

CROWFLIGHT MINERALS INC.

Canada's Next Nickel Producer

**ANNUAL REPORT FOR THE YEAR
ENDING DECEMBER 31, 2007**



CROWFLIGHT MINERALS INC.
65 Queen Street West, Suite 820
Toronto, Ontario
Canada 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 65 Queen Street West, Suite 805, Toronto, Ontario M5H 2M5 on Tuesday the 3rd day of June, 2008 at 11:00 a.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, 2007, together with the report of the auditors thereon;
2. to elect directors of the Corporation for the ensuing year;
3. to appoint McGovern, Hurley Cunningham LLP as auditor of the Corporation and authorize the directors to fix their remuneration;
4. to re-approve the Corporation's Stock Option Plan;
5. To consider and, if thought appropriate, to approve a resolution to approve the issuance of an aggregate of up to 2.5 million common shares to officers, directors, employees and consultants of the Corporation as security based compensation to such persons, subject to the Corporation graduating to the Toronto Stock Exchange and all as more particularly described in the management information circular accompanying this notice of Meeting; 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, 2007. 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.

The directors of the Corporation have fixed the close of business on April 29, 2008 as the record date, being the date for the determination of the registered holders entitled to notice and to vote at the Meeting and any adjournments(s) thereof.

The board of directors of the Corporation has by resolution fixed 5:00 p.m. (Toronto time) on May 30, 2008 or 48 hours (excluding Saturdays, Sundays and holidays) before any adjournment of the Meeting as the time by which proxies to be used or acted upon at the Meeting or any adjournment(s) thereof shall be deposited with the Corporation's transfer agent.

DATED at Toronto, Ontario as of the 29th day of April, 2008

BY ORDER OF THE BOARD

(Signed) "*Mike Hoffman*"

President and Chief Executive Officer

CROWFLIGHT MINERALS INC.

MANAGEMENT INFORMATION CIRCULAR AS AT AND DATED APRIL 29, 2008

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 3, 2008 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 will be borne by the Corporation.

The board of directors of the Corporation has by resolution fixed the close of business on April 29, 2008 as the record date, being the date for the determination of the registered holders of common shares entitled to notice of and to vote at the Meeting and any adjournment(s) thereof. The board of directors of the Corporation has by resolution fixed 5:00 p.m. (Toronto time) on May 30, 2008 or 48 hours (excluding Saturdays, Sundays and holidays) before any adjournment(s) of the Meeting, as the time by which proxies to be used or acted upon at the Meeting or any adjournment(s) thereof shall be deposited with the Corporation’s transfer agent.

Unless otherwise stated, the information contained in this management information circular is as of April 29, 2008. This management information circular contains references to United States dollars and Canadian dollars. All dollar amount references, unless otherwise indicated, are expressed in Canadian dollars and United States dollars are referred to as “United States dollars” or “US\$”.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are officers/directors of the Corporation. **A shareholder desiring to appoint some other person or company to represent him at the meeting may do so** 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 of the Corporation indicated on the enclosed envelope not later than the cut off time set out above, or delivering it to the Chairman of the Meeting on the day of the Meeting.

In addition to revocation in any other manner permitted by law, a Shareholder may revoke a proxy given pursuant to this solicitation by depositing an instrument in writing (including another proxy bearing a later date) executed by the Shareholder or by an attorney authorized in writing at 65 Queen Street West, Suite 815, Toronto, Ontario M5H 2M5 at any time up to and including the last business day preceding the day of the Meeting or with 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. In the absence of such election, 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 that may properly come before the Meeting. At the time of printing this Circular management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters that are not now known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgement of the named proxies.

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 Shareholder (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 of the Canadian Securities Administrators, the Corporation will distribute copies of the Notice of Meeting, form of proxy and this Information Circular to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

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

The purpose of this procedure is to permit Non-Registered Holders to direct the voting of the 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 Holder Thereof

The authorized capital of the Corporation consists of an unlimited number of Common Shares. As of April 29, 2008, the record date (the "Record Date") for the Meeting, the Corporation had 251,348,823 Common Shares issued and outstanding.

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.

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.

Interest of Persons in Matters to be Acted Upon

No director or executive officer of the Corporation, nor any person who had 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.

EXECUTIVE COMPENSATION

(a) Compensation of Officers

The following table (presented in accordance with National Instrument 51-102) summarizes the compensation paid during the last three financial years ended December 31, 2007, 2006 and 2005 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 the financial year ended December 31, 2007 and other executive officers who made in excess of \$150,000 (the "Named Executive Officers"). During the financial year ended December 31, 2007, no other executive officer of the Corporation was paid more than \$150,000 in compensation.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Annual Compensation				Long Term Compensation			
	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$) ⁽¹⁾	Awards		Payouts	
					Securities Under Options SARs Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	All Other Compensation (\$)
Thomas Atkins Past President and C.E.O. ⁽²⁾	2007	Nil	407,500	632,750 ⁽³⁾	1,600,000	Nil	Nil	Nil
	2006	Nil	310,000	131,429	850,000	Nil	Nil	Nil
	2005	Nil	Nil	225,831	1,000,000	Nil	Nil	Nil
Mike Hoffman President and C.E.O. ⁽²⁾	2007	Nil	Nil	45,312	1,000,000	Nil	Nil	Nil
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2005	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Greg Collins Vice President, Exploration	2007	Nil	100,000	135,000	400,000	Nil	Nil	Nil
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2005	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Deborah Battiston C.F.O.	2007	Nil	18,000	53,000	170,000	Nil	Nil	Nil
	2006	Nil	14,500	48,000	100,000	Nil	Nil	Nil
	2005	Nil	Nil	55,500	Nil	Nil	Nil	Nil
Paul Keller C.O.O.	2006	Nil	215,000	163,332	700,000	Nil	Nil	Nil
	2006	Nil	35,000	155,001	300,000	Nil	Nil	Nil
	2005	Nil	Nil	122,292	200,000	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 was President of the Corporation from March 15, 2005 until September 2007, Mr. Hoffman replaced Mr. Atkins in September 2007 as President and C.E.O.
- (3) Mr. Atkins' compensation includes the severance paid to him upon termination.

(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)

Stock options granted to the Named Executive Officers during the fiscal year ended December 31, 2007 are provided in the table below:

Name	Securities Under Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in Fiscal year ⁽¹⁾	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security) ⁽²⁾	Expiration Date
Thomas Atkins Past President & C.E.O.	1,600,000	11.52%	1,000,000 @ \$0.405 600,000 @ \$0.94	\$0.405 \$0.94	January 10, 2012 June 28, 2012
Mike Hoffman President & C.E.O.	1,000,000	7.2%	\$0.60	\$0.60	September 17, 2012
Greg Collins V.P. Exploration	400,000	2.8%	200,000 @ \$0.405 200,000 @ \$0.94	\$0.405 \$0.94	January 10, 2012 June 28, 2012
Deborah Battiston C.F.O.	170,000	1.2%	100,000 @ \$0.405 70,000 @ \$0.94	\$0.405 \$0.94	January 10, 2012 June 28, 2012
Paul Keller C.O.O.	700,000	5%	400,000 @ \$0.405 300,000 @ \$0.94	\$0.405 \$0.94	January 10, 2012 June 28, 2012

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, 2007.
- (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, 2007 and options held by the Named Executive Officers as at December 31, 2007:

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at December 31, 2007		Value of Unexercised In-the-money Options at December 31, 2007	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$) ⁽¹⁾	Unexercisable (\$) ⁽¹⁾
Thomas Atkins Past President & C.E.O.	0	N/A	3,450,000	N/A	726,786	N/A
Mike Hoffman President & C.E.O.	0	N/A	250,000	750,000	Nil	Nil
Greg Collins VP, Exploration	0	N/A	387,500	262,500	85,437.50	25,562.50
Deborah Battiston C.F.O.	162,500	55,687.50 ⁽²⁾	213,750	93,750	25,562.50	10,250
Paul Keller C.O.O.	0	N/A	812,500	387,500	184,000	17,500

Notes:

- (1) Based on the closing market price of the Common Shares of \$0.58 on March 16, 2007.
- (2) Based on the closing market price of the Common Shares of \$0.61 on December 31, 2007.

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

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

Mike Hoffman

The Corporation entered into a contract with Mike Hoffman effective September 10, 2007, pursuant to which Mr. Hoffman agreed to provide management consulting services as the President and Chief Executive Officer of the Corporation. Mr. Hoffman is entitled to compensation for the provision of such services at base fees of \$22,916.67 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 September 10, 2010 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. Hoffman 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. Hoffman 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. Hoffman that is equivalent to 36 months of base fees and bonuses paid within the past 36 months to Mr. Hoffman.

Deborah Battiston

The Corporation entered into a contract with Deborah Battiston effective October 22, 2003 (amended on March 1, 2005, May 9, 2006 and further amended on August 1, 2007), 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 \$5,000 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 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, May, 2006 and further amended on August 1, 2007), 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 \$14,583.00 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.

Greg Collins

The Corporation entered into a contract with Greg Collins effective January 1, 2007 (amended on August 1, 2007), pursuant to which Mr. Collins agreed to provide management consulting services as the Vice President, Exploration of the Corporation. Mr. Collins is entitled to compensation for the provision of such services at base fees of \$12,500.00 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. Collins is entitled to be paid the equivalent of 2 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. 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.

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

Compensation of directors in the financial period ended December 31, 2007 was determined on a case-by-case basis with reference to the role that each directors provides to the Corporation. The Company is currently conducting a review of director compensation. The following information details compensation paid in the recently completed financial period. Mr. Bharti received a fee of \$10,000 per month. Mr. McCarvill received a fee of \$7,500 per month and Mr. Humphrey, in his capacity as Chair of the Board, received a fee of \$5,000 per month. Messrs. Bharti, McCarvill and Humphrey each entered into agreements with the Corporation that provide for, in the event of a “change in control” of the Corporation, the Corporation and each of them 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 the respective Director that is equivalent to 36 months of base fees and bonuses paid within the past 36 months to the respective Director. Mr. Wilson receives a fee of \$1,000 per board meeting and each of Mr. Colson and Mr. MacKenzie receive \$500 per meeting. In addition, please see the disclosure below under the heading “Compensation of Directors – Other Arrangements”.

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 such their capacity as directors.

During the fiscal year ended December 31, 2007, directors were granted the following options and bonuses in their capacity as directors of the Corporation (Please see above “Executive Compensation” for Mr. Atkins compensation):

Name of Director	Bonus (\$)	Number of Options Granted (#)	Options	
			Exercise Price (\$/Security)	Expiration Date
Thomas Atkins ⁽¹⁾	Nil	Nil	Nil	Nil
Stan Bharti	275,000	600,000	300,000 @ \$0.405 300,000 @ \$0.94	January 10, 2012 June 28, 2012
Maurice Colson	15,000	250,000	150,000 @ \$0.405 100,000 @ \$0.94	January 10, 2012 June 28, 2012
Lewis MacKenzie	15,000	250,000	150,000 @ \$0.405 100,000 @ \$0.94	January 10, 2012 June 28, 2012
Gerald McCarvill	15,000	250,000	150,000 @ \$0.405 100,000 @ \$0.94	January 10, 2012 June 28, 2012
Bernard Wilson	15,000	250,000	150,000 @ \$0.405 100,000 @ \$0.94	January 10, 2012 June 28, 2012
Bruce Humphrey ⁽²⁾	Nil	500,000	\$0.60	September 17, 2012

Notes:

(1) Mr. Atkins resigned from the Board on January 18, 2008.

(2) Mr. Humphrey was appointed to the Board on September 10, 2007.

Other Arrangements

None of the directors of the Corporation were compensated by the Corporation or its subsidiaries during the financial year ended December 31, 2007 pursuant to any other arrangement, than otherwise disclosed in this circular, or in lieu of any standard compensation arrangement, other than Stan Bharti, Gerald McCarvill and Bruce Humphrey.

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 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.

In addition, the Corporation entered into a contract with Forbes & Manhattan Inc. (“Forbes”), of which Mr. Bharti is the President, dated November 1, 2007, pursuant to which Forbes agreed to provide consulting services to the Corporation. Forbes is entitled to compensation for the provision of such services at base fees of \$5000 per month subject to quarterly reviews by the Board, plus any such increments thereto. 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 30 days written notice to the other party.

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.

Bruce Humphrey

The Corporation entered into a contract with Bruce Humphrey effective September 1, 2007, pursuant to which Mr. Humphrey agreed to provide management consulting services to the Corporation. Mr. Humphrey is entitled to compensation for the provision of such services at base fees of \$5,000 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 continues on a month to month basis 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. Humphrey 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. Humphrey 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. Humphrey that is equivalent to 36 months of base fees and bonuses paid within the past 36 months to Mr. Humphrey.

(f) 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:

Patrick Gleeson

The Corporation entered into a contract with Patrick Gleeson effective May 1, 2007 pursuant to which Mr. Gleeson agreed to provide management consulting services as the Corporate Secretary of the Corporation. Mr. Gleeson 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 continues on a month to month basis 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. Gleeson 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. Gleeson 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. Gleeson that is equivalent to 24 months of base fees and bonuses paid within the past 24 months to Mr. Gleeson.

Securities Authorized for Issuance Under Equity Compensation Plans

As of December 31, 2007, the end of the Corporation’s most recently completed financial year, the only equity compensation plan which the Corporation had in place was its stock option plan (the “Plan”) which was re-approved by the shareholders of the Corporation on April 25, 2007. As of December 31, 2007 21,485,000 options have been awarded pursuant to the Plan.

Indebtedness of Directors and Executive Officers

As at the date of this Circular and during the financial year ended December 31, 2007, 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, 2007, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or its subsidiaries, other than in respect of subscriptions for securities of the Corporation that had not settled as of December 31, 2007.

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, 2007, 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 \$30,888.

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, 2007 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, 2007, 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 had 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 and the re-approval of the stock option plan of the Corporation.

CORPORATE GOVERNANCE POLICIES

The Corporation and the Board of Directors recognize the importance of corporate governance to the effective management of the Corporation and to the protection of its stakeholders, particularly shareholders. The Corporation's approach to significant issues of corporate governance is designed with a view to ensuring that the business and affairs of the Corporation are effectively managed so as to enhance shareholder value. The Board fulfills its mandate directly and through its committees at regularly scheduled meetings or as required. The directors are kept informed of the Corporation's operations at regular meetings and through reports and discussions with management on matters within their particular areas of expertise.

The Corporation believes that its corporate governance practices are in compliance with applicable Canadian requirements. The Corporation has considered the applicable requirements and believes that its approach is appropriate and works effectively for the Corporation and its shareholders.

The Board of Directors

Among the nominees for the board of directors, the Corporation considers Bruce Humphrey, Bernie Wilson, Lewis MacKenzie and Maurice Colson to be independent. Mr. Hoffman is not considered to be independent as he is the President and C.E.O. of the Corporation, Mr. Bharti is not considered to be independent as he is involved in the management of the Corporation. Mr. McCarvill is not considered to be independent because he has been an executive officer of Crowflight within the past three years.

The following sets out the other reporting issuers for which the Nominees act as a director.

<u>Name</u>	<u>Directorships with Other Reporting Issuers</u>
Stan Bharti	Aberdeen International Inc. Alexis Minerals Corporation Apogee Minerals Ltd. Avion Resources Corp. Beartooth Platinum Corporation Cash Minerals Ltd. Castillian Resources Corp. Central Sun Mining Corp. Consolidated Thompson Iron Mines Limited Dynamite Resources Ltd. Eurocontrol Technics Inc. Kansai Mining Corp. Largo Resources Ltd. Longford Corporation Stetson Oil & Gas Ltd. Valencia Ventures Inc. Vast Exploration Inc.
Maurice Colson	Alexis Minerals Corporation Coniagas Resources Limited Fort Chimo Minerals Inc. Golden Tag Resources Ltd. Sagittarius Capital Corporation Vast Exploration Inc.
Mike Hoffman	Aberdeen International Inc. Castillian Resources Corp. Largo Resources Ltd.
Bruce Humphrey	Consolidated Thompson Iron Mines Limited Central Sun Mining Inc.
Lewis MacKenzie	Eurocontrol Technics Inc. Med-Emerg International Inc. MTI Global Inc.
Gerald McCarvill	Beartooth Platinum Corporation Castillian Resources Corp. Dynamite Resources Ltd. Consolidated Thompson Iron Mines Limited Largo Resources Ltd. Longford Energy Inc.
Bernard Wilson	Consolidated Thompson Iron Mines Limited Clearwater Seafoods Limited SonnenEnergy Corporation

Orientation and Continuing Education

The measures that the Board of Directors takes in connection with orienting new members regarding the role of the Board, its directors, the committees of the Board and the nature and operation of the Corporation's business include providing each new member with a set of the Corporation's charters, policies and procedures and discussing with new members the Corporation's operations including possible site visits to the Corporation's properties.

With respect to providing continuing education for its directors, the Board ensures that all directors are apprised of changes in the Corporation's operations and business, changes in the regulatory environment affecting the Corporation's day-to-day business both within Canada and within the foreign jurisdictions in which the Corporation maintains properties and changes in their roles as directors of a public company.

Ethical Business Conduct

The Board of Directors is apprised of the activities of the Corporation and ensures that it conducts such activities in an ethical manner. The Board of Directors encourages and promotes an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations; providing guidance to consultants, officers and directors to help them recognize and deal with ethical issues; promoting a culture of open communication, honesty and accountability; and ensuring awareness of disciplinary actions for violations of ethical business conduct.

Nomination of Directors

The Board of Directors is responsible for identifying new candidates for nomination to the Board. The process by which candidates are identified is through recommendations presented to the Board, which establishes and discusses qualifications based on corporate law and regulatory requirements as well as education and experience related to the business of the Corporation.

Compensation

The Board of Directors is responsible for determining the compensation of the directors and Chief Executive Officer of the Corporation. The process by which compensation is determined includes an informal comparative analysis of the market for such services and recommendations presented to the Board. The Board reviews and discusses proposals received by the Chief Executive Officer of the Corporation regarding the compensation of management and the directors.

Board Assessments

The Board and its individual directors are assessed on an informal basis continually as to their effectiveness and contribution. The Chairman of the Board encourages discussion amongst the Board as to evaluation of the effectiveness of the Board as a whole and of each individual director. All directors are free to make suggestions for improvement of the practice of the Board at any time and are encouraged to do so.

AUDIT COMMITTEE

Multilateral Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators (the "Instrument") relating to the composition and function of audit committees applies to every TSX Venture Exchange listed company, including the Corporation. 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.

Please see **Schedule "A"** for the Audit Committee Charter.

Composition of the Audit Committee

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

Relevant Education and Experience

Mr. Wilson, FCA, who worked at PriceWaterhouseCoopers LLP from 1965 to 2005, is a recognized advisor on corporate finance and investment banking with extensive experience in major financial restructurings, international trade and commerce issues. He has served in numerous national leadership capacities, including as Chairman of the Founders Board of the Institute of Corporate Directors from 2001 to 2005, Chairman of the Canadian Chamber of Commerce, Chairman of the Canadian Council for International Business, Chairman of the International Chamber of Commerce - Canada and as a member of the Canada/US Trade Committee. Mr. Wilson is a senior financial professional with a wide array of working relationships with business executives in Canada, the United States and elsewhere.

Mr. Colson, B.A., M.B.A., has more than 25 years in the Canadian investment industry specializing in sales and corporate finance. Over the course of his career, he has been associated with several of the major Canadian investment dealers in Canada and the U.K., was a co-founder of a small institutional brokerage firm, and was actively engaged in the area of oil and gas and mining finance in Canada, China, Mongolia and Kazakhstan. He currently serves on the board of several mining and natural resource companies, and continues to be associated with several private companies.

General MacKenzie is a distinguished Canadian that retired from the Canadian Forces in 1993 after 36 years of service. One of his many accomplishments includes commanding Sector Sarajevo, Yugoslavia, under the United Nations Protection Force in 1992. General MacKenzie serves on the board of a number of public companies. During his military career he was responsible for a number of operational budgets exceeding one billion dollars.

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.

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.

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.

External Auditor Service Fees

Audit Fees

The Corporation's external auditors, McGovern, Hurley, Cunningham, LLP, Chartered Accountants (the "Auditors"), billed the Corporation \$38,608 and \$26,000 in the fiscal years ended December 31, 2007 and 2006, respectively, for audit fees.

Audit-Related Fees

The Auditors billed the Corporation \$5,664 and \$2,800 in the fiscal years ended December 31, 2007 and 2006, 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 \$5,609 and \$1,500 in the fiscal years ended December 31, 2007 and 2006, 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.

Exemption

As the Corporation is listed on the TSX Venture Exchange, it is relying on the exemption provided in section 6.1 of the Instrument, parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations).

MATTERS TO BE CONSIDERED

Election of Directors

Under its articles, the Corporation is to have a minimum of three directors and a maximum of 15. The Directors propose to fix the number of directors for the year ended December 31, 2007 at seven. 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 of the Corporation.

At the Meeting, Shareholders will be asked to elect seven 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 to 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⁽¹⁾
Stan Bharti Ontario, Canada	Professional Engineer	June 26, 2003	1,942,190
Maurice Colson ⁽³⁾ Ontario, Canada	Investment Banker	October 12, 2004	128,000
Mike Hoffman Burlington, Canada	President and Chief Executive Officer of the Corporation since September 10, 2007	January 18, 2008	50,000
Bruce Humphrey ⁽²⁾ Midland, Ontario	Business and Mining Consultant	September 10, 2007	Nil
Lewis MacKenzie ⁽³⁾ Ontario, Canada	Independent Businessman	February 25, 2005	Nil
Gerald McCarvill Ontario, Canada	Independent Businessman	June 26, 2003	3,367,578
Bernard, Wilson ⁽³⁾ Ontario, Canada	Corporate Director and Financial Executive	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.

Mr. Humphrey is a professional mining engineer. From October 2004 to March 2006, Mr. Humphrey was the President and Chief Executive Officer of Desert Sun Mining Corp., and, from May 1998 to May 2004, was Senior Vice President and Chief Operating Officer of Goldcorp Inc.

Mr. Hoffman is a professional mining engineer with over 25 years of experience in mine operations, projects, engineering and corporate development. He recently served in senior executive positions at Goldcorp, Desert Sun Mining and Yamana Gold. He currently also serves as President and CEO of Crowflight Minerals Inc., a Canadian

nickel Company, and Kria Resources Inc., a private mining Company. He also serves on the Board of Directors of Castillian Resources Inc., Largo Resources Inc. and Aberdeen International Inc.

Cease Trade Orders or Bankruptcies

No director of the Corporation is, or within the ten years prior to the date hereof has been, a director or executive officer of any corporation (including the Corporation) that, while that person was acting in that capacity, (i) was the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the corporation being the subject of a cease trade or similar order or an order that denied the relevant corporation access to any exemption under securities legislation for a period of more than 30 consecutive days; or (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than Mr. Stan Bharti, who was a director of Galaxy OnLine Inc., which on May 29, 2001 became subject to a cease trade order for a period of more than 30 consecutive days for failing to file its financial statements, and a director of William Multi-Tech Inc., which on May 29, 2001 became subject to a cease trade order for a period of more than 30 consecutive days for failing to file its financial statements; or (b) has, within the ten years before the date of this Filing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director, other than Mr. Stan Bharti, who was a director of BLM Service Group Inc., which was petitioned into receivership on May 31, 2001.

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.

Stock Option Plan

The Corporation's Stock Option Plan is designed to advance the interests of the Corporation by encouraging employees, officers and consultants to have equity participation in the Corporation through the acquisition of Common Shares. Accordingly, the Corporation has adopted a stock option plan (the "Plan"). The Plan was approved by the shareholders of the Corporation at its last annual meeting in June 2007. A copy of the Stock Option Plan is available under the profile of the Corporation on SEDAR at www.sedar.com. The following is a summary of the terms of the proposed Plan, which is qualified in its entirety by the provisions of the Plan.

The Corporation's current stock option plan (the "Stock Option Plan") is a "rolling" stock option plan under TSX Venture Exchange – Corporate Finance Manual – *Policy 4.4 – Incentive Stock Options* (the "Exchange Policy") as 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. As of April 29, 2008, there is an aggregate of 21,470,000 stock options outstanding under the Corporation's existing stock option plan, which represents approximately 8.54% of the outstanding common shares of the Corporation.

The terms and conditions of each option granted under the Plan will be determined by the Board. Options will be priced in the context of the market and in compliance with applicable securities laws and Exchange guidelines. Consequently, the exercise price for any stock option shall not be lower than the market price of the underlying common shares at the time of grant. Vesting terms will be determined at the discretion of the Board. The Board shall also determine the term of stock options granted under the Plan, provided that no stock option shall be outstanding for a period greater than five years.

The Plan provides for amendment procedures that specify the kind of amendments to the Plan that will require shareholder approval. The Board believes that except for certain material changes to the Plan it is important that the Board has the flexibility to make changes to the Plan without shareholder approval. Such amendments could include making appropriate adjustments to outstanding options in the event of certain corporate transactions, the addition of provisions requiring forfeiture of options in certain circumstances, specifying practices with respect to applicable tax withholdings and changes to enhance clarity or correct ambiguous provisions.

The Plan does not provide for the transformation of stock options granted under the Plan into stock appreciation right involving the issuance of securities from the treasury of the Corporation.

Directors, officers, employees and certain consultants shall be eligible to receive stock options under the Plan. Upon the termination of an optionholder's engagement with the Corporation, the cancellation or early vesting of any stock option shall be in the discretion of the Board. In general, the Corporation expects that stock options will be cancelled 90 days following an optionholder's termination from the Corporation. Stock options granted under the Plan shall not be assignable.

The Corporation will not provide financial assistance to any optionholder to facilitate the exercise of options under the Plan.

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 described 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.

Share Compensation Plan

Subject to the Corporation graduating to the Toronto Stock Exchange, the shareholders are being asked to approve a resolution authorizing the issuance to officers, directors and employees of the Corporation of an aggregate of up to 2,500,000 common shares of the Corporation, representing approximately 1% of the issued and outstanding common shares of the Corporation as at April 29, 2008, as share based compensation to such persons for contributions to the Company based on the compensation philosophy, guidelines and key performance indicators established by the Compensation Committee. The proposed Share Compensation Plan will be in addition to the Share Option Plan. The Share Compensation Plan will provide that common shares cannot be issued under the Share Compensation Plan if the total number of common shares issued under the Share Compensation Plan since its inception, together with the number of options outstanding under the stock option plan at the time of the proposed share issue will represent more than 10% of the issued and outstanding common shares at that time. The Compensation Committee has determined to award such additional equity compensation to provide a mechanism to award performance based compensation that does not involve the use of cash resources. A copy of the proposed Share Compensation Plan is attached as Schedule "B" to this Circular. The following is a summary of the terms of the proposed Share Compensation Plan, which is qualified in its entirety by the provisions of the Share Compensation Plan as set out in Schedule "B".

The number of common shares to be issued to one officer, director or employee shall not exceed 500,000 common shares. The purchase price allocated to the common shares will not be less than the market price of the common shares as at the time of grant, as market price is defined under the rules of the Toronto Stock Exchange. The common shares, if issued, cannot be sold for a period of twelve months from the date of issue. Other terms and conditions of share issues will be determined by the Board. It is expected that common shares will be issued under the Share Compensation Plan in instalments at intervals of no more frequently than quarterly, and provided that the recipient satisfies certain conditions including continued engagement with the Corporation. Notwithstanding the previous sentence, all common shares allocated under the Share Compensation Plan will be issued upon any change of control of the Corporation.

Except as otherwise may be expressly provided for under the Plan or pursuant to a will or by the laws of descent and distribution, no right or interest of a participant in the Plan is assignable or transferable.

The Plan provides for amendment procedures that specify the kind of amendments to the Share Compensation Plan that will require shareholder approval. The Board believes that except for certain material changes to the Share

Compensation Plan it is important that the Board has the flexibility to make changes to the Share Compensation Plan without shareholder approval. Such amendments could include making appropriate adjustments to grants of Shares in the event of certain corporate transactions, the addition of provisions requiring forfeiture of Shares in certain circumstances, specifying practices with respect to applicable tax withholdings and changes to enhance clarity or correct ambiguous provisions.

The Board recommends that shareholders vote for adoption of the resolution. Because insiders of the Corporation could potentially receive aggregate security compensation in excess of 10% of the outstanding shares of the Corporation, in order to be effective, the resolution must be approved by the affirmative vote of a majority of the votes cast by disinterested shareholders at the Meeting in respect of such resolution.

Unless otherwise indicated, the persons named in the accompanying proxy intend to vote for the resolution with respect to the issuance of up to 2,500,000 common shares to officers, directors and employees of the Corporation on any ballot requested or required by law.

The text of the resolution to be submitted to shareholders at the Meeting is set forth below, subject to such amendments, variations or additions as may be approved at the Meeting:

“NOW THEREFORE BE IT RESOLVED THAT:

1. The issuance of an aggregate of 2,500,000 common shares to officers, directors and employees of the Corporation as share based compensation to such persons as determined by the Compensation Committee in recognition of contributions to the Company be and the same is hereby authorized and approved, subject to the Corporation graduating to the Toronto Stock Exchange.
2. Any director or officer of the Corporation be and 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 corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered, all such deeds, documents, instruments and assurances, and to do or cause to be done all such other acts and things, as in the opinion of such director or officer of the Corporation may be necessary or desirable to carry out the intent of the foregoing resolution.”

Additional Information

Additional information relating to the Corporation is 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, 2007.

The Corporation will provide free of charge to Shareholders, upon request to its Corporate Secretary, Patrick Gleeson, at telephone number at (416) 861-5800, 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.

Board of Directors Approval

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

DATED THIS 29TH DAY OF APRIL, 2008

BY ORDER OF THE BOARD OF DIRECTORS

(signed) “Mike Hoffman”
President & Chief Executive Officer

Schedule "A"

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

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

1.2 Meaning of Independence

1. A Member is independent if the Member has no direct or indirect material relationship with the Corporation.
2. For the purposes of subsection 1, a material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of a Member's independent judgement.
3. Despite subsection 2 and without limitation, the following individuals are considered to have a material relationship with the Corporation:
 - a) a Control Person of the Corporation;
 - b) an Affiliate of the Corporation; and
 - c) an employee of the Corporation.

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

PART 2

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

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

2.3 Committee Responsibilities

1. The Committee shall be responsible for making the following recommendations to the Board:
 - a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and
 - b) the compensation of the external auditor.
2. The Committee shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting.

This responsibility shall include:

- a) reviewing the audit plan with management and the external auditor;
- b) reviewing with management and the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting;
- c) questioning management and the external auditor regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;

- d) reviewing any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
 - e) reviewing audited annual financial statements, in conjunction with the report of the external auditor, and obtaining an explanation from management of all significant variances between comparative reporting periods;
 - f) reviewing the post-audit or management letter, containing the recommendations of the external auditor, and management's response and subsequent follow up to any identified weakness;
 - g) reviewing interim unaudited financial statements before release to the public;
 - h) reviewing all public disclosure documents containing audited or unaudited financial information before release, including any prospectus, the annual report, the annual information form and management's discussion and analysis;
 - i) reviewing any evaluation of internal controls by the external auditor, together with management's response;
 - j) reviewing the terms of reference of the internal auditor, if any;
 - k) reviewing the reports issued by the internal auditor, if any, and management's response and subsequent follow up to any identified weaknesses; and
 - l) reviewing the appointments of the Chief Financial Officer and any key financial executives involved in the financial reporting process, as applicable.
3. The Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the issuer's external auditor.
4. The Committee shall review the Corporation's financial statements, MD&A and annual and interim earnings press releases before the Corporation publicly discloses this information.
5. The Committee shall ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and shall periodically assess the adequacy of those procedures.
6. When there is to be a change of auditor, the Committee shall review all issues related to the change, including the information to be included in the notice of change of auditor called for under National Policy 31, and the planned steps for an orderly transition.
7. The Committee shall review all reportable events, including disagreements, unresolved issues and consultations, as defined in the National Instrument, on a routine basis, whether or not there is to be a change of auditor.
8. The Committee shall, as applicable, establish procedures for:
- a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and
 - b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.
9. As applicable, the Committee shall establish, periodically review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer, as applicable.
10. The responsibilities outlined in this Charter are not intended to be exhaustive. Members should consider any additional areas which may require oversight when discharging their responsibilities.

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

- a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the issuer and its subsidiary entities to the issuer's external auditor during the fiscal year in which the services are provided;
- b) the Corporation or the relevant subsidiary of the Corporation, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- c) the services are promptly brought to the attention of the Committee and approved by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee, prior to the completion of the audit.

2.5 Delegation of Pre-Approval Function

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

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

PART 3

3.1 Composition

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

PART 4

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

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

PART 5

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

PART 6

6.1 Meetings

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

Schedule “B”

CROWFLIGHT MINERALS INC.
SHARE COMPENSATION PLAN

ARTICLE ONE

DEFINITIONS AND INTERPRETATION

Section 1.01 **Definitions**

For purposes of this Plan, unless such word or term is otherwise defined herein or the context in which such word or term is used herein otherwise requires, the following words and terms with the initial letter or letters thereof capitalized shall have the following meanings:

- A. “**Act**” means the *Ontario Business Corporations Act* or its successor, as amended from time to time;
- B. “**Associate**”, where used to indicate a relationship with any person or company, means: (i) any company of which such person or company beneficially owns, directly or indirectly, voting securities carrying more than 10 per cent of the voting rights attached to all voting securities of the company for the time being outstanding; (ii) any partner of that person or company; (iii) any trust or estate in which such person or company has a substantial beneficial interest or as to which such person or company serves as trustee or in a similar capacity; (iv) any relative of that person who resides in the same home as that person; (v) any person who resides in the same home as that person and to whom that person is married, or any person of the opposite sex or the same sex who resides in the same home as that person and with whom that person is living in a conjugal relationship outside marriage; or (vi) any relative of a person mentioned in clause (v) who has the same home as that person;
- C. “**Bonus Shares**” means Shares issued to a Participant under the terms of the Plan.
- D. “**Committee**” means the Directors or, if the Directors so determine in accordance with Section 2.03 of the Plan, the committee of the Directors authorized to administer the Plan which includes any compensation committee of the board;
- E. “**Corporation**” means Crowflight Minerals Inc. a corporation continued under the Act;
- F. “**Designated Affiliate**” means the affiliates (as defined in the Securities Act (Ontario)) of the Corporation designated by the Committee for purposes of the Plan from time to time;
- G. “**Directors**” means the directors of the Corporation from time to time;
- H. “**Eligible Contractors**” means individuals, other than Eligible Directors or Eligible Employees that (i) are engaged to provide on a *bona fide* basis consulting, technical, management or other services to the Corporation or any Designated Affiliates under a written contract between the Corporation or the Designated Affiliate and the individual or a company which the individual consultant is an employee and (ii) in the reasonable opinion of the Corporation, spend or will spend a significant amount of time and attention on the affairs and business of the Corporation or a Designated Affiliate;
- I. “**Eligible Directors**” means the Directors and the directors of any Designated Affiliate of the Corporation from time to time;
- J. “**Eligible Employees**” means employees, including officers, whether Directors or not, and including both full-time and part-time employees, of the Corporation or any Designated Affiliate of the Corporation;
- K. “**Insider**” means: (i) an insider as defined in the *Securities Act* (Ontario) other than a person who is an Insider solely by virtue of being a director or senior officer of a subsidiary (as defined in the Securities Act (Ontario)) of the Corporation; and (ii) an Associate of any person who is an insider by virtue of (i);

- L. **“Participant”** for the Plan means each Eligible Director, Eligible Employee and Eligible Contractor to whom Bonus Shares are granted;
- M. **“Plan”** means the Corporation's share bonus plan, as same may be amended from time to time;
- N. **“Shares”** means the common shares in the capital of the Corporation, as adjusted in accordance with the provisions of Article Five of this Plan; and
- O. **“TSX”** means the Toronto Stock Exchange.

Section 1.02 **Headings:** The headings of all articles, Sections, and paragraphs in the Plan are inserted for convenience of reference only and shall not affect the construction or interpretation of the Plan.

Section 1.03 **Context, Construction:** Whenever the singular or masculine are used in the Plan, the same shall be construed as being the plural or feminine or neuter or vice versa where the context so requires.

Section 1.04 **References to this Share Bonus Plan:** The words “herein”, “hereby”, “hereunder”, “hereof” and similar expressions mean or refer to the Plan as a whole and not to any particular article, Section, paragraph or other part hereof.

Section 1.05 **Canadian Funds:** Unless otherwise specifically provided, all references to dollar amounts in the Plan are references to lawful money of Canada.

ARTICLE TWO

PURPOSE AND ADMINISTRATION OF THE SHARE BONUS PLAN

Section 2.01 **Purpose of the Share Bonus Plan:** The Plan provides for the acquisition of Shares by Participants for the purpose of advancing the interests of the Corporation through the motivation, attraction and retention of directors, officers, employees and consultants of the Corporation and the Designated Affiliates and to secure for the Corporation and the shareholders of the Corporation the benefits inherent in the ownership of Shares by key directors, officers, employees and consultants of the Corporation and Designated Affiliates, it being generally recognized that share bonus plans aid in attracting, retaining and encouraging directors, officers, employees and consultants due to the opportunity offered to them to acquire a proprietary interest in the Corporation.

Section 2.02 **Administration of the Share Bonus Plan:** The Plan shall be administered by the Committee and the Committee shall have full authority to administer the Plan including the authority to interpret and construe any provision of the Plan and to adopt, amend and rescind such rules and regulations for administering the Plan as the Committee may deem necessary in order to comply with the requirements of the Plan. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and conclusive and shall be binding on the Participants and the Corporation. No member of the Committee shall be personally liable for any action taken or determination or interpretation made in good faith in connection with the Plan and all members of the Committee shall, in addition to their rights as Directors, be fully protected, indemnified and held harmless by the Corporation with respect to any such action taken or determination or interpretation made. The appropriate officers of the Corporation are hereby authorized and empowered to do all things and execute and deliver all instruments, undertakings and applications and writings as they, in their absolute discretion, consider necessary for the implementation of the Plan and of the rules and regulations established for administering the Plan. All costs incurred in connection with the Plan shall be for the account of the Corporation.

Section 2.03 **Delegation to Committee:** All of the powers exercisable hereunder by the Directors may, to the extent permitted by applicable law and as determined by resolution of the Directors, be exercised by a committee of the Directors comprised of not less than three Directors, including any compensation committee of the board of directors of the Corporation. The Committee shall be empowered to determine the conditions upon which any Bonus Shares shall be issued under the Plan, including any conditions of forfeiture of Bonus Shares or instalment terms.

Section 2.04 **Record Keeping:** The Corporation shall maintain a register in which shall be recorded:

- (a) the name and address of each Participant; and
- (b) the number of Bonus Shares issued to each Participant under the Plan.

Section 2.05 **Determination of Participants and Participation:** The Committee shall from time to time determine the Participants who may participate in the Plan. The Committee shall from time to time determine the Participants to whom Bonus Shares shall be issued and the provisions and restrictions with respect to such issuances, all such determinations to be made in accordance with the terms and conditions of the Plan, and the Committee may take into consideration the present and potential contributions of and the services rendered by the particular Participant to the success of the Corporation and any other factors which the Committee deems appropriate and relevant.

Section 2.06 **Maximum Number of Shares & Restriction on Sale:** The aggregate maximum number of Bonus Shares available for issuance from treasury under this Plan shall be determined from time to time by the Committee, but in any case, shall not exceed 2,500,000 Shares with the number of Shares to be issued to one officer, director or employee not to exceed 500,000 Bonus Shares. The number of Bonus Shares available for issuance shall be further constrained to so that the aggregate number of stock options available under the Stock Option Plan of the Corporation together with the number of Bonus Shares, shall not represent more than 10% of the issued and outstanding Common Shares of the Corporation as of the time of the proposed issue of Bonus Shares. The Bonus Shares issued cannot be sold for a period of twelve months from the date of issue.

ARTICLE THREE

SHARE BONUS PLAN

Section 3.01 **Share Bonus Plan:** The Plan is hereby established for Eligible Directors, Eligible Employees and Eligible Contractors.

Section 3.02 **Participants:** The Committee shall have the right to grant, in its sole and absolute discretion, to any Participant fully paid and non-assessable Bonus Shares as a discretionary payment in consideration of past services to the Corporation, subject to the Plan and with such provisions and restrictions as the Committee may determine.

Section 3.03 **Necessary Approvals:** The Plan shall be subject to the approval of the shareholders of the Corporation to be given by a resolution passed at a meeting of the shareholders of the Corporation and acceptance by the TSX or any regulatory authority having jurisdiction over the securities of the Corporation.

Section 3.04 **Effective Time and Term of the Share Bonus Plan:** The Plan herein shall become effective on the date on which it is approved by the shareholders of the Corporation. The Plan shall remain in effect until it is terminated by the Corporation's board of directors.

ARTICLE FOUR

WITHHOLDING TAXES

Section 4.01 **Withholding Taxes:** The Corporation or any Designated Affiliate may take such steps as are considered necessary or appropriate for the withholding of any taxes which the Corporation or any Designated Affiliate is required by any law or regulation of any governmental authority whatsoever to withhold in connection with any Share including, without limiting the generality of the foregoing, the withholding of all or any portion of any payment or the withholding of the issue of Shares to be issued under the Plan, until such time as the Participant has paid the Corporation or any Designated Affiliate for any amount which the Corporation or Designated Affiliate is required to withhold with respect to such taxes.

ARTICLE FIVE

GENERAL

Section 5.01 **Amendment of Share Bonus Plan:**

The Committee may, without the receipt of shareholder approval, make the following amendments to the Plan:

- (a) minor changes of a "house-keeping nature"; and

- (b) any amendment to the class of participants eligible to participate under the plan;

The Committee may, subject to receipt of requisite shareholder and regulatory approval, make the following amendments to the Plan:

- (a) any amendment to the number of Bonus Shares issuable under the Plan, including an increase to a fixed maximum number of Bonus Shares or a change from a fixed maximum number of Bonus Shares to a fixed maximum percentage;
- (b) any amendment granting the board of directors additional powers to amend the Plan or entitlements without shareholder approval;
- (d) any change to the definition of the eligible participants which would have the potential of broadening or increasing insider participation;
- (e) any change to the insider participation limit which results in shareholder approval being required on a disinterested basis;
- (c) a discontinuance of the Plan; and
- (d) any other amendments that may lead to significant or unreasonable dilution in the Corporation's outstanding securities or may provide additional benefits to eligible participants, especially insiders of the Corporation, at the expense of the Corporation and its existing shareholders.

Section 5.02 **Non-Assignable:** Except as otherwise may be expressly provided for under this Plan or pursuant to a will or by the laws of descent and distribution, no right or interest of a Participant is assignable or transferable.

Section 5.03 **No Contract of Employment:** Nothing contained in the Plan shall confer or be deemed to confer upon any Participant the right to continue in the employment of, or to provide services to, the Corporation or any Designated Affiliate nor interfere or be deemed to interfere in any way with any right of the Corporation or any Designated Affiliate to discharge any Participant at any time for any reason whatsoever, with or without cause. Participation in the Plan by a Participant shall be voluntary.

Section 5.04 **Adjustment in Number of Shares Available under the Share Bonus Plan:** In the event there is any change in the Shares, whether by reason of a stock dividend, consolidation, subdivision, reclassification or otherwise, an appropriate adjustment shall be made by the Committee in the number of Bonus Shares available under the Plan. If the foregoing adjustment shall result in a fractional Bonus Share, the fraction shall be disregarded. All such adjustments shall be conclusive, final and binding for all purposes of the Plan.

Section 5.05 **No Representation or Warranty:** The Corporation makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

Section 5.06 **Compliance with Applicable Law:** If any provision of the Plan contravenes any law or any order, policy, by-law or regulation of any regulatory body having jurisdiction, then such provision shall be deemed to be amended to the extent necessary to bring such provision into compliance therewith.

Section 5.07 **Interpretation:** This Plan shall be governed by and construed in accordance with the laws of the Province of Ontario.



Crowflight Minerals Inc.
Canada's Next Nickel Producer

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the year ended December 31, 2007

(a development stage company)

2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

of financial condition and results of operations
for the year ended December 31, 2007

The following Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Crowflight Minerals Inc ("we", "our", "us", "Crowflight", or the "Company") for the year ended December 31, 2007 and should be read in conjunction with our Audited Annual Financial Statements and related Notes as at and for the year ended December 31, 2007. The financial statements and related notes of Crowflight have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information, including our press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online under our profile at www.sedar.com.

This MD&A reports our activities through April 15, 2008. All figures are in Canadian dollars unless otherwise indicated.

HIGHLIGHTS:

- In November 2007, the Company entered into two transactions, including a 50-50 Joint Venture agreement with Pure Nickel Inc. to explore and develop nickel deposits on properties controlled by both parties near the past producing Manibridge Nickel Mine, approximately 20 km south of the town of Wabowden, Manitoba. Each party will be required to contribute property to the Joint Venture and make an initial aggregate contribution of \$6 million over a three year period to fund preliminary exploration activities within the joint venture area.
- As well, the Company entered into an option agreement with Hudson Bay Exploration and Development Ltd. to acquire a 100% interest in two claims within the area of interest of the Pure Nickel Joint Venture. Under the terms of this option agreement, the Company will be required to make payments of \$250,000 and fund a total of \$750,000 in exploration expenditure by 2011 to earn a 100% interest in the property, subject to a back in clause, right of offer for off-take and a 2% Net Smelter Royalty. This option agreement is included in the Pure Nickel JV consequently payments will be shared between Crowflight and Pure Nickel.
- Surface and underground activities during the fourth quarter of 2007 included on-going construction of the mill building (specifically erecting steel, cladding and closing in the building), de-watering and rehabilitating the shaft to the 1000 foot level was completed and the hoist and headframe were commissioned. Construction of the on-site core shack, fine ore bin, office and dry trailers and compressor room was completed during the quarter, while construction of the warehouse and crusher began. Subsequent to the quarter's end, the rod and ball mills were installed in the mill building, exterior construction of the mill building was completed, interior work of the mill building began, crusher installation was completed and underground development work began. Production of a nickel concentrate is scheduled to commence in the third quarter of 2008. Bucko Project capital and development spending has totaled approximately \$35.3 million through December 31, 2007.
- During the fourth quarter of 2007 efforts continued on a debt financing package from FirstRand (Ireland) PLC. Subsequent to the fourth quarter of 2007 Crowflight finalized a \$55 million debt facility with First Rand and began drawing on the facility in the first quarter of 2008.
- Permitting of the permanent tailings storage facility with the federal government continued during the fourth quarter of 2007. Due to delays of initial expected timelines and the expectation that the federal permits will not be received by the start of production in the third quarter of 2008, Crowflight decided

to apply for a Notice of Alteration (NOA) of its Environment Act Licence with the Province of Manitoba to allow Crowflight to store up to one year's tailings in an Interim Tailings Storage Facility (ITSF) in December 2007. Subsequent to December 31, 2007, Crowflight was granted an Environment Act Licence for the ITSF on March 28, 2008.

- In the fourth quarter, 1,011,660 warrants and 85,000 stock options were exercised for total proceeds of \$339,748.

OVERVIEW

Crowflight is a development stage company in accordance with Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline II, 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.

MINERAL PROPERTIES:

THOMPSON NICKEL BELT PROPERTIES – MANITOBA

The Company owns or holds under option claims and leases totaling 688 square kilometers in the province of Manitoba. These properties are situated in the Thompson Nickel Belt (TNB) and are interpreted to host extensions of geology known to host, or capable of hosting, nickel sulphide deposits.

The TNB hosts nickel mineralization along a well-established geological trend that extends for over 250 kilometers. The belt has yielded over 4 billion pounds of nickel in past production. Crowflight's partner, Xstrata, has been an active participant in the TNB since the early 1960s 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")

As of January 31, 2007, Crowflight entered into, an amended Agreement with Xstrata Nickel that provides Crowflight with the right to: (1) earn a 100% interest in mining lease (ML-031) which contains the Bucko Lake Nickel Deposit and a 5.5 kilometer area surrounding the Bucko Deposit; and (2) earn a 100% interest in all of approximately 513 square kilometers of advanced-stage exploration ground previously the subject of the separate Thompson Nickel Belt (TNB) South and TNB North Agreements. The Company has also agreed to a definitive offtake agreement to sell its Bucko Lake Nickel Deposit concentrates at commercially competitive terms to Xstrata Nickel for the duration of the mine life, currently anticipated to be approximately seven years based on current reserves. These agreements replace former agreements with Falconbridge Ltd. (Xstrata Nickel) dated June 2004 and January 2005.

Right to Earn a 100% Interest in the Bucko Lake Nickel Deposit

Under the terms of the jointly signed Bucko Lake Deposit Lease Transfer Agreement, in Q2-2007, Crowflight earned a 100% interest in the Bucko Lake Nickel Deposit Mining Lease ML-031 after having completed its expenditure commitments and having completed a Bankable Feasibility Study of a technical standard acceptable to a bank in the context of financing such a project's development. On the exercise of its rights Crowflight issued 2,000,000 shares to Xstrata Nickel, subject to regulatory approval. The issuance of these shares was a condition dating back to the original and amended versions of the Agreement governing the Bucko Deposit and Mining Lease.

Crowflight's 100% interest in ML-031 is subject to a Back-in Right whereby should Crowflight outline a Threshold Deposit - a new Deposit (outside of the currently known Bucko Resources) exceeding 200,000,000 pounds of nickel in Measured and Indicated Resources - Xstrata Nickel has the right to Back-in for a 50% interest and to become the operator of the new Threshold Deposit by paying to Crowflight an amount equal to the aggregate of all direct expenditures which were incurred by Crowflight in carrying out Mining Operations on the Bucko Lake Lease outside of the Bucko Resource Block prior to the date of exercise of the Back-in Right. The Bucko Lake Deposit currently contains Indicated Resources of approximately 110,000,000 pounds of nickel at a cut off grade of 1.4% nickel (see press release dated December 7, 2006).

Right to Earn a 100% Interest in the Thompson Nickel Belt Exploration Properties

Under the terms of a jointly signed Exploration Agreement, Crowflight has the right to earn a 100% interest in both the Thompson Nickel Belt (TNB) North and TNB South Exploration Properties, which includes approximately 513 square kilometers of advanced-stage exploration ground. Crowflight will earn an initial 35% interest upon its expenditure of \$7.2 million in exploration activities on the combined TNB Exploration Properties (TNB North and/or TNB South at Crowflight's discretion) no later than December 31, 2009 and will earn a 100% interest upon its expenditure of a further \$6.0 million in exploration activities on the combined TNB Exploration Properties no later than December 31, 2013.

Crowflight's 100% interest in the Exploration Properties is subject to a Back-in Right whereby should Crowflight outline a Threshold Deposit or Deposits, each of which exceed 500,000,000 pounds of nickel in Measured and Indicated Resources, Xstrata Nickel has the right to Back-in for a 50% interest and become the operator of the Threshold Deposit or Deposits by incurring Expenditures on the Property in an amount equal to two times the aggregate of all Expenditures which were incurred by Crowflight in carrying out Mining Operations on the Property prior to the Back-in provided that if Xstrata Nickel exercises more than one Back-in Right, then in calculating the required Back-in Expenditures for each subsequent Back-in Right Expenditures relating to any previously exercised Back-in Right are excluded from such Expenditure calculation.

Definitive Offtake Agreement

Based on the results of a feasibility study concluded in December 2005 (refer to press release dated December 16, 2005), the Bucko Lake Nickel Deposit has the potential to produce on average approximately 30,000 tonnes of nickel concentrates annually with an annual average of 11.1 million pounds of payable nickel. Crowflight has entered into a life of mine contract with Xstrata Nickel for the purchase of 100 percent of the nickel concentrate over the current approximate 7 year life of the mine, once in production.

Bucko Deposit

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 nickel prices at that time. Work related to the dewatering and rehabilitation of the shaft was initiated, with the objective of re-establishing access to the 1000 foot level of the mine to facilitate a program of underground delineation drilling.

In July 2007, the Company and Xstrata Nickel concluded the transfer of the 5.5 square kilometer Mining Lease 031, which surrounds and includes the Bucko Deposit, from Xstrata Nickel to Crowflight. Crowflight completed all of its earn-in commitments, including the expenditure of \$7.5 million on a Bankable Feasibility Study of a technical standard acceptable to a bank for financing such a project's development.

Subsequent to the year-end, in January 2008, Crowflight announced that it had entered into a debt facility for up to Cdn\$55 million to finance the construction and start-up of the Bucko Lake Nickel Project. The debt facility subsequently closed on February 13, 2008.

In March 2008, the Company received its *Environment Act* License from the province of Manitoba. This permit will allow Crowflight to commence production at the Bucko Lake Nickel Project. Due to the extended schedule for completion of the federal permitting process to allow Crowflight to store tailings in Bucko Lake and the likelihood that federal permits would not be available by the time the mine would be ready to start production in the third quarter of 2008, Crowflight decided to consider alternative means of bringing the project into production. To this end, Crowflight submitted a Notice of Alteration (NOA) to its original *Environment Act* License Proposal in December 2007 to include the provision for an interim land-based tailings storage facility (ITSF) that would allow for up to 12 months of tailings to be stored on surface, assuming 50% of the tailings are disposed underground in mined out areas as originally planned. Due to the nature of the design of the ITSF, only provincial permitting is required. However, Crowflight is still engaged in, and will continue with, the process of securing federal environmental permits for the use of Bucko Lake as a Tailings Impoundment Area (TIA) for long-term tailings storage.

MANIBRIDGE JOINT VENTURE – MANITOBA

The Company holds an interest in 28 claims totaling approximately 65 square kilometers centred around the past producing Manibridge Nickel Mine, located 2 kilometres west of Clarke Lake, approximately 20 kilometres south of the Town of Wabowden, Manitoba. In August, 2007 the Company acquired a 100% interest in the Owl Claim from Ferreira Ltd., subject to a 2% NSR. The property covers extensions of prospective geology interpreted to be associated with the Manibridge mine horizon and hosts several known occurrences of nickel sulphide mineralization.

In November 2007, the Company entered into two separate but related transactions, including a 50-50 Joint Venture agreement with Pure Nickel Inc. to explore and develop nickel deposits on properties controlled by both parties near the past producing Manibridge Nickel Mine, approximately 20 km south of the town of Wabowden, Manitoba. Each party will be required to contribute property to the Joint Venture and make an initial aggregate contribution of \$6 million over a three year period to fund preliminary exploration activities within the joint venture area.

As well, the Company entered into an option agreement with Hudson Bay Exploration and Development Ltd. to acquire a 100% interest in two claims within the area of interest of the Pure Nickel Joint Venture. Under the terms of this option agreement, the Company will be required to make payments of \$250,000 and fund a total of \$750,000 in exploration expenditure by 2011 to earn a 100% interest in the property, subject to a back in clause, right of offer for off-take and a 2% Net Smelter Royalty.

SUDBURY PROPERTIES – ONTARIO

In the Sudbury Basin, Crowflight has an interest in two exploration properties, which include: (1) the 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); and (2) - The Peter's Roost Property;

AER Kidd Property

On February 20, 2008, Crowflight entered into an option agreement with a private Ontario company (the "Optionor") in respect of the AER Kidd Property (the "Property") near Sudbury, Ontario. Pursuant to the Agreement, the Optionor can earn up to a 50% interest in the Property upon the satisfaction of the following conditions: payment to Crowflight of \$85,000 upon execution of the Agreement, assuming all future advance royalty payments due in respect of the Property, and incurring a minimum of \$5.0 million in exploration expenditures on the Property by December 31, 2009 to earn a 50% interest in the property. The Agreement also provides that the Optionor may earn an additional 20% interest in the Property by

incurring additional expenditures on the Property of \$7.0 million prior to December 31, 2013 and continuing to make all royalty payments due and payable prior to the expenditure of the entire \$7.0 million. Upon earning a 50% interest in the Property, Crowflight and Optionor shall enter into a joint venture in respect of the Property.

As a result of the implied value of this property based on the option agreement, the Company has recorded a \$900,000 write-down in the carrying value.

Peter's Roost Property

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.

Subsequent to the quarter's end, in January 2008, Wallbridge presented records indicating that they had earned an initial 50% interest in the property. Wallbridge has presented a proposal for additional work under the JV in 2008.

EXPLORATION ACTIVITIES

Thompson Nickel Belt Properties

During the fourth quarter of 2007, exploration activity consisted of target generation and winter 2008 program planning. Crowflight began its Thompson Nickel Belt (TNB) winter 2008 regional exploration program subsequent to the end of the quarter in January 2008.

The 2008 winter program will focus on further expanding Inferred Resources identified at Halfway Lake and the evaluation of high-priority exploration targets located in close proximity to the Bucko Lake Nickel Mine, particularly the Bucko North target, located 300 metres north of planned underground workings associated with the Bucko Lake Mine.

In the spring of 2008, Crowflight expects to initiate an 8,000 metre drilling program at Manibrige with the aim to establish NI 43-101 compliant mineral resource estimates at this past producing property and evaluate targets of high exploration potential identified nearby.

Sudbury Properties

No exploration work was undertaken by Crowflight on the Sudbury area properties during the reporting period ending December 31, 2007. Subsequent to December 31, 2007, Crowflight concluded an option agreement with a private company interested in advancing the exploration and development of the AER Kidd property on February 20, 2008.

During the reporting period, joint venture partner, Wallbridge conducted exploration programs on the Company's Peter's Roost Project area. In 2007, Wallbridge completed exploration programs consisting of the re-establishment of field grids, mapping and sampling, and the drilling of five holes during the winter of 2007 testing geophysical targets defined by Crowflight in 2004. During the summer of 2007, Wallbridge completed a program of mapping and ground geophysics over portions of the property, leading to the

drilling of an additional three holes during the fall of 2007. Subsequent to the end of the quarter, in February 2008, Wallbridge reported the intersection of nickel and copper bearing minerals on Grid F of Area 4 consisting of disseminated, net-textured and stringer pyrrhotite-pentlandite-chalcopyrite mineralization within a quartz-gabbro host rock. Assays from the mineralized interval returned 1.22 metres of 0.31% nickel, 0.37% copper from 88.00 to 89.22.

To date, Wallbridge has spent approximately \$700,000 and has indicated its intent to continue to participate by funding additional work in Area 4 during 2008.

SIGNIFICANT ACCOUNTING POLICIES

Except as disclosed below, these financial statements are prepared using the same accounting policies and methods of application as those disclosed in note 2 to the Company's audited financial statements for the year ended December 31, 2007.

New accounting pronouncements

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountant ("CICA") Handbook Sections 1530, *Comprehensive Income*; Section 3251, *Equity*; Section 3855, *Financial Instruments - Recognition and Measurement*; Section 3861, *Financial Instruments - Disclosure and Presentation*; and Section 3865, *Hedges*. These new standards resulted in no changes to amounts previously reported.

(i) Financial Instruments

Under the new standards, financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net income for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period, unless the instrument is a cash flow hedge and hedge accounting applies, in which case changes in fair value are recognized in other comprehensive income.

(ii) Comprehensive Income

Section 1530 establishes standards for reporting and presenting comprehensive income. Comprehensive income, composed of net income and other comprehensive income, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income for the Company includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive income are disclosed in the statement of operations and comprehensive income. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income ("AOCI") which is presented as a new category in shareholders' equity.

(iii) Hedging

Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. As at and during the year ended December 31, 2007, the Company had no hedges.

The application of these new standards has had no impact on the Company's financial statements as at

and for the three and twelve month period ended December 31, 2007, and as such, a statement of comprehensive income has not been included in the financial statements.

Future accounting changes

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These standards are effective for interim and annual financial statements for the Company's reporting period beginning on January 1, 2008.

Capital Disclosures

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Financial Instruments – Disclosures and Presentation

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments — Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks. The Company is currently assessing the impact of these new accounting standards on its financial statements.

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Company continues to monitor and assess the impact of convergence of Canada GAAP and IFRS.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2007, the Company had working capital of \$1,907,880 compared to working capital of \$12,882,613 as at December 31, 2006.

On April 12, 2007, the Company completed a bought deal private placement of 15,625,000 units of the Company at a price of \$0.80 per unit and 12,500,000 flow-through common shares of the Company at a price of \$1.00 per share for gross proceeds of \$25,000,000. Each unit consisted 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. The offering was completed by a syndicate of underwriters who received a commission of 6% of the gross proceeds received as well as 1,546,875 compensation options, each of which entitle the underwriter to purchase one unit at a price of \$0.80 per unit until April 12, 2008. Each unit consisted of one common share of the Company and 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.

On May 11, 2007, the Company announced that it was exercising its right to have the share purchase warrants that were issued in October 2006 expire early. As the majority of the common shares of the Company traded on the TSX Venture Exchange at prices over \$0.75 per share during the 15 consecutive trading days ended May 8, 2007, the Company provided warrant holders with notice of the accelerated

expiry time, in accordance with the terms of the warrant agreement. These warrants were to expire on June 26, 2007 unless duly exercised, and all were exercised by the early expiry date.

During the year ended December 31, 2007, 20,192,931 warrants were exercised at a weighted average exercise price of \$0.41 generating gross proceeds of \$8,372,749. As well, 1,117,500 options were exercised at a weighted average exercise price of \$0.29 for gross proceeds of \$325,788.

Subsequent to the end of the year, the Company closed a \$55 million debt facility agreement. RMB Resources Inc. ("RMB") arranged finance as Agent for FirstRand Ireland Plc, the Lender and underwriter of the debt finance package. Auramet Trading, LLC advised the Company on this transaction. The debt facility consists of a First Tranche \$10 million Secured Loan (the "First Tranche"), a Bridge Tranche Facility of \$15 million (the "Bridge Facility") and a \$45 million Final Tranche Secured Loan (the "Final Tranche"). The Bridge Facility must be paid from the proceeds of the Final Tranche. The interest rate on the First Tranche and the Bridge Facility is LIBOR plus 2.25% per annum. The interest rate on the Final Tranche is LIBOR plus 1.75% per annum if the Company does not draw down the Bridge Facility in full or LIBOR plus 1.5% per annum if the Company draws down the Bridge Facility in full. The Bridge Facility is available for drawing down once the First Tranche is fully drawn. The Final Tranche becomes available for drawing down upon receipt of permits required to commence production of concentrate at the Bucko Lake Nickel Mine.

A total of 17,324,786 warrants were issued to RMB with an exercise price of \$0.64 per share in connection to this debt facility, where 16,324,786 warrants have a term of 36 months. The proceeds of this conversion will be used to pay off the First Tranche Secured Loan of \$10 million. The remaining 1,000,000 warrants have a term of 24 months. The Company will be required to put in place a nickel price protection program for 30% of planned nickel production over the term of the debt financing, expected to be four years.

The Company intends to fund its spending commitments under the Xstrata agreements partially by available cash, potential future cash flow from the Bucko Project and/or potential future equity issuances of the conversion of in-the-money warrants or options.

While it is anticipated that the Company has sufficient funds to complete the development of its Bucko Lake property there is no assurance that the Company will be successful in ramping up production and producing positive cash flow when planned. Volatile markets may make it difficult or impossible for the Company to further financing to complete commissioning of the Bucko Lake Mine. Failure to obtain additional financing on a timely basis may cause the Company to postpone or slow down its development plans, forfeit rights in some or all of its properties or reduce or terminate some of all of its operations.

RESULTS OF OPERATIONS

For the year ended December 31, 2007

The Company reported a net loss of \$4,465,269 during the year ended December 31, 2007 compared to a net loss of \$1,732,320 for the comparative year ended December 31, 2006.

Non-cash expenses included stock based compensation of \$4,040,153 (2006 -- \$815,511) related to options that were granted and/or vested during the year. A total of 13,885,000 options were granted to directors, officers, employees and consultants of the Company during the year ended December 31, 2007 (2006 – 4,070,000). Of those options granted, 8,685,000 options vest one eighth every quarter from the date of grant over a two year term, 200,000 vest immediately and 5,000,000 vest quarterly over a one year term. In particular, these 5,000,000 options were granted to consultants in a two year contract in order to develop the European market and identify prospective investments and potential business partners for the Company. The Company applies the fair value method of accounting for all stock based compensation awards using the Black-Scholes option pricing model.

During the current year, the Company wrote off \$900,000 related to the AER Kidd property in Sudbury as

a result of the implied impairment in value based on the option agreement entered into by the Company subsequent to the end of the year. During the comparative year, \$1,089,027 in exploration expenditures were written off related to the Airport Property in Sudbury. As well, the Company recognized an income tax recovery of \$1,722,788 for the year ended December 31, 2007 compared to \$1,585,000 for the year ended December 31, 2006.

Eliminating the effect of these items, administrative expenses, net of interest income totaled \$1,247,904 for the year ended December 31, 2007 compared to \$1,412,782 for the comparative year ended December 31, 2006, for an overall decrease of \$164,878. This decrease is attributed to higher interest income earned during the year offset in part by higher administrative expenses as described below.

Interest income for the current year totaled \$909,397 compared to \$92,321 recorded during the prior year, an increase of \$817,076. The Company held larger cash balances during the current year as a result of funds raised from private placement financings and warrant exercises as described in the Liquidity section of this report. The Company invests its excess cash in Bankers Acceptances.

Professional, consulting and management fees (excluding stock based compensation) increased by \$270,391 this year compared to the prior year. The Company accrued for estimated severance costs which resulted in the increase offset by a reduction in performance bonuses. Office costs increased by \$162,469 compared to the prior year as a result of Capital Tax installments, higher insurance costs and improvements related to the shared office space. Shareholder communications, investor relations and travel expenses increased by a combined \$59,832, primarily as a result of efforts to raise investor awareness in Europe.

For the quarter ended December 31, 2007

The Company reported a net loss of \$380,107 for the three months ended December 31, 2007 compared to a net loss of \$402,816 for the comparative quarter ended December 31, 2006.

Stock based compensation expense for the current quarter totaled \$823,670 for the quarter ended December 31, 2007 compared to \$329,358 for the quarter ended December 31, 2006, a difference of \$494,312. The Company is growing and in order to attract and keep good team members, the Company incents using stock based compensation. Also, during the fourth quarter of 2007, the Company wrote off \$900,000 in exploration expenditures compared to \$1,089,027 in exploration expenditures written off in 2006. These write offs were offset by income tax recoveries recorded during the fourth quarter of 2007 and 2006 of \$1,722,788 and \$1,585,000 respectively.

Other administrative expenses net of interest income totaled \$379,225 for the quarter ended December 31, 2007 compared to \$569,431 for the quarter ended December 31, 2006, a decrease of \$190,206. Interest income earned during the current quarter totaled \$184,991 compared to \$84,647 during the fourth quarter of 2006, a reduction of \$100,344 as a result of lower cash balances held. Professional, consulting and management costs decreased by \$218,408 compared to the 4th quarter of 2006 (not including stock based compensation). The primary reason for the decrease results from performance bonuses that were granted during the fourth quarter of 2006. Performance bonuses are granted as the Company meets various milestones. There was no bonus granted in the fourth quarter of 2007. Shareholder communications and investor relations costs decreased by \$33,497, from \$96,040 for the fourth quarter of 2006 to \$62,543 for the fourth quarter of 2007. The Company terminated its agreement with an investor relations firm during 2007 and now performs the activity in house. Interest expense increased by \$148,307 for the current quarter compared to the previous quarter as a result of flow through interest penalties.

QUARTERLY INFORMATION

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

Summary Financial Information for the Eight Quarters Ended December 31, 2007					
Period	Revenues	Total Assets	Net Income (Loss)	Net Income (Loss) per Share basic and diluted	Long Term Liabilities
4 th Quarter 2007	Nil	88,214	(380)	(0.01)	331
3 rd Quarter 2007	Nil	86,874	(2,239)	(0.01)	Nil
2 nd Quarter 2007	Nil	83,304	(1,117)	(0.00)	Nil
1 st Quarter 2007	Nil	53,031	(729)	(0.00)	Nil
4 th Quarter 2006	Nil	51,055	(403)	(0.01)	Nil
3 rd Quarter 2006	Nil	33,971	(430)	(0.00)	Nil
2 nd Quarter 2006	Nil	30,602	(423)	(0.00)	Nil
1 st Quarter 2006	Nil	25,865	(476)	(0.00)	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 had incurred relatively consistent quarterly losses. During the first quarter of 2007, the large loss resulted primarily from a stock based compensation expense of \$667,338. During the second quarter of 2007, the larger loss is attributable again primarily to a stock based compensation expense of \$849,886. Stock based compensation expense incurred for the third and fourth quarters of 2007 were \$1,699,259 and \$823,670 respectively. Stock based compensation expense was in part higher during these periods as a result of the quarterly vesting of 5 million options granted for the development of the European market as discussed above. These options will fully vest in Q1 2008.

The general trend in increasing assets results from the Company raising funds through private placements and investing in its exploration properties in Thompson, Manitoba and Sudbury, Ontario. During the fourth quarter of 2006, the Company began investing in capital assets for the development of the Bucko Lake mine in Manitoba, which accounts for the large increase in total assets.

Long term liabilities in Q4 2007 relate to asset retirement obligations.

ANNUAL INFORMATION

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

	2007 \$	2006 \$	2005 \$
Net income (loss)	(4,465)	(1,732)	129
Income (loss) per share, basic and diluted	(0.02)	(0.01)	0.00
Total assets	88,214	51,055	22,783
Total long term financial liabilities	331	-	-

CASH FLOWS

Cash used by Operating Activities was \$1,704,530 for the year under review, compared to the use of \$607,435 during 2006. The net cash was used to support corporate overheads and was reduced by interest income as described in the operating results section of this report. The change in non cash working capital used \$460,904 during the year ended December 31, 2007 compared to providing \$794,476 in cash during the comparative year.

Cash from Financing Activities generated \$31,469,292 during the current year compared to \$28,876,261 during 2006. As described in the Liquidity and Capital Resources section above, the Company raised \$22,770,725 net of financing costs from a private placement financing (2006: \$23,557,661). As well, the Company received proceeds of \$8,698,537 through the exercise of warrants and options during the year (2006: \$5,318,600).

Cash used in Investing Activities during the year ended December 31, 2007 was \$34,560,894 compared to \$15,101,575 used in investing activities for the comparable year. Cash spending on exploration and development of its properties primarily in Thompson Manitoba as well as the acquisition of capital assets related to exploration and development for the current year was \$39,898,563, net of government assistance, compared to \$14,664,780 for the prior year. (See tables below for breakdown of cash expenditures.) Cash spending for the years ended December 31, 2007 and 2006 is described in the tables below. During the current year, prepaid exploration expenditures increased by \$205,768 as the Company made deposits against assets and exploration. During the comparative year, there was an increase in prepaid exploration expenditures of \$355,627 as the Company advanced funds to Xstrata Nickel, operator of the Joint Venture at that time. Also, during the year ended December 31, 2007, there was an increase of \$5,613,649 in accounts payable related to exploration expenditures compared to a decrease of \$32,305 during the year ended December 31, 2006. The Company invested \$70,182 in office and field equipment during the current year, compared to \$48,863 during the comparative year.

CASH EXPENDITURES ON EXPLORATION AND DEVELOPMENT PROPERTIES

	MANITOBA			SUDBURY, ONTARIO			TOTAL
	Bucko Deposit	Thompson Nickel Belt Joint Venture	Other	AER Kidd	Peter's Roost	Other	
	\$	\$	\$	\$	\$	\$	\$
Acquisition and property costs	31,816	38,064	78,233	104,693	-	-	252,806
Drilling	58,591	1,646,052	-	-	-	-	1,704,643
Assaying, laboratory, metallurgy	23,109	83,296	-	-	-	-	106,405
Geology and geophysics	33,348	279,974	129,677	-	-	-	442,999
Advanced technical studies	166,445	-	-	-	-	-	166,445
Roads and trenches	-	178,980	-	-	-	-	178,980
Travel and transportation	272,087	100,204	218	-	-	-	372,509
Staff and consultants	875,777	465,131	22,000	-	-	-	1,362,908
Reports	56,891	-	-	-	-	-	56,891
Mine and mill design	34,256	-	-	-	-	-	34,256
Surface development	764,645	-	-	-	-	-	764,645
Underground development	5,710,368	-	-	-	-	-	5,710,368
Engineering and procurement	4,441,571	-	-	-	-	-	4,441,571
Environment and permitting	328,113	-	-	1,094	-	-	329,207
Operating costs	588,163	-	-	-	-	-	588,163
Off take contract	1,772	-	-	-	-	-	1,772
Human resources	229,151	-	-	-	-	-	229,151
Field and office support	373,514	126,079	1,253	4,098	-	-	504,944
Management fees	24	2,695	-	-	-	-	2,719
Capital purchases	22,871,129	-	-	-	-	-	22,871,129
Less: Government assistance	-	(124,012)	(99,906)	-	-	-	(223,918)
2007 cash expenditures	36,860,770	2,796,463	131,475	109,885	-	-	39,898,593

CROWFLIGHT MINERALS INC.
(A development stage company)

	MANITOBA			SUDBURY, ONTARIO				TOTAL
	Bucko Feasibility Study	Thompson Nickel Belt South	Thompson Nickel Belt North	AER Kidd	Airport	Peter's Roost	Other	
	\$	\$	\$	\$	\$	\$	\$	
Acquisition and property costs	31,237	44,680	25,743	103,066	18,000	24,870	-	247,596
Drilling	1,743,585	1,537,140	667,924	-	-	-	-	3,948,649
Assaying, laboratory, metallurgy	198,183	-	-	-	-	-	-	198,183
Staff and consultants	644,870	40,847	18,787	8,075	-	12,288	-	724,867
Travel and transportation	210,623	8,952	4,205	686	250	1,321	763	226,800
Geology & Geophysics	140,422	308,784	450,189	-	-	-	-	899,395
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	151,556	10,811	8,110	2,075	51	1,750	86	174,439
Management fees	457	187,766	114,149	-	-	-	-	302,372
Capital purchases	2,985,884	-	-	-	-	-	-	2,985,884
Less: Government assistance	-	(121,342)	(137,114)	-	-	-	-	(258,456)
2006 cash expenditures	11,266,196	2,021,991	1,154,404	162,810	18,301	40,229	849	14,664,780

COMMITMENTS

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, 2007, the Company has met its expenditure commitments related to this renunciation. The Company raised additional flow through funds of \$12,500,000 in April of 2007, which it renounced subsequent to the year-end with an effective date of December 31, 2007. At December 31, 2007, the Company has spent \$7,940,918 in qualifying expenditures, and will be required to spend the remaining \$4,559,082 by December 31, 2008.

The Company is party to certain management contracts which require that additional payments of up to \$3,500,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these financial statements.

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, 2007 an amount of \$45,034 (2006 - \$12,135) is payable in relation to these expenses. As well, the Company is owed \$1,207 (2006 - \$1,640) at December 31, 2007 for shared expenses.

During the three and twelve months ended December 31, 2007, the Company paid or accrued \$213,749 and \$743,457 to officers of the Company (Q4 2006: \$77,751; 2006: \$303,751) and \$138,750 and

\$1,682,562 (Q4 2006: \$476,249; 2006: \$943,498) to directors of the Company as remuneration for services provided.

During the year ended December 31, 2007, the Company granted 6,320,000 (2006: 2,900,000) stock options to directors and officers of the Company.

OUTSTANDING SHARE DATA

As at April 15, 2008, 251,167,573 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, 21,350,000 remain outstanding with exercise prices ranging from \$0.20 to \$1.02, with expiry dates ranging between June 5, 2008 and February 1, 2013. If exercised, 21,350,000 common shares would be issued for proceeds of \$11,862,413.

As at April 15, 2008, 17,324,786 share purchase warrants were outstanding with an exercise price of \$0.64 expiring between February 13, 2010 and February 13, 2011. If all warrants were exercised, 17,324,786 common shares would be issued for proceeds of \$11,087,863.04.

SUBSEQUENT EVENTS

In January 2008, Crowflight announced that it had entered into a debt facility for up to Cdn\$55 million from RMB Resources Inc. (RMB) of Lakewood, Colorado. RMB arranged the finance as Agent for FirstRand Ireland Plc, the Lender and underwriter of the debt finance package. The \$55 million facility will be used to finance the remaining construction and start-up of the Bucko Lake Nickel Mine. The debt facility subsequently closed on February 13, 2008.

On January 18, 2008, Mr. Thomas Atkins resigned from the Crowflight Board of Directors. Mr. Atkins' resignation followed his departure from the Company as President and CEO in September 2007. In his place, Mike Hoffman, Crowflight's current President and CEO, was appointed to the Board of Directors.

On February 20, 2008, Crowflight entered into an option agreement with a private Ontario company (the "Optionor") in respect of the AER Kidd Property (the "Property") near Sudbury, Ontario. Pursuant to the Agreement, the Optionor can earn up to a 50% interest in the Property upon the satisfaction of the following conditions: payment to Crowflight of \$85,000 upon execution of the Agreement, assuming all future advance royalty payments due in respect of the Property, and incurring a minimum of \$5.0 million in exploration expenditures on the Property by December 31, 2009. The Agreement also provides that Optionor may earn an additional 20% interest in the Property by incurring additional expenditures on the Property of \$7.0 million prior to December 31, 2013 and continuing to make all royalty payments due and payable prior to the expenditure of the entire \$7.0 million. Upon earning a 50% interest in the Property, Crowflight and Optionor shall enter into a joint venture in respect of the Property.

On March 28, 2008, the Company received its *Environment Act* License from the province of Manitoba. This permit will allow Crowflight to commence production at the Bucko Lake Nickel Project. Due to the extended schedule for completion of the federal permitting process to allow Crowflight to store tailings in Bucko Lake and the likelihood that federal permits would not be available by the time the mine would be ready to start production in the third quarter of 2008, Crowflight decided to consider alternative means of bringing the project into production. To this end, Crowflight submitted a Notice of Alteration (NOA) to its original *Environment Act* License Proposal in December 2007 to include the provision for an interim land-based tailings storage facility (ITSF) that would allow for up to 12 months of tailings to be stored on surface, assuming 50% of the tailings are disposed underground in mined out areas as originally planned. Due to the nature of the design of the ITSF, only provincial permitting is required. However, Crowflight is still engaged in, and will continue with, the process of securing federal environmental permits for the use of Bucko Lake as a Tailings Impoundment Area (TIA) for long-term tailings storage.

Also, subsequent to December 31, 2007, 1,115,336 warrants and 73,750 options were exercised for total proceeds of \$468,303. As well, 10,133,314 warrants expired unexercised on April 8, 2008.

RISKS AND UNCERTAINTIES

The exploration for, development and mining of mineral deposits involve significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Certain risk factors listed below are related to the mining industry in general while others are specific to Crowflight.

Nature of Mining, Mineral Exploration and Development Projects

Mining operations generally involve a high degree of risk. Our operations are subject to the hazards and risks normally encountered in the exploration, development and production of nickel, including environmental hazards, explosions, flooding, unusual geotechnical issues, labour disruptions, and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

Development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of nickel to be mined and processed, ground conditions, the configuration of the deposit, expected recovery rates of minerals, estimated operating costs, anticipated mining conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of nickel.

Liquidity Concerns and Future Financings

While it is anticipated that the Company has sufficient funds to complete the development of its Bucko Lake property there is no assurance that the Company will be successful in ramping up production and producing positive cash flow when planned. Volatile markets may make it difficult or impossible for the Company to further financing to complete commissioning of the Bucko Lake Mine. Failure to obtain additional financing on a timely basis may cause the Company to postpone or slow down its development plans, forfeit rights in some or all of its properties or reduce or terminate some of all of its operations.

Nickel Prices

Our principal business is the exploration and future production of nickel. Crowflight's future profitability is largely dependent on movements in the price of nickel. Nickel prices have historically been volatile and are primarily affected by the demand for and price of nickel alloys and stainless steel in addition to the supply/demand balance. Given the historical volatility of nickel prices, there are no assurances that the nickel price will remain at economically attractive levels. An increase in nickel supply without a

corresponding increase in nickel demand would be expected to result in a decrease in the price of nickel. A decline in nickel prices would adversely impact the business of Crowflight.

Nickel prices are also affected by numerous other factors beyond our control, including the relative exchange rate of the United States dollar with other major currencies, global and regional demand, political and economic conditions, production levels and costs and transportation costs in major nickel producing regions. If as a result of a decline in nickel prices, revenues from nickel sales were to fall below cash operating costs, the feasibility of continuing development and operations would be evaluated and if warranted, could be discontinued.

Foreign Exchange

Nickel is sold in US dollars thus we are subject to foreign exchange risks relating to the relative value of the Canadian dollar as compared to the US dollar. To the extent that we generate revenue upon reaching the production stage on our properties, it will be subject to foreign exchange risks as revenues will be received in US dollars while operating and capital costs will be incurred primarily in Canadian dollars. A continuing decline in the US dollar would result in a decrease in the real value of Crowflight's revenues and adversely impact our financial performance.

Mineral Resource and Mineral Reserve Estimates May be Inaccurate

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond our control. Such estimates are a subjective process, and the accuracy of any mineral resources and mineral reserves estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of recovery of nickel from such deposits may be different. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material adverse effect on our financial position and results of operations.

Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, and actual events could have a material adverse effect on our mineral reserve estimates.

Licenses and Permits, Laws and Regulations

Our exploration and development activities, including mine, mill and roads, require permits and approvals from various government authorities, and are subject to extensive federal, provincial and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. In addition, we may be required to compensate those suffering loss or damage by reason of its activities. We are required to obtain additional licenses and permits from various governmental authorities to continue and expand its exploration and development activities. There can be no guarantee that we will be able to maintain or obtain all necessary licenses, permits and approvals that may be required to explore and develop its properties, commence construction or operation of mining facilities.

Environmental

Our activities are subject to extensive federal, provincial and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are more stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Further, any failure to comply fully with all applicable laws and regulations could have significant adverse effects on Crowflight, including the suspension or cessation of operations.

Title to Properties

The acquisition of title to resource properties is a very detailed and time-consuming process. We hold an interest in the Thompson Nickel Belt properties through mining claims and leases. Title to, and the area of, the mining claims may be disputed. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the properties in which we may have an interest, which, if successful, could result in the loss or reduction of our interest in the properties.

Uninsured Risks

We maintain insurance to cover normal business risks. In the course of exploration and development of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including explosions, rock bursts, cave-ins, fire and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of our common shares.

Competition

We compete with many other mining companies that have substantially greater resources than we have. Such competition may result in us being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund our operations and develop our properties. Our inability to compete with other mining companies for these resources would have a material adverse effect on our results of operations and business.

Reduced Global Demand for Steel or Interruptions in Steel Production

The global steel manufacturing industry has historically been subject to fluctuations based on a variety of factors, including general economic conditions and interest rates. Fluctuations in the demand for steel can lead to similar fluctuations in nickel demand. A decrease in economic growth rates could lead to a reduction in demand for nickel. Any decrease in economic growth or steel consumption could have an adverse effect on the demand for nickel.

Availability of Reasonably Priced Raw Materials and Mining Equipment

We will require a variety of raw materials in our business as well as a wide variety of mining equipment. To the extent these materials or equipment are unavailable or available only at significantly increased prices, our production and financial performance could be adversely impacted.

Failure to Meet Production Target and Cost Estimates

We prepare future production and capital cost estimates. If commercial production commences, actual production and costs may vary from the estimates for a variety of reasons such as estimates of grade, tonnage, dilution and metallurgical and other characteristics of the nickel varying in the actual nickel mined, revisions to mine plans, risks and hazards associated with mining, adverse weather conditions, unexpected labour shortages or strikes, equipment failures and other interruptions in production capabilities. If commercial production begins, production costs may also be affected by increased mining costs, increases in level of nickel impurities, labour costs, raw material costs, inflation and fluctuations in currency exchange rates. Failure to achieve production targets or cost estimates could have a material adverse impact on our sales, profitability, cash flow and overall financial performance.

Share Price Fluctuations

The market price of securities of many companies, particularly development stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset

values or prospects of such companies. There can be no assurance that fluctuations in the Crowflight's share price will not occur.

Conflicts of Interest

Certain of the our directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which we may participate, the directors of Crowflight may have a conflict of interest in negotiating and concluding terms respecting such participation.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's Financial Statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and reported amounts of revenues and expenses during the reported 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 of stock based compensation and the valuation of 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

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 capital lease obligations 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.

OFF BALANCE SHEET ITEMS

We do not have any off balance sheet items.

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, 2007, 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 expects to continue construction work at the Bucko Lake Nickel Project during the first half of 2008. The current construction schedule estimates that the commissioning of the processing plant and ore throughput ramp-up will occur in the third quarter of 2008, with mill commissioning expected in July 2008 and the first ore to be processed through the mill in August 2008. Production of a nickel concentrate is scheduled to commence in the third quarter of 2008.

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

CAUTIONARY NOTE ON FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to Crowflight, certain information contained herein constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the development potential of the Company's properties; future mineral prices; the estimation of mineral reserves and mineral resources; conclusions of economic evaluations, the realization of mineral reserve and resource estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; permitting time lines and permitting, mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the opinions and estimates of management as of the date such statements are made. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during permitting, construction, expansion and start-up; variations in mineral grade and recovery rates; delay or failure to receive government approvals; timing and availability of external financing on acceptable terms; actual results of current exploration activities; changes in project parameters as plans continue to be refined; future mineral prices; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry, as well as those factors discussed herein under the heading "Risks". Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

April 15, 2008

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Crowflight Minerals Inc.

ANNUAL FINANCIAL STATEMENTS

for the years ended December 31, 2007 and 2006

(a development stage company)

2007



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, 2007 and 2006 and the statements of operations and deficit and cash flows for each of the years in the two-year period ended December 31, 2007. 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, 2007 and 2006 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2007 in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

A handwritten signature in black ink that reads 'McGovern, Hurley, Cunningham, LLP'.

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
February 25, 2008, except
for Note 13, which is at
April 12, 2008

CROWFLIGHT MINERALS INC.

*(A development stage company)***BALANCE SHEETS****As at December 31,**

	2007	2006
ASSETS		
<i>Current</i>		
Cash and cash equivalents	\$ 9,004,788	\$ 13,800,920
Amounts receivable	1,281,466	298,580
Prepaid expenses and deposits	276,164	143,092
Future income tax asset (Note 10(b))	-	842,000
	10,562,418	15,084,592
Deposits, advances and other	952,263	533,882
Equipment (Note 4)	102,769	64,879
Exploration and development property, plant and equipment and deferred expenditures (Note 5)	76,596,884	35,371,564
	\$ 88,214,334	\$ 51,054,917
LIABILITIES		
<i>Current</i>		
Accounts payable and accrued liabilities (Note 9)	\$ 8,465,682	\$ 2,201,979
Capital lease obligations (Note 6)	188,856	-
	8,654,538	2,201,979
Asset retirement obligations (Note 7)	331,000	-
Future income tax liability (Note 10(b))	2,490,000	-
	11,475,538	2,201,979
SHAREHOLDERS' EQUITY		
Common Shares (Note 8(a))	86,671,512	58,437,271
Warrants (Note 8(b))	2,025,712	1,773,748
Contributed surplus (Note 8(d))	10,193,512	6,328,590
Deficit	(22,151,940)	(17,686,671)
	76,738,796	48,852,938
	\$ 88,214,334	\$ 51,054,917

Commitments and Contingencies (Notes 1, 5, 6, 7 and 11)

Subsequent Events (Note 13)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

Signed "MICHAEL HOFFMAN"_____, Director*Signed* "BERNARD WILSON"_____, Director

CROWFLIGHT MINERALS INC.

*(A development stage company)***STATEMENTS OF OPERATIONS AND DEFICIT****For the years ended December 31,**

	2007	2006
Expenses		
Professional, consulting and management fees (Note 8(c))	\$ 5,263,846	\$ 1,768,813
Shareholder communications, investor relations and promotion	349,519	337,925
General and office	265,345	102,876
Travel	151,667	103,429
Interest expenses and bank charges (Note 11(a))	162,799	2,769
Amortization	4,278	10,870
Loss before the undernoted	6,197,454	2,326,682
Interest and dividend income	(909,397)	(92,321)
Recovery of expenses	-	(6,068)
Write off of exploration and development properties and deferred expenditures (Note 5)	900,000	1,089,027
Loss before income taxes	6,188,057	3,317,320
Income taxes (Note 10(a))	(1,722,788)	(1,585,000)
Net loss for the year	4,465,269	1,732,320
DEFICIT, beginning of year	17,686,671	15,954,351
DEFICIT, end of year	\$ 22,151,940	\$ 17,686,671
Loss per share - basic and diluted	\$ 0.02	\$ 0.01
Weighted average number of shares - basic and diluted	232,201,984	138,308,978

CROWFLIGHT MINERALS INC.

*(A development stage company)***STATEMENTS OF CASH FLOWS**

For the years ended December 31,

	2007	2006
OPERATING ACTIVITIES:		
Net loss for the year	\$ (4,465,269)	\$ (1,732,320)
Charges not affecting cash:		
Amortization	4,278	10,870
Stock based compensation expense (Note 8(c))	4,040,153	815,512
Write down of exploration and development property and deferred expenditures	900,000	1,089,027
Future income taxes	(1,722,788)	(1,585,000)
Net change in non-cash working capital	(460,904)	794,476
	(1,704,530)	(607,435)
FINANCING ACTIVITIES:		
Common shares issued through private placements	23,640,625	24,457,928
Warrants issued through private placements	1,359,375	1,194,072
Cost of issue	(2,229,275)	(2,094,339)
Shares issued from exercise of warrants and options	8,698,537	5,318,600
	31,469,262	28,876,261
INVESTING ACTIVITIES:		
Exploration and development property, plant and equipment and deferred expenditures	(39,898,563)	\$ (14,664,780)
Decrease (increase) in deposits, advances and other	(205,768)	(355,627)
Increase (decrease) in accounts payable attributable to property exploration and development	5,613,649	(32,305)
Equipment	(70,182)	(48,863)
	(34,560,864)	(15,101,575)
Change in cash and cash equivalents	(4,796,132)	13,167,251
CASH AND CASH EQUIVALENTS, beginning of year	13,800,920	633,669
CASH AND CASH EQUIVALENTS, end of year	\$ 9,004,788	\$ 13,800,920
Cash and cash equivalents consists of:		
Cash	379,909	2,277,206
Cash Equivalents	8,624,879	11,523,714
	\$ 9,004,788	\$ 13,800,920
SUPPLEMENTAL INFORMATION:		
Common shares issued for exploration and development property	\$ 1,896,500	\$ 270,000
Common shares issued for exploration and development assets	-	500,000
Stock options granted for exploration and development property	-	9,450
Common shares issued as cost of issue	-	87,400
Warrants granted as cost of issue	547,594	374,875
Amortization deferred to exploration and development property	28,014	9,987
Equipment acquired by capital lease	188,856	-
Interest received	900,393	92,322
Interest paid	1,628	331
Income taxes paid	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

1. NATURE OF OPERATIONS AND GOING CONCERN

Crowflight Minerals Inc. (the "Company") is a development stage company in accordance with Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline II, and currently has mineral exploration and development properties in Canada. The Company is currently focusing its efforts 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 construction and development programs will result in profitable mining operations. The recoverability of the carrying value of exploration and development 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 execution and construction of the mine and surface facilities, the achievement of profitable operations, the ability of the Company to raise sufficient 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.

The Company has taken steps to verify its title to the properties in which it has interest. 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 working capital for operations and for the 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 have sufficient funding and to reach profitable levels of operation. It is not possible to predict whether the financial resources of the Company are sufficient 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 and development properties and deferred expenditures

Expenses relating to exploration and development 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 exploration and development properties abandoned or sold and their related deferred expenditures 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 and development properties. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Exploration and development properties and deferred expenditures (continued)

The Company reviews capitalized costs on its exploration and development 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 the 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 expenditures 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 is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its 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 and development properties and deferred expenditures and amortized over the useful life of the properties.

c) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and deposits that 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 and development activities is deferred to exploration and development 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 of stock-based compensation, warrants and brokers' options and tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

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 and development property. 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 8(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 earnings (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 earnings (loss) per share 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
December 31, 2007 and 2006

3. ACCOUNTING CHANGES

(a) *Changes in Accounting Policies*

(i) Financial Instruments

Under the new standards, financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net income for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period, unless the instrument is a cash-flow hedge and hedge accounting applies, in which case changes in fair value are recognized in other comprehensive income.

The application of this new standard has had no impact on the Company's financial statements, as at and for the year ended December 31, 2007.

(ii) Comprehensive Income

Section 1530 establishes standards for reporting and presenting comprehensive income. Comprehensive income, composed of net income and other comprehensive income, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive income are disclosed in the statement of operations and comprehensive income. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income ("AOCI") which is presented as a new category in shareholders' equity.

The application of this new standard has had no impact on the Company's financial statements as at and for the year ended December 31, 2007, and as such, a statement of comprehensive income has not been included in these financial statements.

(iii) Hedging

Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. As at and during the year ended December 31, 2007, the Company had no hedges.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

3. ACCOUNTING CHANGES (continued)

(b) *Future Accounting Changes*

(i) Capital Disclosures and Financial Instruments

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments - Disclosures, and Handbook Section 3863, Financial Instruments - Presentation. These standards are effective for interim and annual financial statements for the Company's reporting period beginning on January 1, 2008.

Capital Disclosures

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Financial Instruments – Disclosures and Presentation

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks. The Company is currently assessing the impact of these new accounting standards on its financial statements.

(ii) International Financial Reporting Standards ("IFRS")

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2007 and 2006

4. EQUIPMENT

	2007		
	Cost \$	Accumulated Amortization \$	Net \$
Computer	85,855	(69,661)	16,194
Furniture and fixtures	10,755	(4,311)	6,444
Field equipment	104,760	(32,398)	72,362
Vehicles	12,858	(5,089)	7,769
	214,228	(111,459)	102,769
	2006		
	Cost \$	Accumulated Amortization \$	Net \$
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	(1,874)	10,984
	144,046	(79,167)	64,879

During 2007, \$4,278 (2006 - \$10,870) in amortization was charged to operations and \$28,014 (2006 - Nil) in amortization was charged to deferred exploration expenditures related to assets used in exploration.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

5. EXPLORATION AND DEVELOPMENT PROPERTY PLANT AND EQUIPMENT AND DEFERRED EXPENDITURES

	MANITOBA			SUDBURY, ONTARIO			TOTAL
	Bucko Deposit	Thompson Nickel Belt	Other	AER Kidd	Peter's Roost	Other	
	\$	\$	\$	\$	\$	\$	\$
<u>Acquisition costs</u>							
Balance, December 31, 2006	1,769,118	478,927	-	1,094,924	127,757	-	3,470,726
Acquisition and property costs	1,928,316	38,064	78,233	104,693	-	-	2,149,306
Balance, December 31, 2007	3,697,434	516,991	78,233	1,199,617	127,757	-	5,620,032
<u>Exploration and development expenditure</u>							
Balance, December 31, 2006	16,812,781	9,475,605	-	4,939,586	669,604	3,262	31,900,838
Drilling	58,591	1,646,052	-	-	-	-	1,704,643
Assaying, laboratory, metallurgy	23,109	83,296	-	-	-	-	106,405
Geology and geophysics	33,348	279,974	129,677	-	-	-	442,999
Advanced technical studies	166,445	-	-	-	-	-	166,445
Roads and trenches	-	178,980	-	-	-	-	178,980
Travel and transportation	272,087	100,204	218	-	-	-	372,509
Staff and consultants	875,777	465,131	22,000	-	-	-	1,362,908
Reports	56,891	-	-	-	-	-	56,891
Mine and mill design	34,256	-	-	-	-	-	34,256
Surface development	764,645	-	-	-	-	-	764,645
Underground development	5,710,368	-	-	-	-	-	5,710,368
Engineering and procurement	4,441,571	-	-	-	-	-	4,441,571
Environment and permitting	328,113	-	-	1,094	-	-	329,207
Operating costs	588,163	-	-	-	-	-	588,163
Off take contract	1,772	-	-	-	-	-	1,772
Mine closure bond	(217,643)	-	-	-	-	-	(217,643)
Human resources	229,151	-	-	-	-	-	229,151
Field and office support	373,514	126,079	1,253	4,098	-	-	504,944
Management fees	24	2,695	-	-	-	-	2,719
Amortization charge for use of assets	26,339	1,675	-	-	-	-	28,014
	30,579,302	12,359,691	153,148	4,944,778	669,604	3,262	48,709,785
Capital purchases	23,059,985	-	-	-	-	-	23,059,985
Asset retirement obligations	331,000	-	-	-	-	-	331,000
Write off property costs	-	-	-	(900,000)	-	-	(900,000)
Less: Government assistance	-	(124,012)	(99,906)	-	-	-	(223,918)
Balance, December 31, 2007	53,970,287	12,235,679	53,242	4,044,778	669,604	3,262	70,976,852
TOTAL DEFERRED COSTS							
December 31, 2007	57,667,721	12,752,670	131,475	5,244,395	797,361	3,262	76,596,884

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

5. EXPLORATION AND DEVELOPMENT PROPERTY PLANT AND EQUIPMENT AND DEFERRED EXPENDITURES (continued)

	MANITOBA		SUDBURY, ONTARIO				TOTAL
	Bucko Deposit	Thompson Nickel Belt	AER Kidd	Airport	Peter's Roost	Other	
	\$	\$	\$	\$	\$	\$	\$
Acquisition costs							
Balance, December 31, 2005	1,458,431	408,504	991,858	356,403	102,887	-	3,318,083
Acquisition and property costs	310,687	70,423	103,066	18,000	24,870	-	527,046
Write off of property costs	-	-	-	(374,403)	-	-	(374,403)
Balance, December 31, 2006	1,769,118	478,927	1,094,924	-	127,757	-	3,470,726
Exploration and development expenditure							
Balance, December 31, 2005	5,067,835	6,369,633	4,879,842	714,323	654,245	2,413	17,688,291
Drilling	1,743,585	2,205,064	-	-	-	-	3,948,649
Assaying, laboratory, metallurgy	198,183	-	-	-	-	-	198,183
Geology, geological consulting, labour	682,323	566,540	8,075	-	12,288	-	1,269,226
Travel and transportation	210,623	13,157	686	250	1,321	763	226,800
Geochemistry and geophysics	102,969	252,067	-	-	-	-	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	6,764	48,908	-	-	-	201,463
Field and office support	161,543	18,921	2,075	51	1,750	86	184,426
Management fees	457	301,915	-	-	-	-	302,372
	13,326,897	9,734,061	4,939,586	714,624	669,604	3,262	29,388,034
Capital purchases	3,485,884	-	-	-	-	-	3,485,884
Write off property costs	-	-	-	(714,624)	-	-	(714,624)
Less: Government assistance	-	(258,456)	-	-	-	-	(258,456)
Balance, December 31, 2006	16,812,781	9,475,605	4,939,586	-	669,604	3,262	31,900,838
TOTAL DEFERRED COSTS							
December 31, 2006	18,581,899	9,954,532	6,034,510	-	797,361	3,262	35,371,564

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

5. EXPLORATION AND DEVELOPMENT PROPERTY PLANT AND EQUIPMENT AND DEFERRED EXPENDITURES (continued)

MANITOBA

Bucko Deposit and Thompson Nickel Belt

On January 30, 2007, the Company amended its existing option agreements with Xstrata Nickel ("Xstrata") by entering into the Bucko Lake Lease Transfer Agreement, which includes provisions for the Exploration Option Agreement and the Off-take Agreement. The Bucko Lake Lease Transfer Agreement provided for the transfer of the Bucko Lake Lease to the Company free and clear of all liens on the Closing Date, which was completed during 2007.

As well, in July 2007, the Company issued 2,000,000 shares of the Company to Xstrata pursuant to this agreement with a deemed value of \$1,880,000 based on the quoted market value of the Company's shares at the date of grant, and delivered a royalty agreement where the Company granted Xstrata a 2.5% Net Smelter Royalty with respect to the Bucko Lake Lease.

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 (completed);
- \$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 Thompson Nickel Belt projects 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 Roost Property and the Airport Property.

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.

Throughout the year ending December 31, 2007, the Company purchased and paid deposits on various capital assets and leases for the development of the Bucko Deposit amounting to approximately \$23,000,000 (2006 - approximately \$3,500,000). As well, the Company received \$223,918 (2006 - \$258,456) in government assistance related to its exploration expenditures which has been applied directly against this expenditure.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

5. EXPLORATION AND DEVELOPMENT PROPERTY PLANT AND EQUIPMENT AND DEFERRED EXPENDITURES (continued)

Pure Nickel Joint Venture

In November 2007, the Company entered into two separate but related transactions, including a 50-50 Joint Venture Agreement with Pure Nickel Inc. ("Pure Nickel") to explore and develop nickel deposits on properties controlled by both parties near the past producing Manibridge Nickel Mine, approximately 20 km south of the town of Wabowden, Manitoba. Each party will be required to contribute property to the joint venture and make an initial aggregate contribution of \$6,000,000 over a three-year period to fund preliminary exploration activities within the joint venture area.

In addition, Pure Nickel will be able to earn a 50% interest in a block of claims surrounding the joint venture claims by spending \$1,500,000 in exploration expenditures over 3 years. The Company will also have the right to access and use the historic tailings facility pursuant to the joint venture terms.

As well, the Company entered into an option agreement with Hudson Bay Exploration and Development Company Limited to acquire a 100% interest in two claims within the area of interest of the Pure Nickel joint venture. Under the terms of this option agreement, the Company will be required to make payments of \$250,000 and fund a total of \$750,000 in exploration expenditures by 2011 to earn a 100% interest in the property, subject to a back in clause, right of offer for off-take and a 2% Net Smelter Royalty.

ONTARIO

AER Kidd Property

The Company acquired the AER Kidd Property in 2003 for \$150,000 cash, 1,000,000 common shares, 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 prior 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.

Subsequent to the end of the year, the Company entered into an agreement to option out a 50% interest in this property (see Note 13(b)). As a result of the implied value of this property based on the option agreement, the Company has recorded a \$900,000 write-down in the carrying value.

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.

As at December 31, 2007, Wallbridge has reported that they have met this expenditure requirement. Wallbridge holds a further option to increase its ownership to a 70% vested interest in any or all of the four separate project areas by funding a further \$1,000,000 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 estimated by reimbursing Wallbridge 50% of its exploration costs to that point.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

6. CAPITAL LEASE OBLIGATION

During 2007, the Company entered into a capital leasing arrangement for equipment included in exploration property, plant and equipment. The capital lease obligation bears interest at 2% per annum. The net book value of the equipment at December 31, 2007 is approximately \$196,000.

As at December 31, 2007, the future minimum lease payments under the capital lease arrangement were \$192,880, which includes interest of \$4,024 and a current obligation of \$188,856.

7. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations ("ARO") are based on management's estimates of costs to abandon and reclaim exploration and development property, plant and equipment, as well as, an estimate of the future timing of the costs to be incurred.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the ARO associated with the retirement of the Company's Bucko Deposit.

	2007	2006
	\$	\$
Balance, beginning of year	-	-
Liabilities incurred	331,000	-
Accretion expense	<u>-</u>	<u>-</u>
Balance, end of year	<u>331,000</u>	<u>-</u>

The Company has estimated the present value of its total asset retirement obligations to be \$331,000 (2006 - Nil) at December 31, 2007 based on a total future liability estimated to be approximately \$632,000 (2006 - Nil) and a credit adjusted risk-free rate of 8.4% (2006 - N/A). Reclamation is expected to take place in 2015.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

8. CAPITAL STOCK

Authorized

Unlimited common shares without par values

Unlimited class A preference shares with a par value of \$10 each, issuable in series, cumulative dividends

Unlimited class B preference shares with a par value of \$50 each, issuable in series, cumulative dividends

a) Common shares issued	Shares		Value
Balance, December 31, 2005	98,621,254	\$	30,375,246
Private placement - non-flow-through (iii)	6,000,000		1,140,000
Private placement -flow-through (iv)	10,377,776		2,335,000
Private placement -non-flow-through (iv)	6,050,000		1,149,500
Private placement - flow-through (v)	17,361,000		5,208,300
Private placement - non-flow-through (vi)	20,854,859		7,299,200
Private placemen -flow-through (vi)	21,300,000		8,520,000
Issue of warrants - warrant valuation	-		(1,194,072)
Commission shares issued	460,000		87,400
Shares issued in acquisition of property	1,000,000		270,000
Shares issued in acquisition of asset	1,666,667		500,000
Exercise of warrants (vii)	14,426,500		5,230,600
Exercise of warrants - warrant valuation	-		1,196,737
Exercise of options (ii)	400,000		88,000
Exercise of options - option valuation	-		128,974
Flow-through shares tax effect	-		(1,341,000)
Cost of issue	-		(2,556,614)
Balance, December 31, 2006	198,518,056	\$	58,437,271
Private placement, flow through (i)	12,500,000		12,500,000
Private placement, non flow through (i)	15,625,000		12,500,000
Value of warrants granted	-		(1,359,375)
Exercise of warrants (ii)	20,192,931		8,372,749
Exercise of warrants - warrant valuation	-		1,548,505
Exercise of options (ii)	1,117,500		325,788
Exercise of options - option valuation	-		281,731
Property acquisition (Note 5)	2,025,000		1,896,500
Cost of issue, not of income taxes	-		(2,048,869)
Flow-through shares tax effect	-		(5,782,788)
Balance, December 31, 2007	249,978,487	\$	86,671,512

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

8. CAPITAL STOCK (continued)

a) Common shares issued (continued)

(i) On April 12, 2007, the Company completed a bought deal private placement of 15,625,000 units of the Company at a price of \$0.80 per unit and 12,500,000 flow-through common shares of the Company at a price of \$1.00 per share for gross proceeds of \$25,000,000. Each unit consists 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. The offering was completed by a syndicate of underwriters who received a commission of 6% of the gross proceeds as well as 1,546,875 compensation options, each of which entitle the holder to purchase one unit at a price of \$0.80 per unit until April 12, 2008. Each unit consists of one common share of the Company and half of once 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. 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 83%; risk free interest rate of 4.1%; and an expected life of 1 year.

(ii) On May 11, 2007, the Company announced that it was exercising its right to have the share purchase warrants that were issued in October 2006 expire early. As the majority of the common shares of the Company traded on the TSX Venture Exchange at prices over \$0.75 per share during the 15 consecutive trading days ended May 8, 2007, the Company provided warrant holders with notice of the accelerated expiry time, in accordance with the terms of the warrant agreement. All warrants were exercised by the early expiry date. During the year ended December 31, 2007, 20,192,931 warrants were exercised at a weighted average exercise price of \$0.41 generating gross proceeds of \$8,372,749. As well, 1,117,500 options were exercised at a weighted average exercise price of \$0.29 for gross proceeds of \$325,788.

(iii) 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.

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

8. CAPITAL STOCK (continued)

a) Common shares issued (continued)

(v) 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.

(vi) 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 consisted 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 day 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.

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.

(vii) 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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

8. CAPITAL STOCK (continued)

b) Warrants

	2007		2006	
	Number of warrants	Weighted Average price	Number of warrants	Weighted Average price
Balance, beginning of year	22,308,769	\$ 0.42	29,434,356	\$ 0.45
Granted, private placements	7,812,500	1.15	16,452,429	0.43
Granted, broker warrants	2,320,312	0.92	3,756,340	0.35
Exercised	(20,192,931)	0.41	(14,426,500)	0.36
Expired or cancelled	(1,000,000)	0.55	(12,907,856)	0.54
Balance, end of year	11,248,650	\$ 1.03	22,308,769	\$ 0.42

As at December 31, 2007, the following warrants were outstanding:

Value (\$)	Number of Warrants	Exercise Price (\$)	Expiry Date
16,156	132,424	0.35	30-Apr-08
97,223	917,200	0.40	30-Apr-08
5,363	66,214	0.50	30-Apr-08
413,016	1,546,875*	0.80	12-Apr-08
1,493,954	8,585,937**	1.15	12-Apr-08
2,025,712	11,248,650		

* Compensation options - see description at Note 8(a)(i).

** Includes 773,437 warrants that would become exercisable upon exercise of compensation options as described in Note 8(a)(i).

c) Stock Options

The following are the stock option transactions during the year:

	2007		2006	
	Number of options	Weighted Average price	Number of options	Weighted Average price
Balance, beginning of year	9,070,000	\$ 0.27	7,405,000	\$ 0.30
Granted	13,885,000	0.71	4,070,000	0.24
Exercised	(1,117,500)	0.29	(400,000)	0.22
Expired or cancelled	(327,500)	0.64	(2,005,000)	0.36
Balance, end of year	21,510,000	\$ 0.54	9,070,000	\$ 0.27

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

8. CAPITAL STOCK (continued)

c) Stock Options (continued)

As of December 31, 2007, the following stock options were outstanding:

Value \$	Number of Options outstanding	Number of Options Exercisable	Exercise Price \$	Expiry Date
19,800	100,000	100,000	0.290	February 18, 2008
811,200	2,000,000	2,000,000	0.200	June 5, 2008
10,140	25,000	25,000	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, 2008
175,000	875,000	875,000	0.245	October 12, 2008
14,850	50,000	50,000	0.390	October 20, 2008
19,600	100,000	100,000	0.300	January 10, 2010
39,800	200,000	200,000	0.280	February 14, 2010
19,800	100,000	100,000	0.290	February 21, 2010
235,000	1,000,000	1,000,000	0.330	March 1, 2010
7,100	50,000	50,000	0.200	July 14, 2010
497,569	2,540,000	2,540,000	0.225	March 13, 2011
83,416	350,000	262,500	0.280	July 5, 2011
3,446	15,000	15,000	0.300	August 9, 2011
30,378	100,000	75,000	0.365	August 15, 2011
42,120	150,000	112,500	0.350	September 28, 2011
919,372	3,070,000	1,510,000	0.405	January 10, 2012
53,215	150,000	75,000	0.500	February 20, 2012
236,002	1,000,000	750,000	0.600	March 30, 2009
209,752	1,000,000	750,000	0.700	March 30, 2009
187,252	1,000,000	750,000	0.800	March 30, 2009
168,502	1,000,000	750,000	0.900	March 30, 2009
152,565	1,000,000	750,000	1.000	March 30, 2009
138,600	200,000	200,000	1.020	April 9, 2012
1,277,163	2,815,000	1,055,625	0.940	June 28, 2012
354,860	1,500,000	375,000	0.600	September 17, 2012
31,990	150,000	18,750	0.710	November 21, 2012
117,533	620,000	77,500	0.630	November 22, 2012
5,982,490	21,510,000	14,916,875		

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

8. CAPITAL STOCK (continued)

c) Stock Options (continued)

The Company has a stock option plan designed to advance the interest of the Company by encouraging officers, directors, employees 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 the year ended December 31, 2007, 13,885,000 stock options (2006 - 4,070,000) were granted to directors, officers, employees and consultants of the Company. Of these options granted, 5,000,000 vest one quarter every quarter over a one-year term, 8,685,000 options vest one eighth every quarter from the date of grant over a two-year term and 200,000 vest immediately. For the year ended December 31, 2007, an amount of \$4,040,153 (2006 - \$815,512) was recorded for all vested options and is included in professional, consulting and management fees. The weighted average grant date fair value of options granted during 2007 was \$0.40 (2006 - \$0.17). The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2007	2006
Expected dividend yield	0%	0%
Expected volatility	88%	89%
Risk-free interest rate	4.3%	4%
Expected average life	5	5

d) Contributed Surplus

	2007	2006
	\$	\$
Balance, beginning of year	6,328,590	3,842,714
Stock options granted and/or vested during the period:		
Directors and officers	2,827,420	653,544
Consultants	1,212,733	161,968
Property acquisition	-	9,450
Exercise of stock options, reallocation of valuation	(281,731)	(128,974)
Expiry of warrants, reallocation of valuation	106,500	1,789,888
Balance, end of year	10,193,512	6,328,590

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

9. RELATED PARTY TRANSACTIONS

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

The Company shares its premises with other companies that have common directors. The Company reimburses the related companies for their proportionate share of the expenses. At December 31, 2007 an amount of \$45,034 (2006 - \$12,135) is payable in relation to these expenses. As well, the Company is owed \$1,207 (2006 - \$1,640) at December 31, 2007 for shared expenses.

During the year ended December 31, 2007, the Company granted 6,320,000 (2006 - 2,900,000) stock options to directors and officers of the Company. As well, during the year, a director of the Company exercised 1,071,428 warrants at an exercise price of \$0.50 for gross proceeds of \$535,714.

10. 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% (2006 - 36%) are:

	2007 \$	2006 \$
Net loss for the year before income taxes	(6,188,057)	(3,317,320)
Expected recoverable income taxes at statutory rates	(2,234,000)	(1,194,000)
Increase (decrease) resulting from:		
Share issue costs	-	(754,000)
Stock-based compensation	1,458,000	296,000
Expired losses	105,000	59,000
Change in tax rates	(1,431,000)	-
Other	379,212	8,000
Change in valuation allowance	-	-
Provision for income taxes	(1,722,788)	(1,585,000)

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, 2007 and 2006 are as follows:

	2007 \$	2006 \$
Future income tax assets (liabilities)		
Non-capital losses	1,405,000	1,323,000
Resource properties	(4,962,000)	(1,323,000)
Share issue costs	1,067,000	842,000
Valuation allowance	-	-
	(2,490,000)	842,000

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

10. INCOME TAX (continued)

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

Expiry Date	Amount \$
2008	219,000
2009	216,000
2010	1,584,000
2014	299,000
2015	602,000
2026	1,207,000
2027	193,000
	<hr/> 4,320,000 <hr/>

The Company has approximately \$32,000,000 of exploration and development expenditures as at December 31, 2007 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 \$4,156,000 upon renunciation of the flow-through expenditures in 2007. See Note 11(a).

11. COMMITMENTS AND CONTINGENCIES

(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, 2007, the Company has met its expenditure commitments related to this renunciation.

The Company raised a further \$12,500,000 in April of 2007 which it renounced in February 2008 with an effective date of December 31, 2007. At December 31, 2007, the Company has expended \$7,940,918 and is committed to spend a further \$4,559,082 by December 31, 2008 to meet this expenditure commitment. A flow-through interest penalty was incurred related to the look-back rule, and an amount of \$146,850 was accrued at December 31, 2007.

(b) The Company is committed to minimum amounts under long-term operating leases and equipment financing agreements for vehicles and mine equipment and infrastructure amounting to \$350,000 over three years, \$214,000 of which is payable within one year.

(c) The Company is party to certain management contracts which require that additional payments of up to \$3,500,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these financial statements. Minimum commitments under these contracts are approximately \$770,000, all of which is due within one year.

(d) The Company entered into an agreement on February 28, 2007 with a general contractor for the Bucko Lake property. If the agreement is terminated without cause, the Company is liable to pay demobilization fees and 90 days of work.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

12. 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 capital lease obligations 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.

13. SUBSEQUENT EVENTS

(a) In February 2008, the Company closed a \$55,000,000 debt facility agreement. RMB Resources Inc. arranged the financing as Agent for FirstRand Ireland Plc, the Lender and underwriter of the debt finance package. Auramet Trading, LLC advised the Company on this transaction. The debt facility consists of a First Tranche \$10,000,000 Secured Loan (the "First Tranche"), a Bridge Tranche Facility of \$15,000,000 (the "Bridge Facility") and a \$45 million Final Tranche Secured Loan (the "Final Tranche"). The Bridge Facility must be paid from the proceeds of the Final Tranche. The interest rate on the First Tranche and the Bridge Facility is LIBOR plus 2.25% per annum. The interest rate on the Final Tranche is LIBOR plus 1.75% per annum if the Company does not draw down the Bridge Facility in full or LIBOR plus 1.5% per annum if the Company draws down the Bridge Facility in full. The Bridge Facility is available for draw down once the First Tranche is fully drawn. The Final Tranche becomes available for draw down upon receipt of permits required to commence production of concentrate at the Bucko Deposit. The debt facility agreement requires the Company to enter into a hedging program for a portion of the expected production from the Bucko Deposit.

A total of 17,324,786 warrants were issued to RMB with an exercise price of approximately \$0.64 per share in connection with this debt facility, where 16,324,786 warrants have a term of 36 months. The proceeds of this conversion will be used to pay off the First Tranche Secured Loan of \$10 million. The remaining 1,000,000 warrants have a term of 24 months.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

13. SUBSEQUENT EVENTS (Continued)

(b) In February 2008, the Company entered into an option agreement with a private Ontario company (the "Optionor"), in respect to the AER Kidd Property in Sudbury, Ontario (the "Property"). The Optionor can earn up to a 50% interest in the Property by:

- i) making a cash payment to the Company of \$85,000 upon execution of the agreement;
- ii) assuming all future advance royalty payments due in respect of the Property; and
- iii) incurring \$5,000,000 in exploration expenditures on the property by December 31, 2009.

The Optionor may also earn an additional 20% interest in the property by incurring additional exploration expenditures of \$7,000,000 prior to December 31, 2013, and continuing to make all advance royalty payments due in respect of the Property. Upon earning a 50% interest in the property, the Company and the Optionor shall enter into a joint venture in respect of the Property.

(c) Subsequent to December 31, 2007, 1,189,086 common shares were issued upon the exercise of 1,189,086 options and warrants for gross proceeds of \$468,303.

(d) On April 12, 2008, 10,132,314 warrants described in Note 8(b) expired unexercised.