

**CROWFLIGHT MINERALS INC.**

**ANNUAL REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2006**

**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 (the "Meeting") of the shareholders of Crowflight Minerals Inc. (the "Corporation") will be held at Suite 815, 65 Queen Street West, Toronto, Ontario M5H 2M5 on Wednesday, the 6<sup>th</sup> day of June, 2007 at 4:30 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, 2006, 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 consider and, if deemed advisable, to approve, with or without variation, a special resolution authorizing a change in the name of the Corporation from "Crowflight Minerals Inc." to "Crowflight Nickel Inc." or such other name that the Board of Directors in its sole discretion determines appropriate and which any regulatory body having jurisdiction may accept, as more particularly set forth in the accompanying management proxy and information circular (the "Management Information Circular") prepared for the purpose of the Meeting;
5. to re-approve the Corporation's stock option plan; and
6. to transact such further or other business as may properly come before the Meeting or any postponement(s) or adjournment(s) thereof.

This notice is accompanied by a form of proxy, a management information circular (the "Circular"), and the audited consolidated financial statements of the Corporation for the fiscal year ended December 31, 2006. 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 21<sup>st</sup> of April, 2007.

BY ORDER OF THE BOARD

(Signed) "*Thomas Atkins*"

---

**Thomas Atkins**, President, C.E.O. and a member of the Board

**CROWFLIGHT MINERALS INC.**

**MANAGEMENT INFORMATION CIRCULAR  
AS AT AND DATED APRIL 21, 2007**

**Solicitation of Proxies**

**THIS MANAGEMENT INFORMATION CIRCULAR (“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 (THE “MEETING”) OF HOLDERS OF COMMON SHARES (“SHAREHOLDERS”) OF THE CORPORATION TO BE HELD ON JUNE 6, 2007 AND AT ANY POSTPONEMENT(S) OR ADJOURNMENT(S) THEREOF FOR THE PURPOSES SET FORTH IN THE ACCOMPANYING NOTICE OF MEETING (“NOTICE OF MEETING”).** References in this Circular to the “Meeting” include references to any postponement(s) or adjournment(s) 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 of Proxies**

The persons named in the enclosed form of proxy are directors of the Corporation. **A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON OR COMPANY 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 of the Meeting on the day of the Meeting.

**Revocation of Proxies**

In addition to revocation in any other manner permitted by law, a Shareholder may revoke a proxy given pursuant to this solicitation by

- (a) an instrument in writing (including another proxy bearing a later date) executed by the Shareholder or by an attorney authorized in writing or by electronic signature, as the case may be, or
- (b) a revocation transmitted by telephonic or electronic means that, if the means of electronic signature permits a reliable determination that the document was created or communicated by or on behalf of the Shareholder or an attorney, as the case may be, is signed by electronic signature,

that is received either at 65 Queen Street West, 8<sup>th</sup> Floor, Toronto, Ontario M5H 2M5 at any time up to and including the last business day preceding the day of the Meeting or is presented to the chairman of the Meeting on the day of the Meeting before the taking of any vote in respect of which the proxy is to be used.

**Voting of Proxies**

Common shares (“Common Shares”) of the Corporation 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 CIRCULAR OR WITHHELD FROM VOTING OR VOTED AGAINST IF SO INDICATED ON THE FORM OF PROXY AND IN ACCORDANCE WITH THE INSTRUCTIONS OF THE SHAREHOLDER ON ANY BALLOT THAT MAY BE CALLED FOR. 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 of this 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 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 - *Communication with Beneficial Owners of Securities of a Reporting Issuer*, the Corporation will distribute copies of the Notice of Meeting, form of proxy and this 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 Common 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 without par or nominal value. As of April 21, 2007, the record date (the "Record Date") for the Meeting, the Corporation had issued and outstanding 232,845,437 Common Shares.

The Corporation shall make a list of all persons who are registered holders of Common Shares on 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 on each matter to be acted on at the Meeting for each Common Share registered in his name as it appears on the list, except to the extent that such Shareholder transfers any Common Shares after the Record Date and the transferee of those Common Shares produces properly endorsed certificates or otherwise establishes that the transferee owns the Common Shares and demands, not later than ten days before the Meeting, that the transferee's name be included in the list before the Meeting. In such case the transferee is entitled to vote those Common Shares at the Meeting.

To the knowledge of the directors and officers of the Corporation, as at the Record Date, 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.

## **Financial Statements**

The financial statements for the fiscal year ended December 31, 2006, together with the auditor's report thereon, will be presented to Shareholders for review at the Meeting and were mailed to Shareholders with the Notice of Meeting and this Circular. No vote by the Shareholders is required with respect to this matter.

## **Election of Directors**

Under its articles, the Corporation is to have a minimum of one director and a maximum of ten. The Directors propose to fix the number of directors for the year ended December 31, 2007 at six. 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 articles and by-laws of the Corporation.

At the Meeting, Shareholders will be asked to elect six 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. If, prior to the Meeting, any of such Nominees is unable or unwilling to serve, the persons named in

the accompanying form of proxy will vote for another nominee or nominees in their discretion if additional nominations are made at the Meeting. Each Nominee elected will hold office until his successor is elected at the next annual meeting of the Corporation, or any postponement(s) or adjournment(s) thereof, or until his successor is elected or appointed.

Name and Municipality of Residence	Principal Occupation	Director Since	Number of Common Shares Beneficially Owned or Over which Control is Exercised <sup>(1)</sup>
Thomas Atkins Ontario, Canada	President and Chief Executive Officer of the Corporation since March 14, 2005	March 14, 2005	52,500
Stan Bharti <sup>(2)</sup> Ontario, Canada	Professional Engineer	June 26, 2003	3,942,190
Maurice Colson <sup>(3)</sup> Ontario, Canada	Investment Banker	October 12, 2004	128,000
Lewis MacKenzie <sup>(3)</sup> Ontario, Canada	Independent Businessman	February 25, 2005	Nil
Gerald McCarvill Ontario, Canada	Independent Businessman	June 26, 2003	3,569,333
Bernard, Wilson Ontario, Canada	Vice-Chairman, PricewaterhouseCoopers LLP (an advisory and tax services firm) since 1965 and Chairman of the Institute of Corporate Directors of Canada (an organization representing the director community in Canada)	July 6, 2006	Nil

Notes:

- (1) The Corporation has relied exclusively on the respective Nominee for this information.
- (2) Executive Chairman of the Board of Directors.
- (3) 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.

All of the Nominees are presently directors of the Corporation and, other than Bernard Wilson, were elected as directors by Shareholders at the annual and special meeting of the Corporation held on June 15, 2006.

Bernard Wilson is a senior financial professional with a wide array of working relationships with business executives in Canada, the United States and internationally. Since 1965, Mr. Wilson has worked for PriceWaterhouseCoopers LLP, most recently as Vice-Chairman. Mr. Wilson is an advisor in corporate finance and investment banking and has extensive experience in major financial restructurings and advises on international trade and commerce issues. Mr. Wilson served as Chairman of the Canadian Chamber of Commerce - the largest business organization in Canada with 175,000 members; Chairman of the Canadian Council for International Business – the organization representing Canadian multinational companies at the OECD in Paris, the WTO in Geneva and the UN in New York; Chairman of the International Chamber of Commerce – Canada; and Member of the Canada/US Trade Committee.

### **Appointment of Auditors**

Unless such authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the appointment of the firm of McGovern, Hurley, Cunningham, LLP, Chartered Accountants of Toronto, Ontario as auditors of the Corporation until the close of the next annual meeting of Shareholders and to authorize the directors to fix their remuneration. McGovern, Hurley, Cunningham, LLP, Chartered Accountants have been the auditors for the Corporation since April 13, 2004 when they replaced Lee & Kim, Chartered Accountants.

### **Name Change**

The Corporation is contemplating changing its name to more accurately reflect the activities of the Corporation. Accordingly, at the Meeting, Shareholders will be asked to consider and, if thought fit, to pass a special resolution as set forth below hereto authorizing the Board of Directors, in its sole discretion, to change the name of the Corporation to “Crowflight Nickel Inc.”, or such other name as the Board of Directors, in its sole discretion, deems appropriate. Notwithstanding approval of the transaction by Shareholders, the Board of Directors may, in its sole discretion, revoke this special resolution, and abandon the name change without further approval or action by or prior notice to Shareholders.

At the Meeting, shareholders will be asked to consider, and if deemed to be advisable approve, the following special resolution, which must be passed by two-thirds of the votes cast by the Shareholders in person or by proxy at the Meeting, subject to such amendments, variations or additions as may be approved at the Meeting:

“NOW THEREFORE BE IT RESOLVED, AS A SPECIAL RESOLUTION, THAT:

1. subject to the Corporation first receiving all required regulatory and TSX Venture Exchange approvals, the name of the Corporation be changed to “Crowflight Nickel Inc.”, or such other name as may be approved by the directors of the Corporation and applicable regulatory authorities;
2. the articles of the Corporation be amended to reflect the foregoing;
3. the Board of Directors of the Corporation be and are authorized to file articles of amendment and all other requisite documents with all applicable regulatory authorities in order to give effect to the name change;
4. notwithstanding the passage of this resolution by the shareholders of the Corporation, the Board of Directors of the Corporation may, without any further notice or approval of the shareholders of the Corporation, decide not to proceed with the name change or to otherwise give effect to this resolution at any time prior to the sale becoming effective and may revoke this resolution without further approval of the shareholders at any time prior to the completion of the transactions authorized by this resolution; and
5. any one or more of the directors or officers of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or cause to be delivered, such other documents and instruments, and to do or cause to be done all such other acts and things, as may in the opinion of such director or officer of the Corporation be necessary or desirable to carry out the intent of the foregoing resolution, 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.”

The Board of Directors recommends that Shareholders vote for the adoption of the resolution. In order to be effective, the resolution must be approved by two-thirds of the votes cast at the Meeting in respect of such resolution. **PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF THE SPECIAL RESOLUTION CHANGING THE NAME OF THE CORPORATION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.**

In the event that the Corporation proceeds with a name change, it will send letters of transmittal to holders of Common Shares for use in transmitting their share certificates to the Corporation’s registrar and transfer agent, Equity Transfer & Trust Company, in exchange for new certificates of the Corporation as renamed. Once a Certificate of Amendment (or the equivalent) is obtained and properly completed letters of transmittal together with any share certificates representing Common Shares issued prior to the name change have been received in accordance with instructions contained in the letters of transmittal, certificates for the appropriate number of Common Shares reflecting the new name of the Corporation will be issued.

### **Stock Option Plan**

The Corporation’s current stock option plan (the “Stock Option Plan”), first implemented in the fiscal year ended December 31, 2004, is a “rolling” stock option plan under TSX Venture Exchange – Corporate Finance Manual – *Policy 4.4 – Incentive Stock Options* (the “Exchange Policy”). Under the Stock Option Plan, the Corporation is authorized to grant stock options of up to 10% of its issued and outstanding Common Shares at the time of the stock option grant, from time to time, with no vesting provisions. Pursuant to the Exchange Policy, the Corporation is required to obtain the approval of its Shareholders to any stock option plan that is a “rolling” plan yearly at the Corporation’s annual meeting of Shareholders. Accordingly, at the Meeting, Shareholders will be asked to approve the following ordinary resolution approving the Plan:

“BE IT RESOLVED THAT:

1. the current Stock Option Plan of Crowflight Minerals Inc. (the “Corporation”), as set out in the management information circular of the Corporation dated April 21, 2007, is hereby approved; 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 to give effect to the true intent of these resolutions.”

**PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF THE STOCK OPTION PLAN UNLESS A SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT THE COMMON SHARES ARE TO BE VOTED AGAINST SUCH ORDINARY RESOLUTION.**

**Executive Compensation**

**(a) Compensation of Officers**

The following table summarizes the compensation paid during the last three financial years ended December 31, 2006, 2005 and 2004 in respect of the individuals who were carrying out the role of the Chief Executive Officer of the Corporation or Chief Financial Officer of the Corporation during those financial years and the executive officers of the Corporation who were paid more than \$150,000 in compensation during the financial year ended December 31, 2006 (the "Named Executive Officers").

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Annual Compensation				Long Term Compensation			
	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$) <sup>(1)</sup>	Awards		Payouts	
					Securities Under Options SARs Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	All Other Compensation (\$)
Thomas Atkins President and C.E.O. <sup>(2)</sup>	2006	Nil	310,000	131,429	850,000	Nil	Nil	Nil
	2005	Nil	Nil	225,831	1,000,000	Nil	Nil	Nil
	2004	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Stan Bharti Past President and C.E.O. <sup>(2)</sup>	2006	Nil	185,000	145,000	400,000	Nil	Nil	Nil
	2005	Nil	Nil	285,000	Nil	Nil	Nil	Nil
	2004	Nil	Nil	179,000	500,000	Nil	Nil	Nil
Jean Lafleur Past President and C.E.O. <sup>(2)</sup>	2006	Nil	Nil	5,250	50,000	Nil	Nil	Nil
	2005	Nil	Nil	50,000	Nil	Nil	Nil	Nil
	2004	Nil	Nil	170,000	75,000	Nil	Nil	Nil
Keith Minty Past President and C.E.O. <sup>(2)</sup>	2006	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2005	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2004	Nil	Nil	40,000	Nil	Nil	Nil	Nil
Deborah Battiston C.F.O.	2006	Nil	14,500	48,000	100,000	Nil	Nil	Nil
	2005	Nil	Nil	55,500	Nil	Nil	Nil	Nil
	2004	Nil	Nil	65,500	100,000	Nil	Nil	Nil
Paul Keller C.O.O.	2006	Nil	35,000	155,001	300,000	Nil	Nil	Nil
	2005	Nil	Nil	122,292	200,000	Nil	Nil	Nil
	2004	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Compensation paid as consulting fees under the independent contractor agreement with the Named Executive Officer as described under the heading "Executive Compensation – Termination of Employment, Change in Responsibilities and Employment Contracts" of this Circular. Other benefits did not exceed the lesser of \$50,000 and 10% of the total annual compensation for the Named Executive Officer, unless specifically specified.
- (2) 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. James Brady as President of the Corporation on June 5, 2003.

**(b) Long Term Incentive Plan (LTIP Awards)**

The Corporation does not currently 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, 2006 are provided in the table below:

Name	Securities Under Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in Fiscal year <sup>(1)</sup>	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security) <sup>(2)</sup>	Expiration Date
Thomas Atkins President & C.E.O.	850,000	21.47%	\$0.225	\$0.225	March 13, 2011
Stan Bharti Past President & C.E.O.	400,000	10.10%	\$0.225	\$0.225	March 13, 2011
Jean Lafleur Past President & C.E.O.	50,000	1.26%	\$0.225	\$0.225	March 13, 2011
Keith Minty Past President & C.E.O.	0	N/A	N/A	N/A	N/A
Deborah Battiston C.F.O.	100,000	2.53%	\$0.225	\$0.225	March 13, 2011
Paul Keller C.O.O.	300,000	7.65%	\$0.225	\$0.225	March 13, 2011

Notes:

- (1) Rounded to the nearest decimal place. Based on the total number of options granted to directors/officers/consultants of the Corporation pursuant to the Stock Option Incentive Plan during the fiscal period ended December 31, 2006.
- (2) Based on the closing market price of the Common Shares.

**OPTION/SAR EXERCISES 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, 2006 and options held by the Named Executive Officers as at December 31, 2006:

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at December 31, 2006		Value of Unexercised In-the-money Options at December 31, 2006	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$) <sup>(1)</sup>	Unexercisable (\$) <sup>(1)</sup>
Thomas Atkins President & C.E.O.	0	N/A	1,425,000	425,000	\$172,875	\$82,875
Stan Bharti Past President & C.E.O.	0	N/A	1,700,000	200,000	\$346,500	\$39,000
Jean Lafleur Past President & C.E.O.	0	N/A	225,000	225,000	\$4,875	\$4,875
Keith Minty Past President & C.E.O.	0	N/A	0	0	N/A	N/A
Deborah Battiston C.F.O.	0	N/A	250,000	50,000	\$27,250	\$9,750
Paul Keller C.O.O.	0	N/A	350,000	150,000	\$57,350	\$29,250

Notes:

- (1) Based on the closing market price of the Common Shares of \$0.42 on December 31, 2006.

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

The Corporation has consulting contracts with the current Named Executive Officers as follows:

**Thomas Atkins**

The Corporation entered into a contract with Thomas Atkins effective March 1, 2005 (amended on May 9, 2006), pursuant to which Mr. Atkins agreed to provide management consulting services as the President and Chief Executive Officer of the Corporation. Mr. Atkins is entitled to compensation for the provision of such services at base fees of \$14,583.33 per month subject to quarterly review by the Board, plus any such increments thereto, bonuses and grants of options under the Stock Option Plan as the Board may from time to time determine. This agreement expires on February 29, 2008 and may be terminated at any time for just cause without notice or payment in lieu of notice and without payment of any termination fees. In the event of termination without cause, Mr. Atkins is entitled to be paid the equivalent of 12 months of base fees in the form of a lump sum payment within thirty days of the termination date. In the event of a “change in control” of the Corporation, the Corporation and Mr. Atkins each have a 12 month period following such “change in control” to elect to terminate the agreement. In the event of such election, the Corporation shall, within 30 days of such election, make a lump sum termination payment to Mr. Atkins that is equivalent to 36 months of base fees and bonuses paid within the past 36 months to Mr. Atkins.

**Stan Bharti**

The Corporation entered into a contract with Stan Bharti effective June 5, 2003 (amended on May 1, 2004, further amended on March 1, 2005 and further amended on May 9, 2006), pursuant to which Mr. Bharti agreed to provide management consulting services to the Corporation. Mr. Bharti is entitled to compensation for the provision of such services at base fees of \$10,000 per month subject to quarterly review by the Board, plus any such increments thereto, bonuses and grants of options under the Stock Option Plan as the Board may from time to time determine. This agreement expires on February 29, 2008 and may be terminated at any time for just cause without notice or payment in lieu of notice and without payment of any termination fees. In the event of termination without cause, Mr. Bharti is entitled to be paid the equivalent of 12 months of base fees in the form of a lump sum payment within thirty days of the termination date. In the event of a “change in control” of the Corporation, the Corporation and Mr. Bharti each have a 12 month period following such “change in control” to elect to terminate the agreement. In the event of such election, the Corporation shall, within 30 days of such election, make a lump sum termination payment to Mr. Bharti that is equivalent to 36 months of base fees and bonuses paid within the past 36 months to Mr. Bharti.

**Deborah Battiston**

The Corporation entered into a contract with Deborah Battiston effective October 22, 2003 (amended on March 1, 2005 and further amended on May 9, 2006), pursuant to which Ms. Battiston agreed to provide management consulting services as the Chief Financial Officer of the Corporation. Ms. Battiston is entitled to compensation for the provisions of such services of base fees of \$4,000 per month subject to quarterly review by the Board, plus any such increments thereto, bonuses and grants of options under the Stock Option Plan as the Board may from time to time determine. This agreement expires on February 29, 2008 and may be terminated at any time for just cause without notice or payment in lieu of notice and without payment of any termination fees. In the event of termination without cause, Ms. Battiston is entitled to be paid the equivalent of 12 months of base fees in the form of a lump sum payment within thirty days of the termination date. In the event of a “change in control” of the Corporation, the Corporation and Ms. Battiston each have a 12 month period following such “change in control” to elect to terminate the agreement. In the event of such election, the Corporation shall, within 30 days of such election, make a lump sum termination payment to Ms. Battiston that is equivalent to 24 months of base fees and bonuses paid within the past 24 months to Ms. Battiston.

**Paul Keller**

The Corporation entered into a contract with Paul Keller effective February 21, 2005 (amended on July 1, 2005 and further amended on May 9, 2006), pursuant to which Mr. Keller agreed to provide management consulting services as the Vice President and Chief Operating Officer of the Corporation. Mr. Keller is entitled to compensation for the provision of such services at base fees of \$12,916.66 per month subject to quarterly review by the Board, plus any such increments thereto, bonuses and grants of options under the Stock Option Plan as the Board may from time to time determine. The term of this agreement is on a continuous month-to-month basis, but may be terminated at any time for just cause without notice. In the event of termination without cause, Mr. Keller is entitled to be paid the equivalent of

12 months of base fees in the form of a lump sum payment within thirty days of the termination date. In the event of a “change in control” of the Corporation, the Corporation and Mr. Keller each have a 12 month period following such “change in control” to elect to terminate the agreement. In the event of such election, the Corporation shall, within 30 days of such election, make a lump sum termination payment to Mr. Keller that is equivalent to 24 months of base fees and bonuses paid within the past 24 months to Mr. Keller.

Other management services for the Corporation are not, to any material degree, performed by persons other than the senior officers of the Corporation.

Other than as disclosed above, the Corporation has no compensatory plan or arrangement in respect of compensation received or that may be received by the Named Executive Officers in the Corporation’s most recently completed or current fiscal year to compensate such executive officers in the event of the termination of employment (resignation, retirement, change of control) or in the event of a change in responsibilities following a change of control.

**(e) Compensation of Directors**

Directors may receive cash bonuses from time to time, which the Corporation awards to directors for acting as a member of the Board. In addition, directors are entitled to participate in the Corporation’s Stock Option Plan, which 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. Executive officers who also act as directors of the Corporation do not receive any additional compensation for services rendered in their capacity as directors.

During the fiscal year ended December 31, 2006, directors were granted the following options and bonuses in their capacity as directors of the Corporation:

Name of Director	Bonus (\$)	Options		
		Number of Options Granted (#)	Exercise Price (\$/Security)	Expiration Date
Thomas Atkins	310,000	850,000	\$0.225	March 13, 2011
Stan Bharti	185,000	400,000	\$0.225	March 13, 2011
Maurice Colson	13,000	150,000	\$0.225	March 13, 2011
Lewis MacKenzie	12,000	150,000	\$0.225	March 13, 2011
Gerald McCarvill	10,000	250,000	\$0.225	March 13, 2011
Bernard Wilson	9,500	350,000	\$0.28	July 5, 2011

*Other Arrangements*

None of the directors of the Corporation were compensated in their capacity as a director by the Corporation or its subsidiaries during the financial year ended December 31, 2006 pursuant to any other arrangement or in lieu of any standard compensation arrangement, other than Stan Bharti (as described above) and Gerald McCarvill.

The Corporation entered into a contract with Gerald McCarvill effective June 5, 2003 (amended on May 1, 2004, further amended on March 1, 2005 and further amended on May 9, 2006), pursuant to which Mr. McCarvill agreed to provide management consulting services to the Corporation. Mr. McCarvill is entitled to compensation for the provision of such services at base fees of \$7,500 per month subject to quarterly review by the Board, plus any such increments thereto, bonuses and grants of options under the Stock Option Plan as the Board may from time to time determine. This agreement expires on February 29, 2008 and may be terminated at any time for just cause without notice or payment in lieu of notice and without payment of any termination fees. In the event of termination without cause, Mr. McCarvill is entitled to be paid the equivalent of 12 months of base fees in the form of a lump sum payment within thirty days of the termination date. In the event of a “change in control” of the Corporation, the Corporation and Mr. McCarvill each have a 12 month period following such “change in control” to elect to terminate the agreement. In the event of such election, the Corporation shall, within 30 days of such election, make a lump sum termination payment to Mr. McCarvill that is equivalent to 24 months of base fees and bonuses paid within the past 24 months to Mr. McCarvill.

### **Other Management Compensation Arrangements**

In addition to the arrangements disclosed under the heading “Executive Compensation” in this Circular, the Corporation has compensation arrangements with the following directors and officers of the Corporations:

#### **Greg Collins**

The Corporation entered into a contract with Greg Collins effective May 9, 2005 (amended on May 9, 2006 and further amended on January 1, 2007), pursuant to which Mr. Collins agreed to provide management consulting services as the Vice President of Exploration of the Corporation. Mr. Collins is entitled to compensation for the provision of such services at base fees of \$11,000 per month subject to quarterly review by the Board, plus any such increments thereto, bonuses and grants of options under the Stock Option Plan as the Board may from time to time determine. The term of this agreement is on a continuous month-to-month basis, but may be terminated at any time for just cause without notice and may be terminated for any reason by either party upon sixty days’ written notice to the other party. In the event of a “change in control” of the Corporation, the Corporation and Mr. Collins each have a 12 month period following such “change in control” to elect to terminate the agreement. In the event of such election, the Corporation shall, within 30 days of such election, make a lump sum termination payment to Mr. Collins that is equivalent to 24 months of base fees and bonuses paid within the past 24 months to Mr. Collins.

#### **Tony Wonnacott**

The Corporation entered into a contract with Tony Wonnacott effective June 5, 2003 (amended on March 1, 2005 and further amended on May 9, 2006), pursuant to which Mr. Wonnacott agreed to provide management consulting services as the General Counsel and Corporate Secretary of the Corporation. Mr. Wonnacott is entitled to compensation for the provision of such services at base fees of \$1,500 per month subject to quarterly review by the Board, plus any such increments thereto, bonuses and grants of options under the Stock Option Plan as the Board may from time to time determine. This agreement expires on February 29, 2008 and may be terminated at any time for just cause without notice or payment in lieu of notice and without payment of any termination fees. In the event of termination without cause, Mr. Wonnacott is entitled to be paid the equivalent of 12 months of base fees in the form of a lump sum payment within thirty days of the termination date. In the event of a “change in control” of the Corporation, the Corporation and Mr. Wonnacott each have a 12 month period following such “change in control” to elect to terminate the agreement. In the event of such election, the Corporation shall, within 30 days of such election, make a lump sum termination payment to Mr. Wonnacott that is equivalent to 24 months of base fees and bonuses paid within the past 24 months to Mr. Wonnacott.

### **Securities Authorized for Issuance Under Equity Compensation Plans**

The table below sets out the outstanding options under the Stock Option Plan, being the Corporation’s only compensation plan under which Common Shares are authorized for issuance, as of the end of the Corporation’s most recently completed fiscal year. All of the information in the table below is at the end of the Corporation’s most recently completed fiscal year.

	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available under equity compensation plans (excluding securities reflected in column (a))</b>
<b>Plan Category</b>	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Equity compensation plans approved by security holders	9,070,000	\$0.265	10,781,806
Equity compensation plans not approved by security holders	0	N/A	N/A
<b>TOTAL</b>	9,070,000	\$0.265	10,781,806

### **Indebtedness of Directors and Executive Officers**

As at the date of this Circular and during the financial year ended December 31, 2006, no director or executive officer of the Corporation or Nominee (and each of their associates) was indebted, including under any securities purchase or other program, to (i) the Corporation or its subsidiaries, or (ii) any other entity which is, or was at any time during the

financial year ended December 31, 2006, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or its subsidiaries.

### **Interest of Informed Persons in Material Transactions**

No informed person (as such term is defined under applicable securities laws) of the Corporation or Nominee (and each of their associates or affiliates) has had any direct or indirect material interest in any transaction involving the Corporation since January 1, 2006 or in any proposed transaction which has materially affected or would materially affect the Corporation or its subsidiaries other than as may be disclosed herein.

### **Management Contracts**

Since January 1, 2006, there were no management functions of the Corporation, which were in any substantial degree performed by a person other than a director or executive officer of the Corporation.

### **Interest of Persons in Matters to be Acted Upon**

No director or executive officer of the Corporation, nor any person who held such a position since the beginning of the last completed financial year end of the Corporation, no Nominee, nor any respective associates or affiliates of the foregoing persons, 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 or the appointment of auditors.

### **Directors' and Officers' Insurance and Indemnification**

The Corporation maintains insurance for the benefit of its directors and officers against liability in their respective capacities as directors and officers. During the year ended December 31, 2006, the Corporation purchased in respect of both directors and officers an aggregate of \$2,000,000 in coverage. The approximate amount of premiums paid by the Corporation in respect of such insurance was \$12,948 and the per claim deductible was \$25,000.

## **STATEMENT OF CORPORATE GOVERNANCE**

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the Company's shareholders, and takes into account the role of the individual members of management who are appointed by the Board of Directors and who are charged with the day to day management of the Company. The Board is committed to sound corporate governance practices which are both in the interests of its shareholders and contribute to effective and efficient decision making. The Company believes that its corporate governance practices ensure that the business and affairs of the Company are effectively managed so as to enhance shareholder value. Set out below is a description of the corporate governance practices of the Company as required by National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101") of the Canadian Securities Administrators concerning corporate governance disclosure.

### **Disclosure of Corporate Governance Practices**

#### **Board of Directors**

Pursuant to NI 58-101, a director is independent if the director has no direct or indirect relationship with the issuer which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment. Certain directors are deemed to have a material relationship with the issuer by virtue of their position or relationship with the Company. The Board of Directors is currently comprised of six members, three of whom the Board has determined are independent. In assessing whether a director is independent for these purposes, the circumstances of each director have been examined in relation to a number of factors.

Messrs. Atkins, Bharti and McCarvill are not considered independent directors as each of them is an executive officer of the Company. Messrs. Colson, MacKenzie and Wilson are considered to be independent.

Details of directorships held by each director or nominee in other reporting issuers (or the equivalent) are set out in Schedule "A" attached to this Circular.

## **Board Mandate**

The Board supervises the management of the business and affairs of the Company and is mandated to act with a view to the best interests of the Company. The Board of Directors reviews the business and affairs of the Company and makes any decisions relating thereto. The Board of Directors believes that it functions independently of management. The Board of Directors transacts business as required, without management present. When conflicts do arise, interested parties are precluded from voting on matters in which they may have an interest.

## **Orientation and Education**

The Company does not have a formal process of orientation for new directors. From time to time, corporate officers and legal, financial and other experts provide advice to the Board to describe matters in their areas of expertise.

## **Ethical Business Conduct**

The Board has not yet adopted a written ethical business conduct code for directors, officers and employees of the Company. In circumstances where a director or executive officer has a material interest in a transaction or agreement into which the Company is considering entering, the individual is required to fully disclose his or her interest therein and an *ad hoc* committee of disinterested directors is appointed to review the same to confirm, among other things, that such transaction or agreement, as applicable, is being entered into on arm's length commercially reasonable terms. Such committee has the right to obtain advice from the Company's counsel and other professional advisors and/or appoint independent counsel and/or advisors.

## **Nomination of Directors**

The Board has not appointed a formal nominating committee. However, any member of the Board is free to recommend additional members, as required, and the Board will consider such recommendations as a whole. Until a committee is formed, the Board as a whole will be responsible for assessing the effectiveness of the Board, the committees of the Board and the contribution of individual directors, taking into account the competencies and skills that the Board as a whole should possess as well as the competencies and skills that each director should possess.

## **Compensation**

The Board has not appointed a formal compensation or remuneration committee. However, the independent members of the Board review as required during the year the performance of executive directors and set the scale and structure of their remuneration and compensation packages, taking into account time commitment, comparative fees, risks and responsibilities, to ensure that the amount of compensation adequately reflects the responsibilities and risks of being a director and makes adjustments as deemed necessary.

## **Other Board Committees**

The Board currently has one standing committee - the Audit Committee, which is described in detail below.

## **Assessments**

Based upon the Company's size, its current state of development and the number of individuals on the Board, the Board considers a formal process for regularly assessing the effectiveness and contribution of the Board, as a whole, its committee or individual directors, to be unnecessary at this time. The Board plans to continue evaluating its own effectiveness on an *ad hoc* basis.

## **AUDIT COMMITTEE**

Multilateral Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators (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, as upon listing, every listed company becomes a reporting issuer in Alberta. The Instrument requires the Corporation to have a written audit committee Charter and to make the disclosure required by Form 52-110F2, which includes disclosure of the text of the audit committee charter, 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.

## **1. Audit Committee Charter**

(Implemented pursuant to Multilateral Instrument 52-110)

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" 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.

### **2. Composition of the Audit Committee**

The Corporation's audit committee is comprised of three directors: Maurice Colson, Lewis MacKenzie and Bernard Wilson. Each member of the audit committee is financially literate and each of Maurice Colson, Lewis MacKenzie and Bernard Wilson are independent, as such terms are defined in the Instrument.

### **3. Relevant Education and Experience**

Maurice Colson has been associated with investment banking for over 30 years, mainly in the oil and gas industry. He was Managing Director for a major Canadian Investment Dealer in Europe and was Vice-President of First Marathon Securities Ltd., where he was one of the original partners and shareholders.

Lewis MacKenzie serves as a board member of several public companies. Major General Lewis MacKenzie is a distinguished Canadian who retired after a prolific military career of 36 years. One of his many accomplishments included the command of Sarajevo, Yugoslavia under the United Nations Protection Force in 1992. Major General MacKenzie was made an Honorary Chief of the Metro Toronto Police Force in 1993 and holds Honorary Doctorates from numerous Canadian universities.

Bernard Wilson is a senior financial professional with a wide array of working relationships with business executives in Canada, the United States and internationally. Since 1965, Mr. Wilson has worked for PriceWaterhouseCoopers LLP, most recently as Vice-Chairman. Mr. Wilson is an advisor in corporate finance and investment banking and has extensive experience in major financial restructurings and advises on international trade and commerce issues. Mr. Wilson served as Chairman of the Canadian Chamber of Commerce - the largest business organization in Canada, with 175,000 members; Chairman of the Canadian Council for International Business - the organization representing Canadian multinational companies at the OECD in Paris, the WTO in Geneva and the UN in New York; Chairman of the International Chamber of Commerce - Canada; and Member of the Canada/US Trade Committee.

### **4. Audit Committee Oversight**

At no time since the commencement of the Corporation's most recently completed financial year has there been a recommendation of the audit committee to nominate or compensate an external auditor which was not adopted by the Board.

### **5. Reliance on Certain Exemptions**

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on either (a) an exemption in section 2.4 of the Instrument; or (b) an exemption from the Instrument, in whole or in part, granted under Part 8 (*Exemptions*) of the Instrument.

### **6. Pre-Approval Policies and Procedures**

The audit committee of the Corporation has not adopted specific policies and procedures for the engagement of non-audit services.

### **7. External Auditor Service Fees**

#### Audit Fees

The Corporation's external auditors, McGovern, Hurley, Cunningham, LLP, Chartered Accountants (the "Auditors"), billed the Corporation \$26,000 and \$26,000 in the fiscal years ended December 31, 2006 and 2005, respectively, for audit fees.

#### Audit-Related Fees

The Auditors billed the Corporation \$2,800 and \$1,400 in the fiscal years ended December 31, 2006 and 2005, respectively, for assurance and related services related to the performance of the audit or review of the Corporation's financial statements, which are not included in audit fees.

#### Tax Fees

The Auditors billed the Corporation \$1,500 and \$4,200 in the fiscal years ended December 31, 2006 and 2005, respectively, for tax compliance, tax advice and tax planning. These fees were in connection with assistance provided to the Corporation in the preparation and filing of its annual tax returns.

### All Other Fees

The Auditors did not bill the Corporation for other services not included above.

### **8. Exemption**

As the Company is listed on the TSX Venture Exchange, it is relying on the exemption provided in section 6.1 of the Instrument.

### **Additional Information**

Additional information relating to the Corporation is available under the profile of the Corporation on SEDAR at www.sedar.com. Financial information is provided in the Corporation's audited financial statements and MD&A for the financial year ended December 31, 2006.

The Corporation will provide free of charge to Shareholders, upon request in writing to its Corporate Secretary, a copy of the Corporation's financial statements and MD&A.

### **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 Common 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.

Shareholders are reminded that the final date by which the Corporation must receive a proposal for any matter that a person entitled to vote at an annual meeting proposes to raise at the next annual meeting is sixty (60) days before the anniversary date of this Meeting.

### **Board of Directors Approval**

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

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "*Thomas Atkins*"

---

**Thomas Atkins**, President, C.E.O. and a Director

**SCHEDULE "A"**

<b>Name of Director</b>	<b>Name of Issuer</b>
Thomas Atkins	Crowflight Minerals Inc. Platinex Inc. Roxmark Mines Ltd.
Stan Bharti	Aberdeen International Inc. Alexis Minerals Corporation Apogee Minerals Ltd. Arctos Petroleum Corp. Beartooth Platinum Corporation Cash Minerals Ltd. Castillian Resources Corp. Consolidated Thompson Iron Mines Limited Crowflight Minerals Inc. Dynamite Resources Ltd. Eurocontrol Technics Inc. Largo Resources Ltd. Longford Corporation Valencia Ventures Inc. Vast Exploration Inc.
Maurice Colson	Alexis Minerals Corporation Crowflight Minerals Inc. Fort Chimo Minerals Inc. Golden Tag Resources Ltd. Vast Exploration Inc.
Lewis MacKenzie	Crowflight Minerals Inc. Eurocontrol Technics Inc. Med-Emerg International Inc. MTI Global Inc.
Gerald McCarvill	Aberdeen International Inc. Castillian Resources Corp. Consolidated Thompson Iron Mines Limited Crowflight Minerals Inc. Longford Corporation
Bernard Wilson	Consolidated Thompson Iron Mines Limited Crowflight Minerals Inc.



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, 2006 and 2005 and the statements of operations and deficit and cash flows for each of the years in the two-year period ended December 31, 2006. 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, 2006 and 2005 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2006 in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

A handwritten signature in cursive script that reads 'McGovern, Hurley, Cunningham, LLP'.

**Chartered Accountants**  
**Licensed Public Accountants**

TORONTO, Canada  
March 27, 2007

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)

	2006	2005
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 13,800,920	\$ 633,669
Amounts receivable	298,580	279,909
Prepaid expenses and deposits	143,092	49,880
Future income tax asset (Note 6)	842,000	598,000
	<b>15,084,592</b>	1,561,458
Deposits and advances (Note 4)	206,571	178,255
Prepaid exploration expenditures (Note 4)	327,311	-
Exploration properties, plant and equipment and deferred exploration expenditures (Note 4)	35,371,564	21,006,374
Equipment (Note 3)	64,879	36,873
	<b>\$ 51,054,917</b>	\$ 22,782,960
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 2,201,979	\$ 1,327,926
<b>SHAREHOLDERS' EQUITY</b>		
Common Shares (Note 5(a))	58,437,271	30,375,246
Warrants (Note 5(b))	1,773,748	3,191,425
Contributed surplus (Note 5(d))	6,328,590	3,842,714
Deficit	(17,686,671)	(15,954,351)
	<b>48,852,938</b>	21,455,034
	<b>\$ 51,054,917</b>	\$ 22,782,960

Commitments and Contingencies (Note 8)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

Signed "THOMAS ATKINS" \_\_\_\_\_, Director

Signed "BERNARD WILSON" \_\_\_\_\_, Director

## STATEMENTS OF OPERATIONS AND DEFICIT

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

	2006	2005
<b>Expenses</b>		
Professional, consulting and management fees (Note 5(c))	\$ 1,768,813	\$ 848,519
Shareholder communications and promotion	337,925	271,695
Travel	103,429	142,871
General and office	102,876	122,840
Amortization	10,870	28,424
Interest expenses and bank charges	2,769	2,441
	<b>2,326,682</b>	<b>1,416,790</b>
Loss before the undernoted	<b>(2,326,682)</b>	<b>(1,416,790)</b>
Interest income	92,321	12,655
General exploration expenses	-	(16,838)
Recovery of expenses	6,068	15,912
Write-down of exploration properties and deferred exploration expenses (Note 4)	<b>(1,089,027)</b>	<b>(228,349)</b>
Loss before income taxes	<b>(3,317,320)</b>	<b>(1,633,410)</b>
Income taxes (Note 6)	<b>1,585,000</b>	<b>1,762,240</b>
Net (loss) income for the year	<b>(1,732,320)</b>	<b>128,830</b>
DEFICIT, beginning of year	<b>(15,954,351)</b>	<b>(16,083,181)</b>
DEFICIT, end of year	<b>\$ (17,686,671)</b>	<b>\$ (15,954,351)</b>
(Loss) income per share - basic and diluted	<b>\$ (0.01)</b>	<b>\$ 0.00</b>
Weighted average number of shares		
basic	<b>138,308,978</b>	<b>86,477,353</b>
diluted	<b>138,308,978</b>	<b>86,858,770</b>

## STATEMENTS OF CASH FLOWS

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

	2006	2005
Cash (used in) provided by:		
<b>OPERATING ACTIVITIES:</b>		
Net (loss) income for the year	\$ (1,732,320)	\$ 128,830
Charges not affecting cash:		
Amortization	10,870	28,424
Stock-based compensation expense (Note 5(c))	815,512	260,500
Write down of exploration properties and deferred exploration expenditure (Note 4)	1,089,027	228,349
Future income tax recovery (Note 6)	(1,585,000)	(1,762,240)
Net change in non-cash working capital	794,476	(415,707)
	<b>(607,435)</b>	<b>(1,531,844)</b>
<b>FINANCING ACTIVITIES:</b>		
Common shares issued through private placements	24,457,928	5,025,963
Warrants issued through private placements	1,194,072	699,787
Shares issued from exercise of warrants and options	5,318,600	512,000
Financing costs	(2,094,339)	(441,638)
	<b>28,876,261</b>	<b>5,796,112</b>
<b>INVESTING ACTIVITIES:</b>		
Exploration properties and deferred exploration expenditures	(14,664,780)	(9,932,799)
(Increase) decrease in deposits and prepaid exploration expenditure	(355,627)	(178,255)
(Decrease) increase in accounts payable attributable to property exploration	(32,305)	694,867
Property, plant and equipment	(48,863)	(19,867)
	<b>(15,101,575)</b>	<b>(9,436,054)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>13,167,251</b>	<b>(5,171,786)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>633,669</b>	<b>5,805,455</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 13,800,920</b>	<b>\$ 633,669</b>
Cash and cash equivalents consists of:		
Cash	\$ 1,105,560	\$ 633,669
Cash equivalents	11,505,360	-
	<b>\$ 13,800,920</b>	<b>\$ 633,669</b>

## STATEMENTS OF CASH FLOWS (continued)

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

---

	2006	2005
<b>SUPPLEMENTAL INFORMATION:</b>		
Common shares issued for interest in exploration properties (Note 4)	\$ 270,000	\$ 350,000
Warrants granted for interest in exploration properties (Note 4)	\$ -	\$ 106,500
Shares issued for purchase of exploration assets (Note 4)	\$ 500,000	\$ -
Stock based compensation for interest in property acquisition (Note 4)	\$ 9,450	\$ -
Common shares issued as cost of issue (Note 5(a))	\$ 87,400	\$ -
Warrants granted as cost of issue (Note 5(a))	\$ 374,875	\$ -
Amortization of assets deferred to exploration properties (Note 3)	\$ 9,987	\$ -
Interest received	\$ 92,322	\$ 12,655
Interest paid	\$ 331	\$ 44,070
Income taxes paid	\$ -	\$ -

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2006 and December 31, 2005

### 1. NATURE OF OPERATIONS AND GOING CONCERN

Crowflight Minerals Inc. (the "Company") is a development stage company and currently has mineral exploration and development properties in Canada. The Company is currently focusing its resources on the development of the Bucko Deposit and the exploration of the Thompson Nickel Belt, both in the province of Manitoba. 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, aboriginal land 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 or assets. 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2006 and December 31, 2005

### 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.

The Company qualifies for mineral exploration assistance programs associated with the exploration and development of its properties located in Manitoba. Recoverable amounts are offset against deferred exploration costs incurred when the Company has complied with the terms and conditions of the program and the amount of government assistance is reasonably assured.

#### b) Asset retirement obligations

The Company follows the Canadian Institute of Chartered Accountants ("CICA") accounting standard on "Asset retirement obligations". Under this 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. As at December 31, 2006, management does not believe that the Company has any significant 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. Deposits 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. Amortization expense related to assets used in exploration activities is deferred to exploration properties, while amortization expense related to administration assets is expensed to operations.

#### 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 income tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2006 and December 31, 2005

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

---

#### 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.

#### 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the years ended December 31, 2006 and December 31, 2005

3. EQUIPMENT

	<b>2006</b>		
	<b>Accumulated</b>		
	<b>COST</b>	<b>AMORTIZATION</b>	<b>NET</b>
	\$	\$	\$
Computer	70,606	(57,608)	12,998
Furniture and fixtures	4,736	(3,039)	1,697
Field equipment	55,846	(16,646)	39,200
Vehicles	12,858	(1,8746)	10,984
	<b>144,046</b>	<b>(79,167)</b>	<b>64,879</b>

During the current year, \$10,870 in amortization was charged to the Statement of Operations and Deficit related to the assets (2005: \$28,424). As well, \$9,987 in amortization was charged to Deferred Exploration Expenditures related to assets used in exploration.

	<b>2005</b>		
	<b>Accumulated</b>		
	<b>COST</b>	<b>AMORTIZATION</b>	<b>NET</b>
	\$	\$	\$
Computer	60,286	(46,931)	13,355
Furniture and fixtures	4,736	(2,311)	2,425
Field equipment	30,161	(9,068)	21,093
	<b>95,183</b>	<b>(58,310)</b>	<b>36,873</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2006 and December 31, 2005

### 4. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

2006	MANITOBA			SUDBURY, ONTARIO				TOTAL
	Bucko Deposit	Thompson Nickel Belt South	Thompson Nickel Belt North	AER Kidd	Airport	Peter's Roost	New Exploration	
	\$	\$	\$	\$	\$	\$	\$	\$
<u>Acquisition costs</u>								
Balance, December 31, 2005	1,458,431	179,811	228,693	991,858	356,403	102,887	-	3,318,083
Acquisition and property costs	310,687	44,680	25,743	103,066	18,000	24,870	-	527,046
Write off of property costs	-	-	-	-	(374,403)	-	-	(374,403)
<b>Balance, December 31, 2006</b>	<b>1,769,118</b>	<b>224,491</b>	<b>254,436</b>	<b>1,094,924</b>	<b>-</b>	<b>127,757</b>	<b>-</b>	<b>3,470,726</b>
<u>Exploration and development expenditure</u>								
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
Drilling	1,743,585	1,537,140	667,924	-	-	-	-	3,948,649
Assaying, laboratory, metallurgy	198,183	-	-	-	-	-	-	198,183
Geology, geological consulting, labour	682,323	344,702	221,838	8,075	-	12,288	-	1,269,226
Travel and transportation	210,623	8,952	4,205	686	250	1,321	763	226,800
Geochemistry and geophysics	102,969	4,929	247,138	-	-	-	-	355,036
Reports	94,732	-	-	-	-	-	-	94,732
Mine and mill design	(27,015)	-	-	-	-	-	-	(27,015)
Site development	4,040,518	-	-	-	-	-	-	4,040,518
Off-take contract	37,791	-	-	-	-	-	-	37,791
Mine closure bond	217,288	-	-	-	-	-	-	217,288
Engineering and procurement	650,274	-	-	-	-	-	-	650,274
Environmental	145,791	4,353	2,411	48,908	-	-	-	201,463
Field and office support	161,543	10,811	8,110	2,075	51	1,750	86	184,426
Management fees	457	187,766	114,149	-	-	-	-	302,372
<b>Incurred to date</b>	<b>13,326,897</b>	<b>7,075,132</b>	<b>2,658,929</b>	<b>4,939,586</b>	<b>714,624</b>	<b>669,604</b>	<b>3,262</b>	<b>29,388,034</b>
Capital purchases	3,485,884	-	-	-	-	-	-	3,485,884
Write off property costs	-	-	-	-	(714,624)	-	-	(714,624)
Less: Government assistance	-	(121,342)	(137,114)	-	-	-	-	(258,456)
<b>Balance, December 31, 2006</b>	<b>16,812,781</b>	<b>6,953,790</b>	<b>2,521,815</b>	<b>4,939,586</b>	<b>-</b>	<b>669,604</b>	<b>3,262</b>	<b>31,900,838</b>
<b>TOTAL DEFERRED COSTS</b>								
<b>December 31, 2006</b>	<b>18,581,899</b>	<b>7,178,281</b>	<b>2,776,251</b>	<b>6,034,510</b>	<b>-</b>	<b>797,361</b>	<b>3,262</b>	<b>35,371,564</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2006 and December 31, 2005

### 4. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

2005	MANITOBA			SUDBURY, ONTARIO					TOTAL
	Bucko Deposit	Thompson Nickel Belt South	Thompson Nickel Belt North	AER Kidd	Airport	Mystery Offset Dyke	Peter's Roost	New Exploration	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Acquisition costs</b>									
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)
<b>Balance, December 31, 2005</b>	<b>1,458,431</b>	<b>179,811</b>	<b>228,693</b>	<b>991,858</b>	<b>356,403</b>	<b>-</b>	<b>102,887</b>	<b>-</b>	<b>3,318,083</b>
<b>Exploration expenditure</b>									
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
<b>Incurred to date</b>	<b>5,067,835</b>	<b>5,041,289</b>	<b>1,486,818</b>	<b>4,879,842</b>	<b>714,323</b>	<b>178,349</b>	<b>654,245</b>	<b>2,413</b>	<b>18,025,114</b>
Less: Government assistance	-	(64,810)	(93,664)	-	-	-	-	-	(158,474)
Write off of property costs	-	-	-	-	-	(178,349)	-	-	(178,349)
<b>Balance, December 31, 2005</b>	<b>5,067,835</b>	<b>4,976,479</b>	<b>1,393,154</b>	<b>4,879,842</b>	<b>714,323</b>	<b>-</b>	<b>654,245</b>	<b>2,413</b>	<b>17,688,291</b>
<b>TOTAL DEFERRED COSTS</b>									
<b>December 31, 2005</b>	<b>6,526,266</b>	<b>5,156,290</b>	<b>1,621,847</b>	<b>5,871,700</b>	<b>1,070,726</b>	<b>-</b>	<b>757,132</b>	<b>2,413</b>	<b>21,006,374</b>

Throughout 2006, the Company purchased or paid deposits on various property, plant and equipment related to the development of the Bucko Deposit. A total of \$306,571 in such amounts is recorded as long-term deposits. As well, during 2006, the Company purchased additional property, plant and equipment for total consideration of \$2,000,000, which was satisfied through cash payments of \$1,500,000 as well as the issuance of 1,666,667 common shares of the Company valued at \$500,000 based on the market price of the Company's common shares at the date of issue.

#### **MANITOBA**

##### **Bucko Deposit and Thompson Nickel Belt South**

On June 16, 2004, the Company entered into an option and joint venture agreement with Falconbridge Limited, now referred to as Xstrata Nickel ("Xstrata"), a business unit of Falconbridge Limited. This agreement was amended on March 1, 2006.

To earn an initial 33% conditional interest and an additional 17% conditional interest in the Bucko Deposit, and an initial 25% interest in certain other claims in the Thompson Nickel Belt region of Manitoba ("TNB South"), the Company was required to incur expenditures, issue shares and warrants, and meet other requirements.

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2006 and December 31, 2005

### 4. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

---

The Company was 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 (issued in 2006). The fair value of the shares was determined to be \$270,000 based upon the quoted market value of the Company's shares at the date of issue; 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.

The Company earned an initial 33% interest in the Bucko Deposit during 2005 by incurring \$4,650,000 towards exploration and a bankable feasibility study. Upon earning the 33% conditional interest, the Company had 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 met its total expenditure commitment during 2006, and completed the bankable feasibility study subsequent to December 31, 2006.

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 (completed);
- 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 Xstrata.

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 TNB South other claims to 50% by providing funding to Xstrata, as operator, of \$7,000,000 plus administrative charges of 10% of expenditures for exploration by April 13, 2013. In order to increase either or both interests, the Company must issue 1,000,000 common shares of the Company to Xstrata within 30 days of exercising the election and an additional 1,000,000 common shares of the Company within one-year exercising 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 Xstrata a back in right, property buy back right, Joint Venture bump up option, Net Smelter Returns royalty and an off take right.

At December 31, 2006, the Company has funded a total of approximately \$7,300,000 towards expenditure on the TNB South properties, of which approximately \$7,200,000 has been expended. A balance of \$112,894 in funding to Xstrata remains and is included in prepaid exploration expenditures.

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2006 and December 31, 2005

### 4. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

---

#### **Thompson Nickel Belt North**

In January 2005, the Company entered into an option agreement with Xstrata 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 (completed);
- \$1,000,000 by April 30, 2006 (completed);
- \$1,000,000 by April 30, 2007;
- \$1,000,000 by April 30, 2008; and
- \$700,000 by April 30, 2009.

In addition to the expenditures, in 2005, the Company issued Xstrata 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 consisted 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 fair 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 Xstrata a back in right, property buy back right, Joint Venture bump up option, Net Smelter Returns royalty and an off take right.

At December 31, 2006, the Company has funded a total of approximately \$2,800,000 towards expenditure on the TNB North properties, of which approximately \$2,600,000 million has been expended. A balance of \$214,417 in funding to Xstrata remains and is included in prepaid exploration expenditures.

Subsequent to the December 31, 2006, the Company amended their agreements with Xstrata by entering into the Bucko Lake Lease Transfer Agreement which includes the Exploration Option Agreement and the Off-Take agreement. See Note 10(a).

#### **Government Assistance**

During 2006, the Company applied for and was approved for financial assistance under the Manitoba Mineral Exploration Assistance Program ("MEAP") and received \$258,456 (2005: \$158,474) 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, and a 3% net smelter royalty. The Company may purchase up to 50% of this royalty for \$1,250,000 up to the commencement of commercial production. A \$50,000 advance royalty payment, payable semi annually, commenced January 31, 2001. All required advance royalty payments to date have been made.

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2006 and December 31, 2005

### 4. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

---

#### **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 Sudbury, Ontario. In December 2005, the Company elected to no longer fund the exploration program. Consequently, the Company's interest in the property has been diluted to 30%. During 2006, the carrying value of this property was written off.

#### **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 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 in 2005.

#### **Peter's Roost Property**

The Company holds a number of claims along the North Range of the Sudbury Basin.

In June 2006, the Company reached a formal agreement with Wallbridge Mining Company Limited ("Wallbridge") to option out an initial and conditional 50% interest in the Company's interests in the Peter's Roost group of properties. Wallbridge is required to incur \$700,000 in exploration expenditures on the properties by December 31, 2007 in order to earn an initial 50% conditional interest. Wallbridge would have the option to increase its ownership to a 70% vested interest in any or all of the four separate project areas by funding a further \$1 million in exploration expenditures in each project area in which it selects to vest by December 31, 2010. Failure to vest in a specific project area will result in ownership of that area reverting back to the Company.

For any new properties Wallbridge acquires within the joint venture area, the Company will have the right to acquire a 25% participating interest at such time as an indicated resource is proven by reimbursing Wallbridge 50% of its exploration costs to that point.

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2006 and December 31, 2005

### 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) <u>Common shares issued</u>	<u>Number of Shares</u>	<u>Value</u>
Balance, December 31, 2004	71,758,254	\$ 25,851,956
Private placement - non flow-through (vi)	5,000,000	1,250,000
Private placement - flow-through (vi)	14,903,000	3,725,750
Private placement (vii)	3,000,000	750,000
Issue of warrants - warrant valuation (vi, viii)	-	(699,787)
Shares issued in acquisition of property (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 income tax effect	-	(1,164,240)
Cost of issue	-	(441,638)
<b>Balance, December 31, 2005</b>	<b>98,621,254</b>	<b>\$ 30,375,246</b>
Private placement - non flow-through (i)	6,000,000	1,140,000
Private placement - flow-through (ii)	10,377,776	2,335,000
Private placement - non flow-through (ii)	6,050,000	1,149,500
Private placement - flow-through (iii)	17,361,000	5,208,300
Private placement - non flow-through (iv)	20,854,859	7,299,200
Private placement - flow-through (iv)	21,300,000	8,520,000
Issue of warrants - warrant valuation (i, ii, iv)	-	(1,194,072)
Commission shares issued (ii)	460,000	87,400
Shares issued in acquisition of property (Note 4)	1,000,000	270,000
Shares issued in acquisition of assets (Note 4)	1,666,667	500,000
Exercise of warrants (v)	14,426,500	5,230,600
Exercise of warrants - warrant valuation	-	1,196,737
Exercise of options (v)	400,000	88,000
Exercise of options - option valuation	-	128,974
Flow-through shares income tax effect	-	(1,341,000)
Cost of issue	-	(2,556,614)
<b>Balance, December 31, 2006</b>	<b>198,518,056</b>	<b>58,437,271</b>

(i) In January 2006, the Company completed the first tranche of a private placement offering 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 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 \$0.30 until July 20, 2007. The fair value of the warrants of \$174,000 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 3.8%; and an expected life of eighteen months.

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2006 and December 31, 2005

### 5. CAPITAL STOCK (continued)

---

(ii) In February 2006, the Company closed the final tranche of a private placement through the issuance of 1,177,776 flow through shares priced at \$0.225 per flow-through share and the issuance of 6,050,000 units priced at \$0.19 per unit for gross proceeds of \$1,414,500. 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 \$0.30 until August 28, 2007. The fair value of the warrants of \$175,450 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 3.9%; and an expected life of eighteen months.

As well, the Company completed a brokered private placement through the issuance of 9,200,000 flow-through common shares at a price of \$0.225 per flow-through share for gross proceeds of \$2,070,000. Dundee Securities Corporation acted as agent in connection with the brokered private placement and was issued 460,000 common shares ("Commission Shares") and 460,000 broker warrants as commission. Each broker warrant is exercisable into one common share of the Company at an exercise price of \$0.225 per common share until August 28, 2007. The fair value of the Commission Shares was determined to be \$87,400 based on the issue price of the Company's stock issued in this tranche of the private placement. The fair value of the broker warrants of \$33,580 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 3.9%; and an expected life of eighteen months. The values of the commission shares and broker warrants were recorded as cost of issue.

(iii) In June 2006, the Company completed a brokered private placement through the issuance of 17,361,000 flow-through common shares of the Company at a price of \$0.30 per flow-through share for gross proceeds of \$5,208,300. Orion Securities Inc. ("Orion") led a syndicate of agents in connection with this financing and received a commission of 6% of total gross proceeds or \$312,498. As well, 1,041,660 broker warrants were granted to Orion and other agents within the syndicate. Each broker warrant is exercisable into one common share of the Company at a price of \$0.30 per share until December 21, 2007. Each flow-through common share and common share issued upon the exercise of the broker warrants were subject to a hold period that expired on October 22, 2006. The fair value of the broker warrants of \$99,999 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 4.3%; and an expected life of eighteen months. The value of the broker warrants were recorded as cost of issue.

(iv) In October 2006, the Company completed both brokered and non-brokered private placement financings in two tranches raising \$8,520,000 through the issuance of 21,300,000 flow-through shares priced at \$0.40 per share and \$7,299,200 through the issuance of 20,854,859 units priced at \$0.35 per unit. 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 acquire one common share of the Company at a price of \$0.50 per share until April 11 or April 30, 2008. If, over a period of 15 consecutive trading days between February 11 or February 28, 2007 and April 10 or 30, 2008, the daily volume weighted average trading price of the common shares on the TSX Venture Exchange (or other stock exchange where the majority of the trading volume occurs) exceeds \$0.75 on each of those consecutive trading days, the Company may, within 30 days of such an occurrence, give written notice to the holders of the warrants that the warrants will expire at 4:00 pm EST on the 45th days following the giving of such notice unless exercised by the holders prior to such date. The fair value of the warrants of \$844,622 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 69%; risk-free interest rate of 4.0%; and an expected life of eighteen months.

A director and officer of the Company subscribed for 2,142,857 of these units.

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2006 and December 31, 2005

### 5. CAPITAL STOCK (continued)

---

The brokered private placement was completed by a syndicate of agents (the "Agents") led by Orion Securities Inc. The Agents received a 6% commission on gross proceeds raised or \$737,592, as well as 1,269,000 compensation options which entitle the Agents to purchase one common share at a price of \$0.40 per share until April 30, 2008, and 657,120 compensation options which entitle the Agents to purchase one unit at a price of \$0.35 per unit until April 30, 2008. Each unit consists of one common share of the Company and one half of one common share purchase warrant with each whole warrant entitling the holder to acquire one common share of the Company at a price of \$0.50 per share. The fair value of the compensation units, compensation options and compensation warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 69%; risk-free interest rate of 4.0%; and an expected life of eighteen months. A value of \$241,296 was attributed to these compensation units, options and warrants and was recorded as cost of issue.

(v) During 2006, 14,426,500 warrants were exercised at a weighted average price of \$0.36 generating gross proceeds of \$5,230,600. As well, 400,000 options were exercised generating gross proceeds of \$88,000.

(vi) 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. 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.

(vii) 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the years ended December 31, 2006 and December 31, 2005

**5. CAPITAL STOCK (continued)**

b) Warrants

The following is a summary of warrant transactions during 2006 and 2005:

	2006		2005	
	Number of warrants	Weighted Average price \$	Number of warrants	Weighted Average price \$
Balance, beginning of year	29,434,356	0.45	26,033,465	0.42
Granted, private placements	16,452,429	0.43	11,451,500	0.40
Granted, broker warrants	3,756,340	0.35	-	-
Granted property acquisition	-	-	1,000,000	0.55
Exercised	(14,426,500)	0.36	(2,560,000)	0.20
Expired or cancelled	(12,907,856)	0.54	(6,490,609)	0.36
Balance, end of year	22,308,769	0.42	29,434,356	0.45

A summary of the outstanding warrants as of December 31, 2006 is as follows:

Value (\$)	Number of Warrants	Exercise Price (\$)	Expiry Date
67,500	500,000	0.350	January 18, 2007
39,000	500,000	0.750	January 18, 2007
121,500	1,500,000	0.400	March 8, 2007
174,000	3,000,000	0.300	July 20, 2007
152,251	2,625,000	0.300	August 28, 2007
33,580	460,000	0.225	August 28, 2007
99,999	1,041,660	0.300	December 21, 2007
279,161	3,446,428	0.500	April 11, 2008
565,461	6,981,001	0.500	April 30, 2008
80,169	657,120	0.350	April 30, 2008
134,514	1,269,000	0.400	April 30, 2008
26,613	328,560	0.500	April 30, 2008
1,773,748	22,308,769		

**NOTES TO THE FINANCIAL STATEMENTS**

For the years ended December 31, 2006 and December 31, 2005

**5. CAPITAL STOCK (continued)**

c) Stock Options

The following is a summary of stock option transactions during 2006 and 2005:

	2006		2005	
	Number of stock options	Weighted average exercise price (\$)	Number of stock options	Weighted average exercise price (\$)
Balance, beginning of year	7,405,000	0.300	5,755,000	0.36
Granted	4,070,000	0.245	1,650,000	0.31
Exercised	(400,000)	0.220	-	-
Cancelled/Expired	(2,005,000)	0.361	-	-
<b>Balance, end of year</b>	<b>9,070,000</b>	<b>0.265</b>	<b>7,405,000</b>	<b>0.30</b>

As of December 31, 2006, the following stock options were outstanding:

Value (\$)	Number of Options Outstanding	Number Of Options Exercisable	Exercise Price (\$)	Expiry Date
11,100	150,000	150,000	0.250	June 7, 2007
811,200	2,000,000	2,000,000	0.200	June 5, 2008
50,700	125,000	125,000	0.350	June 5, 2008
40,560	100,000	100,000	0.560	November 21, 2008
20,280	50,000	50,000	0.700	November 17, 2008
50,700	125,000	125,000	0.620	December 11, 2008
14,925	75,000	75,000	0.620	June 17, 2009
215,000	1,075,000	1,075,000	0.245	October 12, 2009
14,850	50,000	50,000	0.390	October 20, 2009
40,050	150,000	150,000	0.350	November 8, 2009
19,600	100,000	100,000	0.300	January 10, 2010
39,178	200,000	175,000	0.280	February 14, 2010
39,600	200,000	200,000	0.290	February 21, 2010
231,328	1,000,000	875,000	0.330	March 1, 2010
7,100	50,000	50,000	0.200	July 14, 2010
17,100	100,000	100,000	0.235	October 18, 2010
* 427,184	2,720,000	1,360,000	0.225	March 13, 2011
* 39,007	350,000	87,500	0.280	July 5, 2011
** 9,450	50,000	50,000	0.300	August 9, 2011
* 14,471	100,000	25,000	0.365	August 15, 2011
* 20,792	150,000	37,500	0.350	September 28, 2011
29,850	150,000	150,000	0.360	November 29, 2011
	<b>9,070,000</b>	<b>7,110,000</b>		

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2006 and December 31, 2005

### 5. CAPITAL STOCK (continued)

---

The Company has a stock option plan designed to advance the interest of the Company by encouraging officers, directors and consultants of the Company to have equity participation in the Company through 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 2006, 4,070,000 stock options (2005 - 1,650,000) were granted to directors, officers and consultants of the Company. Of these options granted, 350,000 vested immediately while 3,370,000 (\*) options vest one eighth every quarter from the date of grant over a two-year term. The remaining 350,000 options had similar vesting terms however only 87,500 vested before the remaining 262,500 were cancelled. A portion of the options granted in 2005 also vested during 2006. As well, the value of options granted with respect to a land purchase agreement was charged to exploration properties (\*\*). The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0% (2005 - 0%); expected volatility of 69% and 90% (2005 - 89.78%); risk-free interest rates ranging from 3.8% to 4.5% (2005 - 3.6%); and an expected average life of 2 to 5 years (2005 - 5 years). During 2006, an amount of \$604,345 (2005 - \$260,500) was recorded for options granted and/or vesting during 2006 and is included in professional, consulting and management fees.

On January 10, 2007, the Company granted 3,300,000 stock options to various directors and officers of the Company. An accrual of \$141,877 has been made to professional, consulting and management fees and to contributed surplus related to the portion of these options that vested on the date of grant.

#### d) Contributed Surplus

	2006	2005
Balance, beginning of year	\$ 3,842,714	\$ 3,049,199
Stock options granted and/or vested during the period:		
Directors and officers	653,543	214,000
Consultants	161,968	46,500
Property acquisition	9,450	-
Exercise of stock options, reallocation of valuation	(128,974)	-
Expiry of warrants, reallocation of valuation	1,789,888	533,015
Balance, end of year	\$ 6,328,589	\$ 3,842,714

**NOTES TO THE FINANCIAL STATEMENTS**

For the years ended December 31, 2006 and December 31, 2005

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% (2005 - 36%) are:

	2006	2005
Net loss for the year before income taxes	\$(3,317,320)	\$(1,633,410)
Expected recoverable income taxes at statutory rates	(1,194,000)	(588,000)
Increase (decrease) resulting from:		
Share issue costs	(754,000)	(159,000)
Stock based compensation	296,000	94,000
Expired losses	59,000	15,000
Other	8,000	536,760
Change in valuation allowance	-	(1,661,000)
Provision for income taxes	\$(1,585,000)	\$(1,762,240)

b) Future income tax balances

The tax effect of temporary differences that give rise to future income tax assets and liabilities in Canada at December 31, 2006 and 2005 are as follows:

	2006	2005
Future income tax assets (liabilities)		
Non-capital losses	\$1,323,000	\$1,136,000
Resource properties	(1,540,000)	(1,125,000)
Share issue costs	842,000	377,000
Other assets	217,000	210,000
Valuation allowance	-	-
	\$ 842,000	\$ 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:

<u>Expiry Date</u>	<u>Amount (\$)</u>
2007	290,000
2008	219,000
2009	216,000
2010	1,584,000
2014	299,000
2015	602,000
2026	464,000
	<u>3,674,000</u>

The Company has approximately \$31,000,000 of development and exploration expenditures as at December 31, 2006 which under certain circumstances may be utilized to reduce the taxable income of future years.

The Company will record an additional future income tax liability of approximately \$5,783,000 upon renunciation of flow-through expenditures in 2007. See Note 8(a).

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2006 and December 31, 2005

### 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 these companies for their proportionate share of the expenses. At December 31, 2006 an amount of \$12,135 (2005 - \$43,180) is payable in relation to these expenses. As well, the Company is owed \$1,640 (2005 - \$15,883) at December 31, 2006 for shared expenses.

### 8. COMMITMENTS

---

a) Pursuant to the issuance of 49,038,776 flow through shares during 2006, the Company renounced \$16,063,300 on qualified exploration expenditures with an effective date of December 31, 2006 in February 2007. As of December 31, 2006, the Company has expended \$6,609,193 related to these flow through funds and is committed to expend the balance of \$9,454,107 by December 31, 2007.

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. All required expenditures were made by December 31, 2006.

b) The Company is party to certain management contracts which require that additional payments of up to \$2,702,000 be made upon the occurrence of certain events such as a change of control or termination without cause. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these financial statements. Minimum commitments under the agreements are approximately \$1,628,000 payable within one year.

### 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, 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2006 and December 31, 2005

### 10. SUBSEQUENT EVENTS

---

a) On January 30, 2007, the Company amended their agreements with Xstrata by entering into the Bucko Lake Lease Transfer Agreement which includes the Exploration Option Agreement and the Off-take agreement. The Bucko Lake Lease Transfer Agreement provides for the transfer of the Bucko Lake Lease to the Company free and clear of all liens on the Closing Date, which will be the 10<sup>th</sup> business day following the date on which the Company delivers the Bankable Feasibility Study ("BFS") and BFS Acceptance Letter to Xstrata. As well, on the Closing Date, the Company will issue 2,000,000 shares to Xstrata, and deliver a royalty agreement where the Company grants to Xstrata a 2.5% Net Smelter Royalty with respect to the Bucko Lake Lease. In order to retain its 100% undivided interest in the Bucko Lake Lease following the Closing Date, the Company is required to make a decision within six months of the completion of the bankable feasibility study to put the Bucko Deposit into commercial production.

The Exploration Option Agreement amalgamates both the Thompson Nickel Belt South and North agreements whereby the Company can earn a 100% interest in these properties by incurring \$13,200,000 in expenditures from January 1, 2007 up to and including December 31, 2013 (the "Option Period") according to the following schedule:

- \$2,500,000 by December 31, 2007;
- \$2,500,000 by December 31, 2008;
- \$2,200,000 by December 31, 2009;
- \$1,500,000 by December 31, 2010;
- \$1,500,000 by December 31, 2011;
- \$1,500,000 by December 31, 2012;
- and \$1,500,000 by December 31, 2013.

In addition, the Company will become the operator of the project during the Option Period.

The amended agreement also provides Xstrata a back in right, property buy-back right, Joint Venture bump-up option, Net Smelter Returns royalty, an off-take right, and an off take option on both the Peter's Roof Property and Airport Property.

b) On January 18, 2007, 500,000 warrants with a strike price of \$0.35 and 500,000 warrants with a strike price of \$0.70 expired unexercised.

c) Subsequent to December 31, 2006 to March 29, 2007, 5,129,432 options and warrants have been exercised for gross proceeds of \$1,668,187.55.

d) On March 26, 2007, the Company announced that it had entered into an agreement for a bought deal private placement of 12,500,000 units of the Company at a price of \$0.80 per unit and 10,000,000 flow-through common shares of the Company at a price of \$1.00 per share for gross proceeds of \$20,000,000. The Company has granted the underwriters an option to purchase up to an additional 3,125,000 units and 2,500,000 flow-through common shares for additional gross proceeds of up to \$5,000,000. Each unit will consist of one common share and one half of one common share purchase warrant, each whole common share purchase warrant entitling the holder to purchase one common share of the company for \$1.15 for a period of one year, subject to a shorter exercise period based on certain market price conditions.

e) On January 10, 2007, 3,300,000 options were granted. On February 20, 2007, 150,000 options were granted.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

of financial condition and results of operations

*for the year ended December 31, 2006*

*Unless otherwise noted the information in this Management Discussion and Analysis ("MD&A") is provided as at April 4 2007. The following MD&A should be read in conjunction with the Company's Audited Financial Statements for the year ended December 31, 2006.*

## 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, 2006

## 2006 – EARLY 2007 HIGHLIGHTS:

---

- Private placement financings totaling \$25.6 million were concluded in 2006 and a private placement financing totaling \$25 million was announced in Q1-2007 to advance exploration activities and the development of the Bucko Lake Nickel Deposit.
- Results from an updated Bankable Feasibility Study released in Q1 2007 on the Bucko Deposit indicated the potential for the project to yield a net present value of \$201.2 million at a US\$8.00 per pound nickel price.
- Amendments to the earn-in agreements with Xstrata Nickel permitting Crowflight to earn a 100 percent interest in the Bucko Lake Mining Lease and Thompson Nickel Belt exploration properties and including a definitive off-take agreement for the treatment of Bucko Lake nickel concentrate with Xstrata Nickel were concluded in Q1 2007.
- Crowflight announced a 32 percent increase in Indicated Resources at the Bucko Lake Nickel Deposit to 2.5 million tonnes grading 2.01 percent nickel for total contained nickel of 110 million pounds in December 2006,
- All major capital equipment for the development of the Bucko Deposit had been purchased by September 2006 reducing the capital cost for the project as identified in a 2005 feasibility study, construction began in November 2006 and Dumas Contracting Ltd. was engaged in March 2007 to perform underground mine development of the Bucko Lake Nickel Deposit.
- Two new nickel discoveries were made during the 2006 winter exploration season at the M11A North and Apex zones, located within 3 kilometres of the Bucko Lake Deposit.

## 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.

## MINERAL PROPERTIES:

---

### THOMPSON NICKEL BELT PROPERTIES - MANITOBA

In June 2004 the Company entered into an option agreement with Falconbridge Limited, now Xstrata Plc. ("Xstrata") 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, Xstrata, 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 - XSTRATA AGREEMENTS

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

Effective March 1, 2006, Crowflight signed a definitive Amended Agreement with Xstrata 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 revised primarily with respect to:

1. Crowflight to earn up to a 100% interest in Mining Lease (ML) 031, an area 18 times larger than the area in which it was to have originally earned a 100% interest and which includes the currently outlined Bucko Lake Nickel Deposit plus a 5.5 square kilometer area that surrounds the Bucko Deposit.
2. Rescheduled annual regional exploration commitments, such that annual obligatory commitments to regional exploration spending are reduced to \$1.5 million per year for each of the annual periods 2006 through to 2009. Following having funded regional exploration commitments to 2009 the Company will have earned an initial 25% interest in the TNB South Project Area. Crowflight may earn an additional 25% interest in the TNB South Project Area by incurring a total of \$7.0 million in optional

expenditures that are distributed over four years, following vesting its 25% interest.

All other terms of the Agreement between the two parties remain as they were under the original Agreement.

### ***Thompson Nickel Belt North (“TNB North”) Project Area***

Also effective March 1, 2006, Crowflight signed a definitive Amended Agreement with Xstrata 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 2009 to coincide with the timing of the amended obligatory commitments on the Thompson Nickel Belt South Project Area.

### ***Bucko Deposit***

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.

The next steps in developing the Bucko Deposit include advancing the project to the Bankable Feasibility Study stage, which includes full project permitting, additional mineral resource expansion drilling, reducing project capital and operating costs and improving revenues.

In early April 2006, the Company announced that it submitted reports in support of an Environment Act License Proposal under the Manitoba Environment Act to obtain an Environment Act License for the development and operation of the Bucko Mine and for construction and operation of the Bucko mill and tailings management area. The submission is an Environment Act License Proposal under the Manitoba Environment Act for a Class 2 development under the Act and a full environmental impact assessment is required to accompany the proposal submission. The submission is made to Manitoba Conservation, and they distribute the package to all provincial and federal agencies for review and comment.

In May 2006, the Company announced, in two separate press releases, that it had reached a definitive agreement to purchase a previously operated hoist and headframe set, including all electrical components and an assortment of spare parts, plus a previously operated surface crusher and fixed rockbreaker, various surface buildings and various underground electrical components and has commitments (engineering, procurement, construction and management – EPCM) for the disassembly, transportation and reassembly of the system at the Bucko Deposit in the Thompson Nickel Belt, Manitoba. The all inclusive cost for the purchase, and where applicable, installation of these components at the Bucko Deposit is approximately \$2.0 million below what was estimated to have been the cost of

similar new and/or used equipment component scenarios in the recently completed feasibility study on the Bucko Deposit

In September 2006, the Company entered into an agreement to purchase a used concentrator plant which includes the plant building, a primary semi-autogenous mill, a regrind ball mill, a 35 tonne overhead crane, flotation cells, various cyclones and conveyances, and a concentrate dryer. The total consideration for the plant is \$2 million, which will be satisfied through various cash payments of \$1.5 million over the next several months to the end of the year as well as the issuance of 1,666,667 common shares of the company with a deemed value of \$500,000. The shares were issued subsequent to the quarter.

In November 2006, Crowflight announced that it began construction activities at the Bucko Lake Deposit, including foundation work in support of infrastructure to dewater and rehabilitate the historical 3-compartment, 330 metre deep shaft on the property with the goal of advancing the development of the project towards production. Additional work was underway on related surface support infrastructure buildings and the installation of a 40-man camp.

In December 2006 Crowflight announced a 32% increase in Indicated Resources at the Bucko Lake Nickel Deposit as compared to previously reported Resources, the product of surface diamond drilling in 2006 that has targeted potential extensions of nickel mineralized ultramafic rocks similar to those within the Indicated Resource envelop of the Deposit as defined by previous drilling. The goal of this drilling was to upgrade these portions of Inferred Resources to the Indicated Resource category. As a result of this drilling, the Deposit is now estimated to contain Ni 43-101 compliant Indicated Resources of 2.5 million tonnes grading 2.01% nickel plus Inferred Resources of 1.2 million tonnes grading 2.23% nickel using a 1.40% nickel cut-off grade.

In March 2007, the Company announced results from a Bankable Feasibility Study (BFS) on its Bucko Lake Nickel Deposit that included the impact of the addition of 26 million pounds of contained nickel in reserves resulting from the inclusion of the 32% increase in mineral resources announced on December 7, 2006. The inclusion of these reserves in the mine plan resulted in a 92.2% rate of return and a net present value at an 8% discount rate of \$201.2 million at an average life-of-mine nickel price of US\$8.00 per pound, or approximately one-third of current nickel prices..

## EXPLORATION ACTIVITIES

---

### ***Thompson Nickel Belt Properties***

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 completed in early January 2006, and 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 cost approximately \$150,000 and forms part of Crowflight's regional exploration funding commitment.

Diamond drilling activities as part of the winter 2006 regional exploration program concluded in April 2006. The project operator was Xstrata. A total of 18 holes are planned in both the TNB South and North Project Areas for a total of approximately 7,500 metres.

In late March 2006, Crowflight announced the first assays from this program in which it announced the discovery of enriched nickel mineralization within the M11A Zone located approximately 3 kilometres north of the Bucko Deposit within the Thompson Nickel Belt South Project Area near Wabowden, Manitoba. Hole M11A 06-06 returned 15.5 metres of 0.97% nickel from 175.5 to 191.0 metres including 2.05 metres grading 1.24% nickel, 3.38 metres grading 1.87% nickel, and 4.46 metres grading 1.16% Ni (see summary table of assay results below). These grades and intervals compare to the Bucko Deposit discovery hole M77-B which intersected 6.34 metres grading 1.54% nickel and are very close to or above the 1.5% cut-off grade being used in resource and reserve calculations in the Bucko Deposit feasibility study.

In late April 2006 Crowflight announced an additional discovery of enriched nickel mineralization within the Apex Zone located approximately 3 kilometres north of the Bucko Deposit and approximately 2 kilometres west of the M11A North discovery within the Thompson Nickel Belt South Project Area near Wabowden, Manitoba. Drill hole A 06-01 intersected 4.1 metres (13.3 feet) grading 1.11% nickel at a vertical depth of approximately 150 metres within a larger nickel mineralized ultramafic body which contains mineralization over 11.4 metres (37.3 feet) grading 0.91% nickel. This was followed-up by drill hole A 06-02 that intersected a broad interval of anomalous mineralization including 15 metres (49 feet) grading 0.8% nickel at a vertical depth of approximately 200 metres. Elevated values including 2.4% nickel from 257.32 to 258.05 metres were also encountered.

Additional drilling is being performed on these and other target areas in the TNB South Project Area as part of a summer 2006 follow-up program that began in late July 2006. Based on these results and known additional attractive targets, the Company plans to drill approximating 10,000 metres in 22 diamond drill holes as part of the winter 2007 exploration program that began in January 2007 and is expected to conclude in April. Results from the winter 2007 program are expected to be announced during the second quarter 2007.

### ***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).

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 Xstrata on the TNB South and TNB North Projects Areas 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 late 2007. 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 Xstrata and the development of the Bucko Deposit. Upon the successful development of the Bucko Deposit it is the Company's intention to recommence 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.

In June 2006, the Company reached a formal agreement with Wallbridge Mining Company Limited ("Wallbridge") to option out an initial and conditional 50% interest in the Company's interests in the Peter's

Roost group of properties. Wallbridge is required to incur \$700,000 in exploration expenditures on the properties by December 31, 2007 in order to earn an initial 50% interest. Wallbridge would have the option to increase its ownership to a 70% vested interest in any or all of the four separate project areas by funding a further \$1 million in exploration expenditures in each project area in which it selects to vest by December 31, 2010. Failure to vest in a specific project area will result in ownership reverting back to the Company.

For any new properties Wallbridge acquires within the joint venture area, the Company will have the right to acquire a 25% participating interest at such time as an indicated resource is proved-up by reimbursing Wallbridge 50% of its exploration costs to that point.

Wallbridge plans to aggressively explore the North Range of the Sudbury Igneous Complex and in June had already begun preliminary work on the Peter's Roost group of properties by re-establishing grids over targets identified by Crowflight in 2004 and preparing for summer field work. The Joint Venture has approved a 2006 work program which includes line-cutting over identified airborne geophysical targets, surface mapping, prospecting and ground geophysics as well as 2,000 meters of diamond drilling. Results from work related to this program will be released as and when available by Wallbridge and/or Crowflight.

In December 2005, the Company elected to no longer fund the exploration program on the Airport Property, and consequently its interest in the property has been diluted to 30%. During 2006, the carrying value of this property was written off.

## LIQUIDITY AND CAPITAL RESOURCES

---

As at December 31, 2006, the Company had working capital of \$12,882,613 compared to working capital of \$233,532 as at December 31, 2005. The Company has raised capital as described below providing working capital to fund the Xstrata agreements, the development of the mine at the Bucko Deposit, and to support corporate overheads.

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.

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 28, 2007.

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.

In June 2006, the Company completed a brokered private placement through the issuance of 17,361,000 flow-through common shares of the Company at a price of \$0.30 per flow-through share for gross proceeds of \$5,208,300. Orion Securities Inc. ("Orion") led a syndicate of agents in connection with this financing and received a commission of 6% totaling \$312,498. As well, 1,041,660 Broker Warrants were

granted to Orion and other agents within the syndicate. Each Broker warrant is exercisable into one common share of the Company at a price of \$0.30 per share until December 31, 2007.

In October 2006, the Company completed both brokered and non-brokered private placement financings in two tranches raising \$8,520,000 through the issuance of 21,300,000 flow-through shares priced at \$0.40 per share and \$7,299,200 through the issuance of 20,854,859 units priced at \$0.35 per unit. 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 acquire one common share of the Company at a price of \$0.50 per share until April 11 or April 30, 2008. If, over a period of 15 consecutive trading days between February 11 or February 28, 2007 and April 11 or 30, 2008, the daily volume weighted average trading price of the common shares on the TSX Venture Exchange (or other stock exchange where the majority of the trading volume occurs) exceeds \$0.75 on each of those consecutive trading days, the Company may, within 30 days of such an occurrence, give written notice to the holders of the warrants that the warrants will expire at 4:00 pm EST on the 45th days following the giving of such notice unless exercised by the holders prior to such date.

The brokered private placement was completed by a syndicate of agents (the "Agents") led by Orion Securities Inc. The Agents received a 6% commission on gross proceeds raised, a total of \$737,592, as well as 1,269,000 compensation options which entitle the Agents to purchase one common share at a price of \$0.40 per share until April 30, 2008, and 657,120 compensation options which entitle the Agents to purchase one unit at a price of \$0.35 per unit until April 30, 2008. Each unit consists of one common share of the Company and one half of one common share purchase warrant with each whole warrant entitling the holder to acquire one common share of the Company at a price of \$0.50 per share.

During the year ended December 31, 2006, 14,426,500 warrants and 400,000 options were exercised into common shares of the Company for proceeds of \$5,318,600.

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

## RESULTS OF OPERATIONS

---

The Company reported a net loss of \$1,732,320 during the year ended December 31, 2006 compared to net income of \$128,830 for 2005.

Non-cash expenses included stock based compensation of \$815,512 (2005 - \$260,500) related to 7,370,000 options granted to directors, officers and consultants of the Company during the year (2005 - 1,650,000). The Company applies the fair value method of accounting for all stock based compensation awards using the Black-Scholes option pricing model. As well, options granted during the prior year vested in whole or in part during the current year contributing to the expense. Also, the Company wrote off \$1,089,027 in deferred exploration expenses related to the Airport Property (2005 - \$228,349 related to the Mystery Offset Dyke Property). Finally, during the current year, the Company recognized a future income tax recovery of \$1,585,000 (2005 - \$1,762,240). Upon removing these non cash items, the loss for 2006 was \$1,412,781 compared to \$1,144,561, for an increased loss of \$268,220 from the comparative year.

The major items accounting for this increase included higher professional and management costs and higher shareholder relations and promotions costs offset by decreased office, travel and amortization costs. Professional and management costs increased by over \$365,000 over the prior year as a result of the full effect in 2006 of additions to the management team, performance bonuses awarded as well recruiting costs incurred during the current year as the Company continues to grow. Shareholder communications costs increased by over \$66,000 largely as a result of the Company's use of a communications firm during 2006. These cost increases were offset by decreased travel expenses, a decrease of \$39,000 compared to the prior year, and lower office costs, by almost \$20,000, as the

Company gave up the use of a second corporate office. Lastly, in the comparative year, the Company incurred general exploration costs of almost \$17,000, costs that were not incurred during the current year.

## QUARTERLY INFORMATION

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

<b>Summary Financial Information for the Eight Quarters Ended September 30, 2006</b>					
<u>Period</u>	<u>Revenues</u>	<u>Total Assets</u>	<u>Net Income (Loss)</u>	<u>Net Income (Loss) per Share basic and diluted</u>	<u>Long Term Liabilities</u>
4 <sup>th</sup> Quarter 2006	Nil	51,055	(403)	(0.01)	Nil
3 <sup>rd</sup> Quarter 2006	Nil	33,971	(430)	(0.00)	Nil
2 <sup>nd</sup> Quarter 2006	Nil	30,602	(423)	(0.00)	Nil
1 <sup>st</sup> Quarter 2006	Nil	25,865	(476)	(0.00)	Nil
4 <sup>th</sup> Quarter 2005	Nil	22,783	254	0.00	Nil
3 <sup>rd</sup> Quarter 2005	Nil	22,832	(569)	(0.00)	Nil
2 <sup>nd</sup> Quarter 2005	Nil	21,867	(396)	(0.01)	Nil
1 <sup>st</sup> Quarter 2005	Nil	17,752	840	0.01	Nil

As the Company has no revenue at this point in time, the net losses result primarily from corporate overheads including stock based compensation. During 2006, the Company has incurred consistent quarterly losses as a result of regular corporate overhead expenditure, and vesting terms on the stock based compensation which spreads out the cost over these periods.

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. During the 4<sup>th</sup> quarter of 2006, the Company began investing in capital assets for the development of a mine in Manitoba, which accounts for the rather large increase in total assets.

The income in the first and last quarter of 2005 resulted from a non cash future income tax recovery of \$1,164,240 as the company renounced \$3,234,000 related to proceeds from flow-through shares.

## ANNUAL INFORMATION

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

	2006	2005	2004
Net income (loss)	(1,732)	129	(2,530)
Income (loss) per share, basic and fully diluted	(0.01)	0.00	(0.05)
Total assets	51,055	22,783	16,876
Total long term liabilities	-	-	-

## CASH FLOWS

Cash used in Operating Activities was \$607,435 for the year under review, compared to a use of \$1,531,844 during the comparable year in 2005. The net cash usage related to corporate overheads and interest income was \$1,401,911 compared to \$1,116,137 for the same period last year as described in

the operating results section of this report. The change in non cash working capital provided \$794,476 during the year ended December 31, 2006 compared to a usage of \$415,707 during the prior year.

Cash from Financing Activities generated \$28,876,261 during the current year compared to \$5,796,112 during the comparable year. As described in the Liquidity and Capital Resources section above, the Company received net proceeds of \$23,557,661 (2005: \$5,284,112) through various private placement financings. Warrants and options were exercised during the current year generating \$5,318,600 (2005: \$512,000).

Cash used in Investing Activities during the year ended December 31, 2006 was \$15,101,575 compared to \$9,436,054 used in investing activities for the prior year. Cash spending on exploration of the various properties as well as the acquisition of capital assets related to the exploration & development of these properties for the year ended December 31, 2006 was \$14,664,780, net of government assistance, compared to \$9,932,799 for the year ended December 31, 2005. Cash spending for these periods is described in the table below. During the current year, prepaid exploration expenditure increased by \$355,627 as the Company advanced funds to Xstrata throughout the year to fund their exploration commitments, compared to an increase of \$178,255 for the comparable year. Also, during the year ended December 31, 2006, there was a decrease of \$32,305 in accounts payable related to exploration expenditure compared to an increase of \$694,867 during the year ended December 31, 2005. The Company invested \$48,863 in equipment during the current year, compared to \$19,867 during the prior year.

<b>2006</b>	MANITOBA			SUDBURY, ONTARIO				TOTAL
	Bucko Feasibility Study	Thompson Nickel Belt South	Thompson Nickel Belt North	AER Kidd	Airport	Peter's Roost	New Exploration	
Acquisition and property costs	31,237	44,680	25,743	103,066	18,000	24,870	0	247,596
Drilling	1,743,585	1,537,140	667,924	0	0	0	0	3,948,649
Assaying, laboratory, metallurgy	198,183	0	0	0	0	0	0	198,183
Geology, geological consulting, labour	682,323	344,702	221,838	8,075	0	12,288	0	1,269,226
Travel and transportation	210,623	8,952	4,205	686	250	1,321	763	226,800
Geochemistry and geophysics	102,969	4,929	247,138	0	0	0	0	355,036
Reports	94,732	0	0	0	0	0	0	94,732
Mine and mill design	(27,015)	0	0	0	0	0	0	(27,015)
Site development	4,040,518	0	0	0	0	0	0	4,040,518
Off-take contract	37,791	0	0	0	0	0	0	37,791
Mine closure bond	217,288	0	0	0	0	0	0	217,288
Engineering and procurement	650,274	0	0	0	0	0	0	650,274
Environmental	145,791	4,353	2,411	48,908	0	0	0	201,463
Field and office support	151,556	10,811	8,110	2,075	51	1,750	86	174,439
Management fees	457	187,766	114,149	0	0	0	0	302,372
Capital purchases	2,985,884							2,985,884
Less: Government assistance		(121,342)	(137,114)					(258,456)
<b>Balance, December 31, 2006</b>	<b>11,266,196</b>	<b>2,021,991</b>	<b>1,154,404</b>	<b>162,810</b>	<b>18,301</b>	<b>40,229</b>	<b>849</b>	<b>14,664,780</b>

<b>2005</b>	MANITOBA			SUDBURY, ONTARIO					TOTAL
	Bucko Feasibility Study	Thompson Nickel Belt South	Thompson Nickel Belt North	AER Kidd	Airport	Mystery Offset Dyke	Peter's Roost	New Exploration	
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, consulting and labour	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)
<b>Cash spending 2005</b>	<b>4,637,973</b>	<b>3,641,022</b>	<b>1,395,347</b>	<b>109,989</b>	<b>42,590</b>	<b>64,481</b>	<b>38,984</b>	<b>2,413</b>	<b>9,932,799</b>

*Table includes cash expenditures only*

## COMMITMENTS

a) Pursuant to the issuance of 49,038,776 flow through shares during 2006, the Company renounced \$16,063,300 on qualified exploration expenditures with an effective date of December 31, 2006 in February 2007. As of December 31, 2006, the Company has expended \$6,609,193 related to these flow through funds and will be committed to expend the balance of \$9,454,107 between January 1 and December 31, 2007.

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. All required expenditures were made by December 31, 2006.

b) The Company is party to certain management contracts which require that additional payments of up to \$2,702,000 be made upon the occurrence of certain events such as a change of control or termination without cause. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these financial statements. Minimum commitments under the agreements are approximately \$1,628,000 payable within one year.

## TRANSACTIONS WITH RELATED PARTIES AND DIRECTORS AND OFFICERS COMPENSATION

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, 2006 an amount of \$12,135 (2005 - \$43,180) is payable in relation to these expenses. As well, the Company is owed \$1,640 (2005 - \$15,883) at December 31, 2006 for shared expenses.

During the year ended December 31, 2006, the Company paid \$303,751 (2005: \$262,417) to officers of the Company and \$900,049 (2005: \$671,831) to directors of the Company as remuneration for services provided.

During the year ended December 31, 2006, the Company granted 5,350,000 (2005: 1,300,000) stock options to directors and officers of the Company.

During 2006, a director of the Company subscribed for 2,142,857 units as part of the October 2006 private placement for proceeds of \$750,000. 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.

## OUTSTANDING SHARE DATA

---

As at April 4, 2006, 203,718,029 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, 11,920,000 remain outstanding with exercise prices ranging from \$0.20 to \$0.70, with expiry dates ranging between June 5 and February 20, 2012. If exercised, 11,920,000 common shares would be issued for proceeds of \$3,644,125.

As at April 4, 2006, 16,621,296 share purchase warrants were outstanding with exercise prices ranging from \$0.30 to \$0.50, expiring between July 20, 2007 and April 30, 2008. If all warrants and units were exercised 16,621,296 common shares would be issued for proceeds of \$7,289,959.

## SUBSEQUENT EVENTS

---

a) On January 30, 2007, the Company amended their agreements with Xstrata Nickel by entering into the Bucko Lake Lease Transfer Agreement which includes the Exploration Option Agreement and the Off-take agreement. The Bucko Lake Lease Transfer Agreement provides for the transfer of the Bucko Lake Lease to the Company free and clear of all Liens on the Closing Date, which will be the 10<sup>th</sup> business day following the date on which the Company delivers the Bankable Feasibility Study and BFS Acceptance Letter to Xstrata. As well, on the Closing Date, the Company will issue 2,000,000 shares to Xstrata, and deliver a royalty agreement where the Company grants to Xstrata a 2.5% Net Smelter Royalty with respect to the Bucko Lake Lease. In order to retain its 100% undivided interest in the Bucko Lake Lease following the Closing Date, the Company shall put the Bucko Deposit into Commercial Production within six months of the completion of the Bankable Feasibility Study.

The Exploration Option Agreement amalgamates both the Thompson Nickel Belt South and North agreements whereby the Company can earn a 100% interest in these properties by incurring \$13,200,000 in expenditures from January 1, 2007 up to and including December 31, 2013 (the "Option Period") according to the following schedule:

- \$2,500,000 by December 31, 2007;
- \$2,500,000 by December 31, 2008;
- \$2,200,000 by December 31, 2009;
- \$1,500,000 by December 31, 2010;
- \$1,500,000 by December 31, 2011;
- \$1,500,000 by December 31, 2012;
- and \$1,500,000 by December 31, 2013.

In addition, the Company will become the Operator during the Option Period.

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

b) On March 26, 2007, the Company entered into an agreement with a syndicate of underwriters led by Orion Securities Inc. and including Canaccord Adams Inc., Sprott Securities Inc. and Pacific International Securities Inc. (collectively the "Underwriters") whereby, the Underwriters will purchase, on a bought deal private placement basis, \$20,000,000 of units and flow through shares. The private placement, will be for the issuance of 12,500,000 units of the Company at a price of \$0.80 per Unit and 10,000,000 flow through common shares of the Company at a price of \$1.00 per flow through share for total gross proceeds of \$20,000,000. Crowflight will grant the Underwriters an option, to purchase up to an additional 3,125,000 units (\$2,500,000) and 2,500,000 flow through shares (\$2,500,000), exercisable at the issue price for a period of 48 hours prior to the closing of the offering.

Each unit will consist of one common share in the capital of the Company and one half of one common share purchase warrant. Each whole Warrant entitles the holder to acquire one common share at a price of \$1.15 for a period of 12 months following the closing date. However, if over a period of 15 consecutive trading days between

the date that is 4 months following the closing date and the expiry of the Warrant, the daily volume weighted average trading price of the common shares on the TSX Venture Exchange, or such other stock exchange where the majority of the trading volume occurs, exceeds \$1.50 on each of those 15 consecutive days, the Company may, within 30 days of such an occurrence, give written notice to the holders of the Warrants that the Warrants will expire at 4:00 p.m. (Toronto time) on the 45th day following the giving of notice unless exercised by the holders prior to such date.

Closing of the offering is anticipated to occur on or before April 12, 2007 and is subject to receipt of applicable regulatory approvals including approval of the TSX Venture Exchange. The common shares, flow through shares and common shares issuable upon exercise of the warrants are subject to resale restrictions for a period of four months plus one day from the closing date.

The Underwriters will receive a commission of 6.0% of the gross proceeds raised in the brokered private placement, which they may elect to receive in cash or, in whole or in part, in units (the "Commission Units") of the Company at a deemed price equal to the unit price of the offering. The commission units will have the same terms as the units of the offering. The Underwriters will also receive compensation options (the "Compensation Options") equal to 5.5% of that number of units and flow through shares issued in connection with the brokered private placement. Each Compensation Option will entitle the Underwriters to purchase one Unit of the Company at the Unit Price for a period of 12 months following the closing date.

## **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, key personnel changes as well as unforeseen government regulation changes and permitting. .

## **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 cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and accrued pension liability 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.

## **MULTILATERAL INSTRUMENT 52-109 DISCLOSURE**

---

### **Evaluation of disclosure controls and procedures**

We have evaluated the effectiveness of our disclosure controls and procedures and have concluded, based on our evaluation that they are sufficiently effective to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations.

## Internal controls over financial reporting

The Chief Executive Officer and Chief Financial Officer, together with other members of management, after having designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with the issuer's GAAP as of December 31, 2006, have not identified any changes to the Company's internal control over financial reporting which would materially affect, or is reasonably likely to materially affect the Company's internal control over financial reporting.

## 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](http://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 4, 2007



# CORPORATE INFORMATION

## Annual and Special Meeting

The annual and special meeting of shareholders will be held at 4:30 p.m. (Toronto time) on June 6, 2007 at 65 Queen Street West, 8<sup>th</sup> Floor, Toronto, Ontario, M5H 2M5

## Legal Counsel

Cassels Brock & Blackwell LLP  
Barristers and Solicitors  
Toronto, Ontario

## Directors

### Thomas Atkins

President & C.E.O.  
Crowflight Minerals Inc.  
Ontario, Canada

### Stan Bharti

Professional Engineer  
Ontario, Canada

### Maurice Colson\*

Investment Banker  
Ontario, Canada

### Lewis MacKenzie\*

Independent Businessman  
Ontario, Canada

### Gerald McCarvill

Independent Businessman  
Ontario, Canada

### Bernard Wilson\*

Chartered Accountant  
Ontario, Canada

## Shareholders' Information

## Stock Exchange Listing

TSX Venture Exchange (TSX)  
Symbol: CML

## Executive Office

Suite 815, PO Box 75  
65 Queen Street West  
Toronto, Ontario  
M5H 2M5  
Tel: (416) 861-5879  
Fax: (416) 861-8165

## Registrar and Transfer Agent

Equity Transfer & Trust Company  
Toronto, Ontario

## Auditors

McGovern, Hurley, Cunningham, LLP  
Toronto, Ontario

\* Members of the Audit Committee