest in the Bucko Deposit. Crowflight can increase its interest in the Bucko Deposit to 100% by making a production decision and by arranging project development financing,. As well, Crowflight can increase its interest to 50% in the TNB South Properties by incurring an additional $7 million in exploration expenditures to the end of 2008. Crowflight is the operator with respect to the Bucko Deposit feasibility study and Falconbridge is the operator with respect to the TNB South Properties.

In addition to the expenditure requirements on the TNB South Properties, Crowflight issued Falconbridge 2 million common shares of the Company and 5 million warrants. The 5 million warrants consist of 2.5 million warrants exercisable at $0.35 valid for a period of 2 years and 2.5 million warrants exercisable at $0.75 valid for a period of 2 years. Crowflight had also issued Falconbridge an additional one million common shares of the Company in June 2005 and is required to issue one million common shares of the Company on or before June 2006 and, if Crowflight chooses to increase its interest to a 50% in the TNB South Properties, it will be required to issue 1,000,000 shares of the Company in each of June 2007 and June 2008.

If Crowflight does not put the Bucko Deposit into commercial production by year end 2010, and metal prices are at acceptable levels as defined in a Bankable Feasibility Study, Falconbridge may, at its sole option, purchase, for cash, all interest in the Bucko Deposit for fair market value.

If Crowflight earns either a 25% or 50% interest in the Bucko-Bowden Properties, and an Inferred Resource is delineated and a scoping study completed, a new resource block will be created. Falconbridge will have the first right to bump-up its interest in each new resource block by an additional 20%, as long as it holds a 30% interest in the Bucko-Bowden Properties, by funding a bankable feasibility to a maximum of $20 million within 3 years of the formation of the new resource block. Falconbridge will have 90 days to elect to bump-up; otherwise, Crowflight will have 90 days to make its election if the former does not elect to bump-up.

If Crowflight earns a 100% interest in the Bucko Deposit, Falconbridge will retain a 2.5% NSR royalty or if a 50/50 joint venture is formed, should either party dilute to less than 10% they will be entitled to a 1% NSR subject to full buy-out by the other party for $1 million. At Bucko-Bowden Properties, should either party dilute to less the 10% they will be entitled to a 1% NSR royalty subject to the same buy-out clause as above.

Under the tems of the agreement, Falconbridge has certain rights and obligations with respect to its ability to designate the facilities at which all concentrates will be smelted and refined, at market rates, or to purchase all of the concentrates produced from the properties if at competitive market terms.

The Company has advanced $5,027,454 to Falconbridge directly or into a security account for expenditure on the TNB South properties to December 31, 2005. Through December 31, 2005, Falconbridge has submitted expenditures of $5,116,697 on the projects against the advances.

The Company has expended $5,067,835 in Bankable Feasibility Study activities to December 31, 2005.

The Company applied for and was granted government assistance through the Manitoba Mineral Exploration Assistance Program (MEAP). An amount of $64,810 was granted to the Company and subsequently advanced to Falconbridge against exploration expenditure on the TNB South properties.

On December 16, 2005, Crowflight issued a press release whereupon it announced, among other things, that it and Falconbridge had, subject to completing a binding Amended Agreement, agreed in principle on a number of revisions to the Original Agreement between the two parties (as described above) with respect to Crowflight's commitments to earn its interests in the Bucko Deposit and the Thompson Nickel Belt South Project Area. The terms of the Original Agreements between Crowflight and Falconbridge were to be revised in three primary areas, with all other areas remaining as they were in the original agreement:

1. Crowflight to Earn an Interest in the Larger Mining Lease ML-031.

   Under the proposed terms of the Amended Agreement, Crowflight can earn a 33% initial interest in the entire Mining Lease ML-031 which includes the Bucko Resource Block as defined in the Original Agreement.

2. Crowflight to Earn an Initial 33% Interest and Up To a 100% Interest in ML-031.

   Under the proposed terms of the Amended Agreement, Crowflight can earn an initial 33% interest in ML-031, by funding the revised 2006 TNB South regional exploration commitment of $1.5 million and by providing funding to complete the Bankable Feasibility Study as described in the Original Agreement. Crowflight can earn up to a 50% interest in ML-031 by completing the Bankable Feasibility study on or before December 31, 2006 and incurring $6.0 million in obligatory exploration funding on the TNB South Property by April 30, 2009. Crowflight can earn a 100% interest in ML-031 subject to a 2.5% NSR payable to Falconbridge, by achieving Commercial Production as defined in the Original Agreement.

   Crowflight may at its option vest early by completing the requirements to vest as described in the Original Agreement on an accelerated schedule and advancing in cash to Falconbridge the amount required to complete the firm commitments on the TNB South Property. Falconbridge retains a 50% back-in right on any new resources exceeding 200 million pounds of nickel discovered outside of the boundaries of the original Bucko Resource Block by matching Crowflight's prior exploration expenditures on such resources Rescheduled Annual Regional Exploration Commitments.

   Under the terms of the Amended Agreement, Falconbridge has agreed in principle to provide Crowflight an extension of the period under which it is required to complete its obligatory exploration commitments on the TNB South Property with the result that the annual obligatory commitments to the regional exploration, due in 2005 and 2006 are lowered from a total of $6.25 million, to $1.5 million for 2006 commitments (refer to table below). The remaining commitments have been redistributed at $1.5 million per year over the following four year period.

   Following completion of its earn-in to an initial 25% interest in the Exploration Claims on the TNB South Property, Crowflight may earn an additional 25% interest in the TNB South Property by incurring a total of $7.0 million in optional expenditures that are distributed over four years, following vesting its 25% interest.

   A definitive binding agreement including the aforementioned amendments to the original agreement was signed by both parties effective March 1, 2006

Thompson Nickel Belt North ("TNB North") Project

In January 2005, the Company entered into another option agreement with Falconbridge to acquire a 50% interest in the TNB North Project. The Company is required to spend $5 million on or before April 30, 2008 in the following tranches:

- $1,650,000 by April 30, 2005 (amended as agreed by the two parties to be funded as required by the project - $1,317,100 paid);
- $1,000,000 by April 30, 2006;
- $1,000,000 by April 30, 2007;
- $1,350,000 by April 30, 2008.

In addition to the expenditure, the Company issued Falconbridge 400,000 common shares and warrants to purchase 1 million shares of the Company for a two year period from the date of issue. The 1 million warrants consist of 500,000 warrants exercisable at $0.35 and 500,000 warrants exercisable at $0.70. Also upon regulatory approval, the Company advanced $1,000,000 to Falconbridge for spending on the project. Through December 31, 2005, the Company has advanced $1,428,303 to Falconbridge and Falconbridge has submitted expenditures of $1,449,754.

The Company issued a press release on December 16, 2005 whereupon it announced, among other things, that it and Falconbridge had, subject to completing a binding Amended Agreement, agreed in principle on revisions to the Original option agreement between the two parties (as described above) with respect to Crowflight's commitments to earn its interests in the Thompson Nickel Belt North Project Area. Under the terms of this amended Agreement, optional exploration commitments on the Thompson Nickel Belt North Project Area have been extended to coincide with the timing of the amended obligatory commitments on the Thompson Nickel Belt South Project Area such that future expenditures would be:

- $1,300,000 by December 31, 2005;
- $1,000,000 by April 30, 2006;
- $1,000,000 by April 30, 2007;
- $1,000,000 by April 30, 2008; and
- $700,000 by April 30, 2009.

Bucko Deposit

According to a technical evaluation of the Bucko Deposit, titled "*43-101 Technical Evaluation Report of the Bucko Lake Property, Northern Manitoba*", dated September 24, 2004, by A.-J. Beauregard (P. Geo.) and D. Gaudreault (P. Eng.) of GEOLOGICA inc., independent Qualified Persons under NI 43-101 standards, the Bucko mineralization shows sufficient continuity with potentially economic nickel grades as detailed by the historical drilling such that a significant amount of the historical resources is deemed of high quality and can be included in the Indicated Resources category following the guidelines of NI 43-101.

Following the signing of the agreement with Falconbridge on the Bucko Resource Block, Crowflight, as operator, undertook a compilation of the existing data and created a three dimensional resource model of the known mineralization based on the results from previous exploration work. As a result of this work, the Company considered an approximate 15,000 metre surface and underground diamond drilling program to better define the ultimate size and grade of the resources down to the 1,000 metre Level (approximately 300 metres below surface) to National Instrument 43-101 standards for Measured and Indicated Mineral Resources. In addition, Crowflight acquired the necessary permits with regards to the dewatering and rehabilitation of the historical shaft and underground workings on the property to permit an underground diamond drilling program to further explore the deposit at depth. The dewatering and rehabilitation program included installing a power supply and surface infrastructure to gain underground access. It was originally planned that this work would commence in January 2005 and would be completed by the second quarter 2005. Following this work, the Company would produce an updated mineral resource estimate compliant with NI 43-101. As a result of the time taken to compile and analyze the historical data for the Bucko Deposit it was decided to postpone the underground program until Crowflight geologists had acquired a better understanding of the Bucko Deposit from the historical data.

Since early 2005, Crowflight's activities at the Bucko Deposit have been focused on the advancement of a feasibility study to determine the economic potential of developing the Bucko Resource. An initial program of surface drilling was conducted from December through to April 2005. Following preliminary modeling of the resources in the second quarter of 2005, the Company decided to advance a summer 2005 surface drill program. The program was scheduled to commence in June, however extreme wet weather in Manitoba forced a brief delay, and instead commenced in July. This program was modified slightly to take into account advancements in the resource model and grade-thickness contouring to highlight areas of greatest potential. Nine of eleven holes of the summer drill program were completed in late October on budget at a cost of approximately $650,000. Two holes remain to be drilled. Initial results for the first three holes of the program were announced on September 20, 2005. The most significant included a 56 metre (184 feet) intersection grading 2.01% nickel including a 14 metre (45.9 foot) intersection grading 4.44% nickel in hole BK05-09. On November 9, 2005, Crowflight announced results of nine of the eleven planned holes from this program. Based on only these nine holes, Crowflight was successful in adding the 300,000 tonnes of Indicated Resource at the Bucko Deposit it had targeted in the original planning of the program.

On December 16, 2005, the Company announced results from a feasibility study conducted on the Bucko Deposit. The study identified 1.8 million tonnes of Indicated Resources grading 2.10% nickel at a 1.5% nickel cut-off grade down to the 1650 Level or about 500 metres below surface. The study considered an underground mine utilizing the rehabilitated three-compartment shaft available on the property, plus an internal ramp system for primarily long-hole stoping, contractor mining of 1.7 million tonne Mineable Reserve grading 1.92% nickel at a similar 1.5% nickel cut-off grade. Processing of shaft hoisted ore was studied under 750 tonne per day (tpd) and 1,000 tpd scenarios for a processing plant built and containing new equipment. The 1,000 tonne per day processing scenario provided the best economics. Under this scenario, the processing plant would recover approximately 80% of the contained nickel to produce an average annual 12.5 million pounds of contained nickel in a concentrate grading from 17% to 18% nickel and free of any deleterious elements which would result in penalties. Minor amounts of by-product credits were available from platinum group elements, copper and cobalt. Concentrate is to be transported and sold to domestic and/or international smelting and refining facilities for further processing into final nickel end products. The feasibility study delivered a 28.1% rate of return with a net present value of $29.7 million at a 10% discount rate assuming a life-of-mine nickel price of US$5.00 per pound nickel. At US$6.00 per pound nickel the rate of return increases to 46.3% and the net present value at a 10% discount rate climbs to $61.6 million. Economic outcomes stated above are at a Canadian dollar - US dollar exchange rate of US$0.82 = $1.00 Canadian.

2005 EXPLORATION PROGRAM

Thompson Nickel Belt Properties

Falconbridge began a surface diamond drill program in the first quarter of 2005 on the TNB South and TNB North Properties to explore for occurrences of higher grade resources of nickel mineralization and to follow-up on previously identified historical nickel occurrences. Approximately 15,000 meters of diamond drilling was planned for the first half of 2005 on the Bucko-Bowden Properties. The program had been completed with 11,800 meters having been drilled in 30 drill holes. Falconbridge has been completing reports on this work to be filed with the Manitoba government. Results from this work were encouraging and the joint venture used the second half of the 2005 analyzing these results together with historical information to identify the most attractive targets for drilling early in 2006 under Crowflight's commitment to fund 2006 TNB regional exploration commitments as part of its obligations under the option agreements.

In late July, the Company commenced its summer 2005 surface drill program on the Bucko Nickel Deposit. Crowflight planned to drill 10 to 12 holes from surface to in-fill areas below the 1000 Level (305 metres below surface) that are adjacent to the Indicated Resources of the Deposit. Based on the work done to date on the resource model the Company believes these drill holes have the potential to add as much as 300,000 tonnes of additional Indicated Resources to the resource model. The ability to prove-up this tonnage assumes grade and thicknesses of nickel bearing rock in intersections of the planned holes that are similar to historic holes in nearest proximity to those planned. Beyond the summer 2005 surface program, Crowflight also intends to begin a program of dewatering and rehabilitating the historic underground infrastructure at the Bucko Deposit. Activities towards dewatering and rehabilitating the underground are scheduled to commence in the second half of 2006 following completion of the Bankable Feasibility Study (including receipt of project operating permits) on the economic development of the Deposit.

Late in the fourth quarter 2005, as a follow-up to the analytical work performed on the TNB South and North Project Areas by Falconbridge and Crowflight, a MIDAS, high resolution helicopter-borne magnetic geophysical survey was flown over the area between the Bucko Deposit and the Bowden Deposit on the TNB South Project Area as well as a large region covering favorable stratigraphy and known nickel showings on the TNB North Project Area immediately northwest of Inco Limited's producing Birchtree Mine.

The survey was complete in early January 2006, covered 1,500 line kilometres with the objective of hyper-accurately collecting magnetic data over these areas. Once the survey was completed, the data was processed using 3-D magnetic inversion techniques which assist in accurately modeling the distribution and geometry of ultramafic bodies directly associated with nickel deposits in the TNB, within the subsurface in 3 dimensions, including the potential identification of unknown and "blind" ultramafic rocks. New prospective nickel targets generated from this survey, in combination with existing electromagnetic geophysical data, will assist in enhancing target areas to be drill tested in the upcoming winter 2006 TNB South and TNB North regional exploration programs. The survey is budgeted to cost approximately $150,000 and is being financed with funds previously deposited with Falconbridge for this purpose as part of Crowflight's regional exploration funding commitment.

Sudbury Properties

In the Sudbury Basin, Crowflight has an interest in three exploration properties. These include: (1) the 100% owned AER Kidd Project adjacent to Inco Limited's Totten Deposit (10.1 million tonnes grading 1.5% nickel, 2.0% copper and 4.8 g/t PGM's); (2) the 100% owned Peter's Roost Property; and (3) the Airport Property (a joint venture with Millstream Mines Ltd.) located 4 kilometres south, and on-strike, with Falconbridge's Nickel Rim South Deposit (13.2 million tonnes grading 1.7% nickel, 3.5% copper and 4.1 g/t PGM's).

During the third quarter of 2005, the Company decided not to pursue its Mystery Offset Option and consequently wrote off $228,349 in deferred costs related to the property.

Encouraging exploration results were obtained in the late 2003 and early 2004 exploration program on the AER Kidd Project in the Sudbury Basin. Additional encouraging results were obtained on the Peter's Roost Project, including several geophysical anomalies considered by the Company to exhibit the expected signature from massive sulphide lenses. With the signing of the agreements with Falconbridge on the TNB South and TNB North Properties in 2004 and early 2005, respectively, Crowflight's exploration and development efforts have shifted to these Manitoba properties. It is the Company's intention to focus the majority of its resources to the development of the Bucko Deposit in order that Crowflight become a nickel producing cash flow generating company. Production at Bucko is currently planned for early 2007. Upon the successful development of the Bucko Deposit it is the Company's intention to recommence significant exploration activities on the Sudbury Basin Properties or in the interim, to seek a partner company that would be willing to invest in the exploration of such properties in exchange for an interest in these same properties. Until Crowflight has satisfied its earn-in option commitments with Falconbridge on the Manitoba properties or has developed the Bucko Deposit to commercial production, any future exploration activities on the Sudbury Properties will be limited by the financial resources of the Company in the context of these commitments to Falconbridge and the development of the Bucko Deposit.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2005, the Company had working capital of $233,532 compared to working capital of $5,086,479 as at December 31, 2004. The Company has used working capital during the year primarily to fund the Falconbridge agreements and to support corporate overheads.

During the first quarter of 2006, the Company completed two private placements for gross proceeds of $4,624,500 as addressed under the subsequent events section of this report

The Company intends to do future private placements and encourage investors to exercise warrants to meet its spending commitments under the Falconbridge agreements as outlined in the exploration section of this report and to cover its overheads.

RESULTS OF OPERATIONS

The Company reported net income of $128,830 during the year ended December 31, 2005 compared to a net loss of $2,530,368 for the same period last year. Included in income for the year under review is a non cash expense of $260,500 (2004 - $1,138,122) related to stock based compensation and a future income tax recovery of $1,762,240. The Company renounced $3,234,000 related to proceeds from flow-though shares and consequently a non cash future tax recovery of $1,164,240 was recognized. For the year ended December 31, 2005 $1,762,240 was applied to the profit and loss statement and the balance of $598,000 was recognized as a future tax asset on the balance sheet.

Upon removing the non cash stock based compensation and the future income tax recovery for the year ended December 31, 2005 and the comparative 2004 year the loss was $1,372,910 as compared to $1,392,246. The major items accounting for this decrease of $19,336 included increased professional and consulting expenses of $11,629, increased shareholder communications and promotions costs of $30,002, decreased interest expense and bank charges of $45,104 and decreased general and office expenses of $46,446. The Company also generated less interest income during 2005 of $60,143 as a function of the lower cash balances held during the year. Professional and consulting expenses increased during the year ended December 31, 2005 from the prior year primarily as a result of an addition to the management team in 2005. The increase in shareholder costs is attributed primarily to the Company's penetration into the European investment community. The decrease in general and office expense results from several factors, the primary one being a reduction in office supplies as the 2004 year was higher than normal due to the setup of new corporate offices, and the decrease in interest expense is a result of the flow-through interest penalty incurred by the Company in 2004. The Company met all required flow-through commitments early in the year and consequently no penalty was incurred during 2005.

During the last quarter of 2004, the Company decided not to pursue its options on the Copenhagen and Marble Mountain properties. During 2005, the Company expensed $16,838 related to maintaining these properties in good standing for return to the optionor.

Also during the year, the Company decided not to pursue its Mystery Offset Option and consequently wrote off $228,349 related to expenditures on the property as compared to a write off of $287,361 during 2004 related to the Copenhagen and Marble Mountain properties as previously mentioned.

QUARTERLY INFORMATION

The quarterly results have been as follows:
Tabular amounts in $000 except for per share amounts.

Summary Financial Information for the Eight Quarters Ended September 30, 2005

Period	Revenues	Total Assets	Net Income (Loss)	Net Income (Loss) per Share basic and diluted	Long Term Liabilities
4th Quarter 2005	Nil	22,783	254	0.00	Nil
3rd Quarter 2005	Nil	22,832	(569)	0.00	Nil
2nd Quarter 2005	Nil	21,867	(396)	(0.01)	Nil
1st Quarter 2005	Nil	17,752	840	0.01	Nil
4th Quarter 2004	Nil	16,876	(1,003)	(0.02)	Nil
3rd Quarter 2004	Nil	11,649	(805)	(0.03)	Nil
2nd Quarter 2004	Nil	10,811	71	0.00	Nil
1st Quarter 2004	Nil	10,604	(793)	(0.02)	Nil

As the Company has no revenue at this point in time, the net losses result primarily from corporate overheads including stock based compensation.

The general trend in increasing assets results from the Company raising funds through private placements and investing in its exploration properties in Sudbury, Ontario and Thompson, Manitoba.

The income in the first and last quarter of 2005 resulted from the non cash future income taxes of $1,164,240 and $598,000 as discussed under the results of operations section of this report.

ANNUAL INFORMATION

The annual results have been as follows:
Tabular amounts in $000 except for per share amounts

	2005	2004	2003
Net Income (loss)	129	(2,530)	(1,321)
Income (loss) per share basic and fully diluted	(0.00)	(0.05)	(0.04)
Total assets	22,783	16,876	10,758
Total Long term liabilities	-	-	-

CASH FLOWS

Cash used in Operating Activities was $1,710,099 for the year under review, compared to $1,164,017 during the prior year. The cash usage related to corporate overheads was $1,127,866 compared to $1,156,660 for the same period last year as described in the operating results section of this report. The change in non cash working capital used $593,962 compared to a usage of $81,526 during the prior year and interest and other expenses generated $11,729 compared to $74,169 generated in 2004.

Cash from Financing Activities generated $5,796,112, net of issue costs, from private placements and the issue of warrants during the year compared to $5,835,279 during the prior year.
Cash used in Investing Activities during the year ended December 31, 2005 was $9,257,799 compared to $5,789,887 used in investing activities for the same period last year. The Company invested $19,867 in equipment during the year ended December 31, 2005, compared to $39,909 during the prior year. Cash spending on the various properties for the year ended December 31, 2005 and 2004 is summarized below and described in the exploration section of this report.

The Company also had an increase in exploration accounts payable of $694,867 in 2005 as compared to an increase of $484,189 in 2004.

	MANITOBA			SUDBURY, ONTARIO					
	Bucko Feasibility Study	Thompson Nickel Belt South	Thompson Nickel Belt North	AER Kidd	Airport	Mystery Offset Dyke	Peter's Roost	New Exploration	TOTAL
Acquisition costs									
Acquisition and property costs	1,331	25,296	2,193	100,000	-	50,000	-	-	178,820
Drilling	1,686,492	1,819,306	729,673	-	-	-	-	-	4,235,471
Assaying, laboratory, metallurgy	284,106	5,762	-	-	-	-	-	-	289,868
Geology and geological consulting	521,216	643,122	198,064	17,651	17,584	6,243	28,884	1,890	1,434,654
Travel and transportation	162,415	16,046	6,110	1,657	1,295	20	1,136	422	189,101
Geochemistry and geophysics	96,676	796,673	406,512	(14,000)	4,000	-	3,530	-	1,293,391
Reports	361,137	-	-	-	-	-	-	-	361,137
Mine and mill design	809,147	-	-	-	-	-	-	-	809,147
Site development	463,621	-	-	-	-	-	-	-	463,621
Environmental	123,657	24,845	3,176	-	-	-	-	-	151,678
Field and office support	85,456	47,216	11,487	4,681	19,711	8,218	5,434	101	182,304
Management fees	42,719	327,566	131,796	-	-	-	-	-	502,081
Less: Government assistance		(64,810)	(93,664)						(158,474)
Cash spending 2005	**4,637,973**	**3,641,022**	**1,395,347**	**109,989**	**42,590**	**64,481**	**38,984**	**2,413**	**9,932,799**

2004	Bucko Bowden	AER Kidd	Airport	Mystery Offset Dyke	Marble Mountain	Copenhagen	Peter's Roost	TOTAL
Acquisition and property costs	161,615	55,283	30,000	-	12,272	25,814	52,887	337,871
Drilling	335,805	2,259,458	54,632	-	-	28	-	2,649,923
Line cutting	594	-	-	-	98	-	37,610	38,302
Analysis and laboratory	-	45,421	4,476	27	2,015	5	103	52,047
Geology and geological consulting	612,181	316,745	109,418	160,390	144,600	42,168	485,195	1,870,697
Travel and transportation	22,000	10,669	9,525	202	186	85	6,836	49,503
Geochemistry and geophysics	635,683	209,557	(6,233)	122	108	31	63,914	903,182
Environmental	30,494	-	-	-	-	-	-	30,494
Field and office support	17,590	103,398	19,005	3,127	3,920	668	16,841	164,549
Management fees	137,599	-	-	-	-	-	-	137,599
Cash spending 2004	**1,953,561**	**3,000,531**	**220,823**	**163,868**	**163,199**	**68,799**	**663,386**	**6,234,167**

Table includes cash expenditures only

TRANSACTIONS WITH RELATED PARTIES

Related party transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company shares its premises with other companies that have common directors. The Company reimburses the related companies for their proportionate share of the expenses. At December 31, 2005 an amount of $41,380 (2004 - $95,109) is payable in relation to these expenses. As well, the Company is owed $15,883 (2004 - $26,000) at December 31, 2005 for shared expenses.

During 2005, directors of the Company subscribed for 1,300,000 units as part of the June 2005 private placement for proceeds of $520,000.

During 2004, a director of the Company subscribed for 1,250,000 units of the November 2004 private placement of 5,880,713 units at $0.35 for proceeds of $437,500.

OUTSTANDING SHARE DATA

As at December 31 2005, 98,621,254 common shares of the Company were outstanding. Of the options to purchase common shares issued to service providers under the share option plan of the Company, 7,405,000 remain outstanding with exercise prices ranging from $0.20 to $0.70, with expiry dates ranging between September 18, 2006 and October 18, 2010. If exercised, 7,405,000 common shares would be issued for proceeds of $2,223,875.

As at December 31, 2005, 29,434,356 share purchase warrants were outstanding with exercise prices ranging from $0.30 to $0.75, expiring between June 17, 2006 and March 8, 2007. If all warrants and units were exercised 29,434,356 common shares would be issued for proceeds of $13,276,278.

SUBSEQUENT EVENTS

In January 2006, the Company completed the first tranche of a private placement financing through the issuance of 6,000,000 units of the Company at a price of $0.19 per unit for gross proceeds of $1,140,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase a common share of the Company at a price of $0.30 until July 20, 2007. All of the shares and warrants are subject to a hold period that will expire on May 21, 2006.

In February 2006, the Company completed the second tranche of a private placement financing through the issuance of 6,050,000 units at a price of $0.19 per unit and the issuance of 1,177,776 flow-through shares at a price of $0.225 per flow-through share for total gross proceeds of $1,414,500. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase a common share of the Company at a price of $0.30 until August 29, 2007. All of the shares and warrants are subject to a hold period that will expire on June 29, 2006.

Also in February 2006, the Company completed a brokered private placement of 9,200,000 flow-through common shares at a price of $0.225 per flow-through share for total gross proceeds of $2,070,000. Dundee Securities Corporation ("Dundee") acted as agent in connection with this private placement, and was issued 460,000 common shares as a portion of its commission (the "Fee Shares"). Additionally, Dundee was issued 460,000 Broker Warrants which are exercisable into common shares of the Company at a price of $0.225 per common share until August 28, 2007. The shares, Fee Shares and common shares issuable upon the exercise of the Broker Warrants are subject to a hold period that will expire on June 29, 2006.

In March 2006, the Company granted 3,120,000 stock options to directors, officers and consultants of the company with an exercise price of $0.225 and an expiry date of March 13, 2011.

RISKS AND UNCERTAINTIES

Mining exploration inherently contains a high degree of risk and uncertainty. Solid professional management and experienced personnel with high standards of care can mitigate some of these risks. Risks would include but not be limited to unfavourable drill results including uneconomic grades or costs of recovery, falling nickel, copper or PGM commodity prices, a strengthening Canadian dollar versus the US dollar, unfavourable costs, falling capital markets and key personnel changes.

MULTILATERAL INSTRUMENT 52-109 DISCLOSURE

Evaluation of disclosure controls and procedures

Public companies are required to perform an evaluation of disclosure controls and procedures annually and to disclose management's conclusions about the effectiveness of these disclosure controls and procedures in its annual MD&A.

The Company has established, and is maintaining, disclosure controls and procedures to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is disclosed in annual filings, interim filings or other reports and recorded, processed, summarized and reported within the time periods specified as required by securities regulations.

Management has evaluated the effectiveness of the Company's disclosure controls and procedures for the financial year ended December 31, 2005 and believes that they are sufficient to provide reasonable assurance that the Company's disclosures are compliant with securities regulations.

OUTLOOK

Crowflight's exploration strategy developed since the early part of 2004 has been two-fold and focused on adding shareholder value in the near term by finding, developing and mining a significant nickel, copper and PGM mineralized ore body within Crowflight's current and acquired portfolio of 100% owned and joint venture properties, and also establishing a partnership with a major producer that would ensure an availability of quality projects in established base and precious metal producing regions, where the best place to find deposits is adjacent other deposits and processing facilities.

Further information is available on the Company's web site at www.crowflight.com.

FORWARD-LOOKING STATEMENTS

The annual report, including this MD&A, contains certain forward-looking statements related to, among other things, expected future events, future spending levels and the future financial and operating results of the Company. Forward-looking statements are encouraged to enhance communication but are subject to inherent risks and uncertainties including but not limited to, market and general economic conditions, changes arising as drilling results unfold, changes in regulatory environments affecting the Company and the availability and terms of subsequent financings. Other risks and uncertainties are detailed above. Consequently, actual results and events may differ materially from those included in, contemplated or implied by such forward-looking statements for a wide variety of reasons. Readers are therefore cautioned not to place undue reliance on any forward looking statement.

April 10, 2006

CORPORATE INFORMATION

Annual and Special Meeting

The annual and special meeting of shareholders will be held at 4:00 p.m., Thursday, June 15th, 2006 at 65 Queen Street West, Suite 815, in Toronto, Ontario

Directors

Thomas Atkins
President & C.E.O. of the Corporation
Toronto, Ontario

Stan Bharti
Professional Engineer
Toronto, Ontario

Maurice Colson*
Investment Banker
Toronto, Ontario

Major General (ret'd) Lewis MacKenzie*
Independent Businessman
Bracebridge, Ontario

Gerald McCarvill*
Independent Businessman
Toronto, Ontario

* Members of the Audit Commitee

Shareholders' Information

Stock Exchange Listing
Toronto Venture Exchange (TSX Venture)
Symbol: CML

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Fax: (416) 861-8165

Registrar and Transfer Agent
Equity Transfer Services Inc.
Toronto, Ontario

Auditors
McGovern, Hurley, Cunningham, LLP
Chartered Accountants
Toronto, Ontario

Legal Counsel
Cassels Brock & Blackwell LLP
Barristers and Solicitors
Toronto, Ontario