



CROWFLIGHT MINERALS INC.

**ANNUAL REPORT FOR THE YEAR ENDING
DECEMBER 31, 2008**

CROWFLIGHT MINERALS INC.
65 Queen Street West, Suite 820
Toronto, Ontario
Canada M5H 2M5

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual 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 Thursday the 14th day of May, 2009 at 2:00 p.m. (Toronto time) for the following purposes:

1. to receive and consider the audited financial statements of the Corporation for the fiscal year ended December 31, 2008, 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; and
4. 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, 2008. 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 6, 2009 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 12, 2009 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, in accordance with the instructions set forth in the accompanying management information circular and the form of proxy.

DATED at Toronto, Ontario as of the 6th day of April, 2009

BY ORDER OF THE BOARD

(Signed) "Mike Hoffman"

President and Chief Executive Officer

CROWFLIGHT MINERALS INC.

MANAGEMENT INFORMATION CIRCULAR

APRIL 6, 2009

INFORMATION REGARDING CONDUCT OF MEETING

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 meeting (the "Meeting") of holders of common shares ("Shareholders") of the Corporation to be held on Thursday, May 14, 2009 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 through other means by employees, consultants and agents of the Corporation at nominal cost. The cost of solicitation by management will be borne by the Corporation.

The board of directors of the Corporation has by resolution fixed the close of business on April 6, 2009 as the record date for the meeting (the "Record Date") being the date for the determination of the registered holders of common shares (the "Common Shares") entitled to notice of and to vote at the Meeting and any adjournment(s) thereof (the "Shareholders"). The board of directors of the Corporation has by resolution fixed 5:00 p.m. (Toronto time) on Tuesday May 12, 2009 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.

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.

Unless otherwise stated, the information contained in this management information circular is as of April 6, 2009. 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 and/or directors of the Corporation. **A shareholder desiring to appoint some other person or entity 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 times set out above.

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.

Voting of Proxies

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 which 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 and an unlimited number of Class A preferred shares. As of April 6, 2009, the Corporation had 293,478,895 Common Shares issued and outstanding and no preferred shares issued and outstanding.

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 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.

EXECUTIVE COMPENSATION DISCLOSURE

Compensation of Officers

The following table summarizes the compensation paid during the three financial years ended December 31, 2008, 2007 and 2006 in respect of the individuals who were carrying out the role of the Chief Executive Officer (“CEO”) of the Corporation, the Chief Financial Officer (“CFO”) of the Corporation and each of the three most highly compensated executive officers other than the CEO and CFO at the end of the most recently completed financial year whose total compensation was individually more than \$150,000 for that financial year (the “Named Executive Officers”).

SUMMARY COMPENSATION TABLE

Name and principal position	Year Ended	Salary (\$) ⁽¹⁾	Share awards (\$)	Option awards (\$) ⁽²⁾	Non-equity incentive plan compensation (\$)		All other compensation (\$) ⁽³⁾	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans		
Mike Hoffman President & Chief Executive Officer	2008	175,000	NIL	342,750	NIL	NIL	200,000	717,750
	2007	45,312	NIL	642,000	NIL	NIL	NIL	687,312
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Anna Ladd ⁽⁴⁾ Chief Financial Officer	2008	60,258	NIL	91,400	NIL	NIL	NIL	151,658
	2007	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Deborah Battiston ⁽⁴⁾ Former Chief Financial Officer	2008	30,000	NIL	NIL	NIL	NIL	20,000	50,000
	2007	53,000	NIL	79,334	NIL	NIL	18,000	150,334
	2006	48,000	NIL	16,100	NIL	NIL	14,500	78,600
Greg Collins V.P. Exploration	2008	150,000	NIL	45,700	NIL	NIL	15,000	210,700
	2007	135,000	NIL	197,189	NIL	NIL	100,000	432,189
	2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Paul Keller Chief Operating Officer	2008	187,500	NIL	114,250	NIL	NIL	50,000	351,750
	2007	163,332	NIL	330,178	NIL	NIL	215,000	708,510
	2006	155,001	NIL	48,300	NIL	NIL	35,000	238,301

Notes:

- (1) Compensation has been 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.
- (2) Dollar value of option awards estimated using the Black-Scholes-Merton valuation model.
- (3) Compensation received in the form of performance based bonus. Other benefits did not exceed the lesser of \$50,000 and 10% of the total annual compensation for the Named Executive Officer.
- (4) Ms. Anna Ladd was appointed Chief Financial Officer on May 26, 2008, following the resignation of Ms. Battiston on May 25, 2008.

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.

Incentive Plan Awards

The following table provides information regarding the incentive plan awards for each Named Executive Officer outstanding as of December 31, 2008.

Outstanding Share Awards and Option Awards

Name	Option Awards				Share Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share awards that have not vested (\$)
Mike Hoffman President & Chief Executive Officer	1,750,000	1,000,000 at \$0.60 750,000 at \$0.69	Sept. 17, 2012 May 26, 2013	NIL	n/a	n/a
Anna Ladd Chief Financial Officer	200,000	200,000 at \$0.69	May 26, 2013	NIL	n/a	n/a
Deborah Battiston Former Chief Financial Officer	207,500	37,500 at \$0.225 100,000 at \$0.405 70,000 at \$0.94	March 13, 2011 Jan. 10, 2012 June 28, 2012	NIL	n/a	n/a
Greg Collins, V.P. Exploration	750,000	50,000 at \$0.20 100,000 at \$0.225 100,000 at \$0.365 200,000 at \$0.405 200,000 at \$0.94 100,000 at \$0.69	July 14, 2010 March 13, 2011 August 11, 2011 Jan. 10, 2012 June 28, 2012 May 26, 2013	NIL	n/a	n/a
Paul Keller, Chief Operating Officer	1,450,000	200,000 at \$0.28 300,000 at \$0.225 400,000 at \$0.405 300,000 at \$0.94 250,000 at \$0.69	Feb. 14, 2010 March 13, 2011 Jan. 10, 2012 June 28, 2012 May 26, 2013	NIL	n/a	n/a

Notes:

(1) Based on the closing market price of \$0.185 of the Common Shares on December 31, 2008

The following table provides information regarding the value on pay-out or vesting of incentive plan awards for the financial year ended December 31, 2008.

Value on Pay-Out or Vesting of Incentive Plan Awards

Name	Option awards – Value during the year on vesting (\$) ⁽¹⁾	Share awards – Value during the year on vesting (\$)	Non-equity incentive plan compensation – Pay-out during the year (\$)
Mike Hoffman President & Chief Executive Officer	NIL	n/a	n/a
Anna Ladd Chief Financial Officer	NIL	n/a	n/a
Deborah Battiston Former Chief Financial Officer	NIL	n/a	n/a
Greg Collins, V.P. Exploration	NIL	n/a	n/a
Paul Keller, Chief Operating Officer	NIL	n/a	n/a

Notes:

(1) None of the NEO's exercised any options during the year ending December 31, 2008.

Defined Benefit or Actuarial Plan

The Corporation does not currently have a defined benefit or actuarial plan under which benefits are determined primarily by final compensation (or average final compensation) and years of services.

Termination of Employment, Change in Responsibilities and Employment Contracts

The following describes the respective consulting agreements entered into by the Corporation and the Named Executive Officers:

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 twelve months of base fees in the form of a lump sum payment within 30 days of the termination date. In the event of a "change in control" of the Corporation, the Corporation and Mr. Hoffman each have a twelve 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.

Anna Ladd

The Corporation entered into a contract with Anna Ladd effective May 26, 2008, pursuant to which Ms. Ladd agreed to provide management consulting services as the Chief Financial Officer of the Corporation. Ms. Ladd is entitled to compensation for the provisions of such services of base fees of \$8,334.33 per month subject to quarterly review by the Board, plus any such increments thereto, bonuses and grants of options under the Stock Option Plan as the Board may from time to time determine. This agreement 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. Ladd is entitled to be paid the equivalent of twelve 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. Ladd each have a twelve 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. Ladd that in the amount of CAD \$300,000 plus an amount that is equivalent to all bonuses paid within the past 24 months to Ms. Ladd.

Paul Keller

The Corporation entered into a contract with Paul Keller effective February 21, 2005 (amended on July 1, 2005, May, 2006, August 2007, and further amended on July 1, 2008), pursuant to which Mr. Keller agreed to provide management consulting services as the Chief Operating Officer of the Corporation. Mr. Keller is entitled to compensation for the provision of such services at base fees of \$16,667 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 twelve 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 twelve 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. Either party may terminate this agreement upon sixty (60) days written notice to the other party, or upon a different period of time as may be mutually agreed upon. 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.

Compensation of Directors

Compensation of directors in the financial year ended December 31, 2008 was determined on a case-by-case basis with reference to the role that each director provides to the Corporation. The following information details compensation paid in the recently completed financial year. In addition, please see the disclosure below under the heading "Compensation of Directors – Other Arrangements".

Directors may also receive cash bonuses from time to time, which the Corporation awards to directors for serving in their capacity as a member of the Board. In addition, as a director, directors are entitled to participate in the Corporation's Stock Option Plan, which is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer term. Individual grants are determined by an assessment of an individual's current and expected future performance, level of responsibilities and the importance of his/her position and contribution to the Corporation.

Executive officers who also act as directors of the Corporation do not receive any additional compensation for services rendered in their capacity as directors.

During the financial year ended December 31, 2008, directors were granted the fees, options and bonuses in their capacity as directors of the Corporation as is set out in the table below. Note that disclosure regarding the compensation of Mike Hoffman can be found above under the heading "Compensation of Officers" and "Termination of Employment Change in Responsibility and Employment Contracts"

Mr. Wilson receives a fee of \$1,000 per board meeting as Chairman of the Audit Committee and each of Mr. Colson and Mr. MacKenzie receive \$500 per meeting.

Director Compensation Table

The following table provides information regarding compensation paid to the Corporation's directors during the financial year ended December 31, 2008.

Name	Fees earned (\$)	Share awards (\$)	Option awards (\$) ⁽¹⁾	Non-equity incentive plan compensation (\$)	All other compensation (\$) ⁽²⁾	Total (\$)
Stan Bharti	60,000	n/a	114,250	n/a	50,000	224,250
Gerald McCarvill	20,000	n/a	45,700	n/a	10,000	78,200
Maurice Colson	8,000	n/a	45,700	n/a	10,000	63,700
Lewis MacKenzie	8,000	n/a	45,700	n/a	10,000	63,700
Bernie Wilson	16,000	n/a	45,700	n/a	10,000	71,700
Bruce Humphrey	60,000	n/a	114,250	n/a	50,000	224,250
TOTALS	172,000		411,300		140,000	725,800

Notes:

(1) Dollar value of option awards calculated using the Black-Scholes-Merton valuation model.

(2) Compensation received in the form of performance based bonus. Other benefits did not exceed the lesser of \$50,000 and 10% of the total annual compensation for the named Director.

Other Arrangements

Other than as disclosed below or elsewhere in this Circular, none of the directors of the Corporation were compensated by the Corporation during the financial year ended December 31, 2008 pursuant to any other arrangement or in lieu of any standard compensation arrangement.

Mr. Humphrey, in his capacity as Chair of the Board, received a fee of \$5,000 per month and Mr. Bharti received a fee of \$5,000 per month. These fees are accounted for in the table above under the heading "Director Compensation Table". Messrs. Humphrey and Bharti 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.

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 \$5,000 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.

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 twelve 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 twelve 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

The table below sets out the outstanding options under the Stock Option Plan, being the Corporation’s only compensation plan under which Common Shares are authorized for issuance, as of December 31, 2008.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by security holders	19,933,750 pursuant to the Stock Option Plan	\$0.58	9,396,682 pursuant to the Stock Option Plan
Equity compensation plans not approved by security holders	n/a	n/a	n/a
TOTAL	19,933,750	\$0.58	9,368,682

Indebtedness of Directors and Executive Officers

As at the date of this Circular and during the financial year ended December 31, 2008, no director or executive officer of the Corporation or Nominee (and each of their associates and/or affiliates) 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, 2008, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or its subsidiaries.

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. The Corporation has purchased in respect of directors and officers an aggregate of \$10,000,000 in coverage. The approximate amount of premiums paid by the Corporation in 2008 in respect of such insurance was \$29,700.

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, 2008 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.

COMPENSATION COMMITTEE

The Compensation Committee is comprised of three directors of the Corporation who are independent of the Corporation for the purposes of applicable securities laws. The Compensation Committee is comprised of Bernard Wilson (Chairman), Lewis MacKenzie and Maurice Colson. Each of Messrs. Colson, MacKenzie and Wilson is an independent director.

Report on Executive Compensation

Overall Compensation Philosophy

The objectives of the Corporation's executive compensation policy are to:

- (a) attract, retain and motivate executives critical to the success of the Corporation;
- (b) provide fair, competitive and cost effective compensation programs to its executives;
- (c) link the interests of management with those of the Shareholders; and
- (d) provide rewards for outstanding corporate and individual performance.

The following principles guide the Corporation's overall compensation philosophy:

- (a) compensation is determined on an individual basis by the need to attract and retain talented, entrepreneurial, high-achievers;
- (b) calculating total compensation is set with reference to the market for similar jobs in similar locations;
- (c) an appropriate portion of total compensation is variable and linked to achievements, both individual and corporate;
- (d) the Corporation supports reasonable expenses in order that employees continuously maintain and enhance their skills; and
- (e) all compensation and compensation policies shall be fully and plainly disclosed.

Compensation Committee Mandate

The Compensation Committee is established by the Board to assist the Board in fulfilling its responsibilities relating to human resources and compensation issues and to establish a plan of continuity for executive officers and other members of senior management (collectively, "Executive Management"). The Compensation Committee ensures that the Corporation has an executive compensation plan that is both motivational and competitive so that it will attract, hold and inspire performance of executive management of a quality and nature that will enhance the sustainable profitability and growth of the Corporation.

The Compensation Committee reviews compensation philosophy and guidelines for the Corporation, which includes reviewing the compensation philosophy and guidelines (a) for Executive Management, for recommendation to the Board for its consideration and approval, and (b) relating to all employees, including annual salary and incentive policies and programs, and material new benefit programs, or material changes to existing benefit programs. During the fiscal year ending December 31, 2008, the Compensation Committee made recommendations to the Board on cash bonuses, salaries and option grants of Executive Management for 2008. In conducting its review of management's recommendations, the Compensation Committee was satisfied that all recommendations complied with the Compensation Committee's philosophy and guidelines set for the above.

The Compensation Committee reviews regularly the cash compensation, performance and overall compensation package for each executive officer. It will submit to the Board recommendations with respect to the basic salary, bonus and participation in share compensation

arrangements for each executive officer and its opinions on the effective performance and contribution of each executive officer, as appropriate.

The Compensation Committee is comprised of three directors, all of whom are “independent directors” within the meaning of Section 1.4 of National Instrument 52-110- *Audit Committees*. The Board believes that each Compensation Committee member possesses skills and/or experience which are relevant to the mandate of the Compensation Committee.

The members of the Compensation Committee are appointed annually by the Board of Directors and serve at the pleasure of the board until their successors are duly appointed.

It is the compensation philosophy of the Corporation to provide a blend of base salaries, bonuses and an equity incentive component in the form of options. The following summarizes these aspects of compensation:

Base Salary

In determining the base salary of an executive officer, the Compensation Committee begins its analysis with a recommendation from the President and CEO of the Corporation and also places weight on the following factors: the particular responsibilities related to the position; salaries paid by comparable businesses in the resource sector; the experience level of the executive officer; and his or her overall performance. In respect of the compensation of the President and CEO, the Compensation Committee relies heavily on information regarding the compensation of similar executives at competitive companies and its assessment of the performance of the President and CEO.

Bonus Payments

Executive officers are eligible for annual cash bonuses, after taking into account and giving equal weight to attainment of corporate objectives and milestones, financial situation of the Corporation, and individual performance. The Compensation Committee places significant importance on the achievement of corporate objectives and milestones when determining the level of bonuses (if any) to be paid. The Corporation is focussed on the development and operation of the Bucko Lake Mine and the Compensation Committee believes that financial incentives should relate to the accomplishment of key milestones relating to development and financing of the mine, among other corporate developments.

In taking into account the financial status and general development of the Corporation, the Compensation Committee considers factors over which the executive officers can exercise control, such as meeting budget targets established by the Board, controlling costs, taking successful advantage of business opportunities and enhancing the competitive and business prospects of the Corporation.

Long-Term Incentives

The Compensation Committee believes that granting stock options and shares to key personnel encourages retention and more closely aligns the interests of Executive Management with the intent of shareholders. The inclusion of options and shares in compensation packages allows the Corporation to compensate employees while not drawing on limited cash resources. Further, the Compensation Committee believes that the option and share component serves to further align the interests of management with the interests of the Corporation’s shareholders. The amount of options and shares to be granted is based on the relative contribution and involvement of the individual in question as well as taking into consideration previous option and share grants.

During the financial year ended December 31, 2008, the Corporation granted options to the following officers and directors of the Corporation: Mike Hoffman, Bruce Humphrey, Bernard Wilson, Maurice Colson, Lewis MacKenzie, Stan Bharti, Gerald McCarvill, Anna Ladd, Paul

Keller, Greg Collins, Patrick Gleeson. No shares were granted to Directors or Officers pursuant to the Share Compensation Plan during the financial year ending December 31, 2008.

Chief Executive Officer Compensation

The Compensation Committee:

- (a) will periodically review the terms of reference for the Corporation's Chief Executive Officer and recommend any changes to the Board for approval;
- (b) will review corporate goals and objectives relevant to the compensation of the Chief Executive Officer and recommend them to the Board for approval; and
- (c) reviews, and if appropriate recommends to the Board for approval, any agreements between the Corporation and the Chief Executive Officer, including protections in the event of a change of control or other special circumstances, as appropriate.

The components of the Chief Executive Officer's compensation are the same as those that apply to the other senior executive officers of the Corporation, namely base salary, bonus and long-term incentives in the form of stock options and shares.

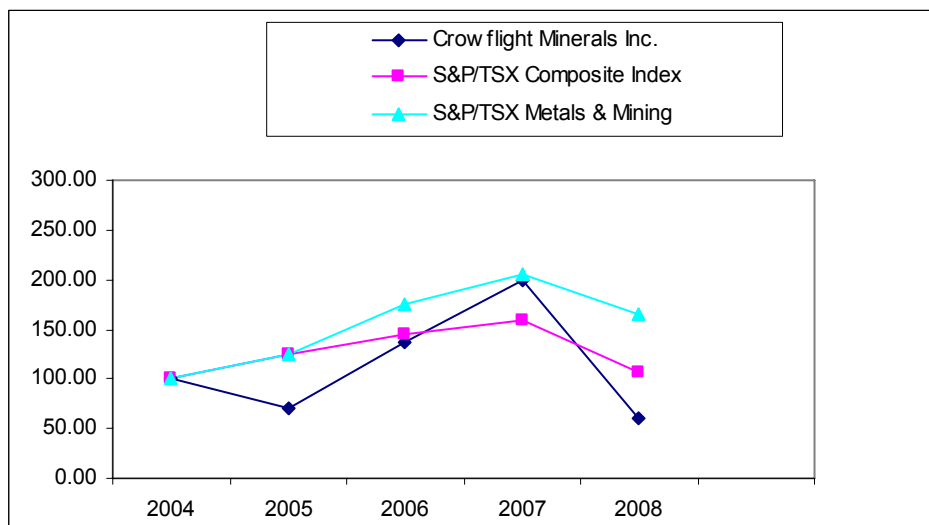
The Compensation Committee reviews and ensures that the compensation of the Chief Executive Officer complies with the principles underlying the Corporation's overall compensation philosophy.

The foregoing report has been submitted by the Compensation Committee:

Bernard Wilson (Chair)
Lewis MacKenzie
Maurice Colson

Performance Graph

The following graph compares the yearly percentage change in the cumulative total shareholder return for C\$100 invested in Common Shares on January 1, 2004 against the cumulative total shareholder return of the S&P/TSX Composite Index and the S&P/TSX Composite Index – Metals and Mining for the five most recently completed financial years of the Corporation, assuming the reinvestment of all dividends.



Stock Option Plan

The Corporation is engaged in the operation, development and exploration of mineral projects. The ability of the Corporation to operate, develop and explore mineral projects is dependent upon its ability to recruit and retain skilled management and operators. The Corporation believes that weighting compensation to options better aligns the interests of management with the interests of shareholders and is consistent with the Corporation's growth strategy.

Accordingly, the Corporation has adopted a stock option plan (the "Plan"). The Plan was approved by the shareholders of the Corporation at an annual meeting on June 3, 2008. A copy of the Stock Option Plan is available under the profile of the Corporation on SEDAR at www.sedar.com.

Pursuant to the Plan, the Corporation may grant up to that number of stock options that equals 10% of the number of issued and outstanding common shares of the Corporation at the time of the stock option grant, from time to time. This percentage is consistent with the historically approved stock option plans of the Corporation and the Corporation believes that it is competitive with industry peers. As of the Record Date, there is an aggregate of 16,333,750 stock options outstanding under the Corporation's existing stock option plan, which represents approximately 5.56% of the outstanding common shares of the Corporation. The Plan provides that the Corporation can not grant stock options to any one person representing more than 5% 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, upon the recommendations of the Compensation Committee. 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.

The Plan provides that holders of Options who are restricted from trading in securities of the Corporation during periodic black-out periods imposed by the Corporation shall be entitled to exercise an option that was set to expire during a black-out period imposed by the Corporation until the day that is five business days following the expiry of the black-out period.

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 30 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.

Share Compensation Plan

The Corporation is engaged in the development and exploration of mineral projects. The ability of the Corporation to develop and explore mineral projects is dependent upon its ability to recruit and retain skilled management and operators. The Corporation believes that weighting compensation to shares better aligns the interests of management with the interests of shareholders and is consistent with the Corporation's growth strategy. To better align the interest of shareholders with the interest of management and other recipients under the Share Compensation Plan, common shares issued under the plan cannot be sold for a period of twelve months from the date of issue.

Accordingly, 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 and the Corporation has adopted a share compensation plan (the "Plan"). The Plan was approved by the shareholders of the Corporation, subject to the Corporation graduating to the Toronto Stock Exchange, which occurred on December 3, 2008, at an annual meeting on June 3, 2008. A copy of the Share Compensation 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 Share Compensation Plan, which is qualified in its entirety by the provisions of the Share Compensation Plan

Pursuant to the Plan, the Corporation may grant up to up to 2,500,000 common shares of the Corporation, representing approximately 0.08% of the issued and outstanding common shares of the Corporation as at April 6, 2009, 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. As of the Record Date, there is an aggregate of 174,572 shares issued pursuant to the Share Compensation Plan, which represents approximately 0.005% of the outstanding common shares of the Corporation

The Share Compensation Plan provides 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 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 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. Common shares shall be issued under the Share Compensation Plan in instalments at quarterly intervals, 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.

CORPORATE GOVERNANCE PRACTICES

The Corporation and the Board 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 regarding the Corporation's operations at regular meetings and through reports and discussions with management on matters within their particular areas of expertise. Frequency of meetings may be increased and the nature of the agenda items may be changed depending upon the state of the Corporation's affairs and in light of opportunities or risks that the Corporation faces.

The Corporation believes that its corporate governance practices are in compliance with applicable Canadian requirements including National Policy 58-201 – Corporate Governance Guidelines. The Corporation has considered the applicable requirements and believes that its approach is appropriate and works effectively for the Corporation and its shareholders. The Corporation continues to monitor developments in Canada with a view to further revising its governance policies and practices, as appropriate.

The following is a description of the Corporation's corporate governance practices, which has been prepared by the Corporate Governance Committee of the Board and has been approved by the Board.

The Board of Directors

The Board is currently comprised of Mike Hoffman, Stan Bharti, Bruce Humphrey (Chair), Gerald McCarvill, Bernard Wilson, Maurice Colson and Lewis MacKenzie. The majority of the members of the board of directors, including the Chair of the Board, are independent within the meaning of applicable securities laws. Mike Hoffman is not independent because he is the President and

Chief Executive Officer of the Corporation. Stan Bharti is not independent because the Board considers him to be involved with the management of the Corporation.

The Independence of the Board

To facilitate the functioning of the Board independently of management, the following structures and processes are in place:

- a non-executive Chairman has been elected;
- there are no members of management on the Board, other than the President and Chief Executive Officer of the Corporation;
- members of management, including without limitation the President and Chief Executive Officer of the Corporation, are not present for the discussion and determination of certain matters at meetings of the Board unless required;
- each of the Audit, Compensation and Governance Committees of the Board are comprised solely of independent directors;
- when appropriate, members of management, including the President and Chief Executive Officer, are not present for the discussion and determination of certain matters at meetings of the Board;
- under the by-laws of the Corporation, any two directors may call a meeting of the Board;
- the President and Chief Executive Officer's compensation is considered by the Board, in his absence, by the Compensation Committee at least once a year;
- in addition to the standing committees of the Board, independent committees will be appointed from time to time, when appropriate; and
- The Board policy is to hold in-camera meetings with the independent directors at the end of each Board or committee of the Board meeting to the extent applicable.

Chairman

The Chairman of the Board (Bruce Humphrey) is an independent director. In terms of the governance of the Corporation, the Chairman of the Board's primary roles are to chair all meetings of the Board and shareholder meetings in a manner that promotes meaningful discussion, to manage the affairs of the Board, including ensuring the Board is organized properly, functions effectively and meets its obligations and responsibilities. The Chairman of the Board's responsibilities include, without limitation, ensuring that the Board works together as a cohesive team with open communication, ensuring that the resources available to the Board are adequate to support its work, and working with the corporate governance committee to ensure that the necessary processes are in place to assess the effectiveness of the Board and its committees as well as the contribution of individual directors at least annually. The Chairman of the Board also acts as the primary spokesperson for the Board, ensuring that management is aware of concerns of the Board, shareholders, other stakeholders and the public and, in addition, ensures that management strategies, plans and performance are appropriately represented to the Board. The Chairman of the Board is taking an active role in relation to monitoring, on behalf of the Board, the development and operation of the Bucko Lake Mine including making regular visits to the Mine. In the fiscal year ending December 31, 2008, Mr. Humphrey visited the Bucko Lake Mine at least five separate times. Mr. Humphrey also maintains communications with the Corporation's Executive Management.

Meetings of Independent Directors

The independent directors comprise the committees of the Board and, in such roles, meet regularly without management to review the business operations, corporate governance and financial results of the Corporation. During the year ended December 31, 2008, the independent directors, in connection with meetings of the Audit Committee, met at least four times.

During the financial year ended December 31, 2008, the Board held five meetings. The attendance of each of the directors, based on the number of meeting each was eligible to attend is as follows: Mr. Humphrey (5/5), Mr. Hoffman (5/5), Mr. Bharti (4/5), Mr. Colson (4/5), Mr. McCarvill (3/5), Mr. MacKenzie (5/5) and Mr. Wilson (5/5).

Board Mandate

The duties and responsibilities of the Board are to supervise the management of the business and affairs of the Corporation, and to act with a view towards the best interests of the Corporation. In discharging its mandate, the Board is responsible for the oversight and review of:

- the strategic planning process of the Corporation;
- identifying the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks;
- succession planning, including appointing, training and monitoring senior management;
- a communications policy for the Corporation to facilitate communications with investors and other interested parties; and
- the integrity of the Corporation's internal control and management information systems.

The Board discharges its responsibilities directly and through its committees, currently consisting of the Audit Committee, the Compensation Committee, the Governance Committee, and the Production Committee

Position Descriptions

The Corporation has codified position descriptions for each of the Chairman of the Board and the Chairman of each of the committees of the Board of the Corporation.

Code of Business Conduct and Ethics

The Board has adopted a Code of Business Conduct and Ethics (the "Code") for its directors, officers and employees. The Corporate Governance Committee has responsibility for monitoring compliance with the Code by ensuring all directors, officers and employees receive and become thoroughly familiar with the Code and acknowledge their support and understanding of the Code. Any non-compliance with the Code is to be reported to the Corporation's Chief Executive Officer. In addition, the Board conducts regular audits to test compliance with the Code. A copy of the Code may be accessed under the Corporation's profile at www.sedar.com.

The Board takes steps to ensure that directors, officers and employees exercise independent judgment in Considering transactions and agreements in respect of which a director, officer or employee of the Corporation has a material interest, which include ensuring that directors, officers and employees are thoroughly familiar with the Code and, in particular, the rules concerning reporting conflicts of interest and obtaining direction from the Corporation's Directors and the Chairman and Chief Executive Officer regarding any potential conflicts of interest.

The Board encourages and promotes an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations in all jurisdictions in which the Corporation

conducts business; providing guidance to directors, officers and employees to help them recognize and deal with ethical issues; promoting a culture of open communication, honesty and accountability; and ensuring awareness of disciplinary action for violations of ethical business conduct.

Whistleblower Policy

The Corporation has adopted a Whistleblower Policy which allows its directors, officers, consultants and employees who feel that a violation of the Code has occurred, or who have concerns regarding financial statement disclosure issues, accounting, internal accounting controls or auditing matters, to report such violations or concerns on a confidential and anonymous basis. Reporting a violation of the Code is made by informing anonymously to the Whistleblower hotline or (if desired) to a member of the Audit Committee, who then investigates each matter so reported and takes corrective and disciplinary action, if appropriate. Reporting concerns regarding financial statement disclosure or other appropriate issues are to be forwarded in a sealed envelope to the Chairman of the Audit Committee who then investigates each matter reported and takes corrective and disciplinary action, if appropriate.

Nomination of Directors

The Corporate Governance Committee, which is composed entirely of independent directors, is responsible for identifying and recruiting new candidates for nomination to the Board. The process by which the Board anticipates that it will identify new candidates is through recommendations of the Governance Committee whose responsibility it is to develop, and annually update and recommend to the Board for approval, a long-term plan for Board composition that takes into consideration the following: (a) the independence of each director; (b) the competencies and skills the Board, as a whole, should possess such as financial literacy, integrity and accountability, the ability to engage in informed judgment, governance, strategic business development, excellent communications skills and the ability to work effectively as a team; (c) the current strengths, skills and experience represented by each director, as well as each director's personality and other qualities as they affect Board dynamics; and (d) the strategic direction of the Corporation.

The Corporate Governance Committee's responsibilities include periodically reviewing the charters of the Board and the committees of the Board; assisting the Chairman of the Board in carrying out his responsibilities; considering and, if thought fit, approving requests from directors for the engagement of independent counsel in appropriate circumstances; preparing and recommending to the Board a set of corporate governance guidelines, the Code and annually a "Statement of Corporate Governance Practices" to be included in the Corporation's management information circular; annually reviewing the Board's relationship with management to ensure the Board is able to, and in fact does, function independently of management; assisting the Board by identifying individuals qualified to become Board members and members of Board committees; leading the Board in its annual review of the Board's performance; and assisting the Board in monitoring compliance by the Corporation with legal and regulatory requirements.

Other Public Corporation Directorships

Messrs. Bharti, Hoffman, Humphrey, Wilson, McCarvill, MacKenzie and Colson are currently also directors of the reporting issuers set out below:

Name	Directorships with Other Reporting Issuers
Bruce Humphrey	Avion Resources Corp. B2Gold Corp. Consolidated Thompson Iron Mines Limited
Stan Bharti	Aberdeen International Inc. Alexis Minerals Corporation Apogee Minerals Ltd. Avion Resources Corp. Beartooth Platinum Corporation Cash Minerals Ltd. Castillian Resources Corp. Consolidated Thompson Iron Mines Limited Dynamite Resources Ltd. Eurocontrol Technics Inc. Largo Resources Ltd. Longford Energy Inc. Nyah Resources Inc. Stetson Oil & Gas Inc. Sulliden Exploration Inc. Valencia Ventures Inc. Vast Exploration Inc.
Maurice Colson	Alexis Minerals Corporation Coniagas Resources Limited Golden Tag Resources Ltd. Sagittarius Capital Corporation
Mike Hoffman	Aberdeen International Inc. Castillian Resources Inc. Largo Resources Ltd.
Gerald McCarvill	Beartooth Platinum Corporation Consolidated Thompson Iron Mines Limited Dynamite Resources Ltd. Largo Resources Ltd.
Lewis MacKenzie	Allana Resources Inc. Cymat Technologies Ltd. Dynamite Resources Ltd. Eurocontrol Technics Inc. MTI Global Inc. (formerly Magnifoam Technology International Inc.)
Bernard Wilson	Clearwater Seafoods Income Fund Consolidated Thompson Iron Mines Limited Aberdeen International Inc. Valencia Ventures Inc.

Orientation and Continuing Education

The Corporate Governance Committee will be responsible for ensuring that new directors are provided with an orientation and education program, which will include written information about the duties and obligations of directors, the business and operations of the Corporation, documents from recent Board meetings, and opportunities for meetings and discussion with senior management and other directors. Directors are expected to attend all meetings of the Board and are also expected to prepare thoroughly in advance of each meeting in order to actively participate in the deliberations and decisions.

The Board recognizes the importance of ongoing director education and the need for each director to take personal responsibility for this process. The Board notes that it has benefited from the experience and knowledge of individual members of the Board in respect of the evolving governance regime and principles. The Board ensures that all directors are apprised of changes in the Corporation's operations and business.

The Board takes an active interest in the progress of the Bucko Lake Mine and in addition to the regular visits made to the mine site by various members of the Board, the Board visited the mine site as a group in August of 2008.

Ethical Business Conduct

The Board 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.

Committees of the Board

The Board has the following four standing committees:

- the Audit Committee - comprised of Bernard Wilson (Chair), Maurice Colson and Lewis MacKenzie;
- the Compensation Committee – comprised of Maurice Colson (Chair), Bernard Wilson and Lewis MacKenzie;
- the Governance Committee – Bernard Wilson (Chair) Lewis MacKenzie and Maurice Colson; and

All of the committees are comprised of directors who are independent of management and each of the committees report directly to the Board. From time to time, when appropriate, *ad hoc* committees of the Board may be appointed by the Board.

Audit Committee

The purposes of the Audit Committee are to assist the Board's oversight of: the integrity of the Corporation's financial statements; the Corporation's compliance with legal and regulatory requirements; the qualifications and independence of the Corporation's independent auditors; and the performance of the independent auditors and the Corporation's internal audit function.

Further information regarding the Audit Committee is contained in the Corporation's current annual information form (the "AIF") under the heading "Audit Committee" and a copy of the Audit Committee charter is attached to the AIF as Schedule "A". The AIF is available under the Corporation's profile at www.sedar.com.

Compensation Committee

The purposes of the Compensation Committee are to make recommendations to the Board relating to the compensation of: the members of the Board; the Chief Executive Officer of the Corporation; and members of senior management of the Corporation.

Governance Committee

The primary purpose of the Governance Committee is to develop and recommend to the Board a set of corporate governance principles applicable to the Corporation and to identify and recommend individuals to the Board of Directors for nomination as members of the Board of Directors and its committees (other than the Corporate Governance Committee). The Corporate Governance Committee is responsible for reviewing with the Board of Directors, on an annual basis, the requisite skills and characteristics of prospective board members as well as the composition of the Board of Directors as a whole. This assessment will include member's contribution, qualification as independent, as well as consideration of diversity, age, skills and experience in the context of the needs of the Board of Directors. The board identifies new candidates for board nomination by considering experience and qualifications in the areas of mining, financial reporting, capital markets and public company stewardship. The Board of Directors seeks to have members composed of skills and experiences in these areas and will augment its membership of the Board of Directors from time to time as considered necessary in order to ensure experience and skills from these areas are reflected on the Board of Directors at all times.

Nomination of Directors

The Board is ultimately responsible for identifying new candidates for nomination to the Board. The process by which candidates are identified is through recommendations presented to the Board based on an analysis undertaken by the Corporate Governance Committee, 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 ultimately 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.

MATTERS TO BE CONSIDERED

Financial Statements

The financial statements for the fiscal year ended December 31, 2008, together with the auditor's report thereon, will be presented to Shareholders for review at the Meeting and were mailed to

Shareholders with the Notice of Meeting and this Circular. No vote by the Shareholders is required with respect to this matter.

Election of Directors

Under the constating documents of the Corporation, the Corporation is to have a minimum of three directors and a maximum of 15 directors. The Board currently consists of seven directors. The Corporation has nominated seven persons (the "Nominees") for election as a director at the Meeting. At the Meeting, shareholders of the Corporation will be asked to elect these Nominees as directors.

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.

Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the election of all of the Nominees. 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.

Information in the table below regarding the number of common shares of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised by the Nominees is based upon information furnished by the respective Nominee and is as at April 6, 2009.

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	2,952,606
Maurice Colson ⁽³⁾⁽⁴⁾⁽⁵⁾ Ontario, Canada	Investment Banker	October 12, 2004	136,333
Mike Hoffman Burlington, Canada	President and Chief Executive Officer of the Corporation since September 10, 2007	January 18, 2008	625,000
Bruce Humphrey ⁽²⁾ Midland, Ontario	Business and Mining Consultant	September 10, 2007	310,416
Lewis MacKenzie ⁽³⁾⁽⁴⁾⁽⁵⁾ Ontario, Canada	Independent Businessman	February 25, 2005	58,333
Bernard, Wilson ⁽³⁾⁽⁴⁾⁽⁵⁾ Ontario, Canada	Business Executive and Corporate Director, Chairman of the Founders Board of the Institute of Corporate Directors	July 6, 2006	58,333

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.
- (4) Member of the Compensation Committee.
- (5) Member of the Corporate Governance Committee.

All of the Nominees were elected as directors by the shareholders at the last annual meeting of the Shareholders.

Cease Trade Orders or Bankruptcies

Other than as set forth below, no director or executive officer of the Company is, or within ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including the Company) that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer:

Mr. 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 and a director of Stetson Oil & Gas Ltd. which on May 7, 2008 became subject to a cease trade order for failing to file its financial statements. This cease trade order was revoked on May 30, 2008; 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. Bharti, who was a director of BLM Service Group Inc., which was petitioned into receivership on May 31, 2001.

Appointment of Auditors

Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the appointment 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 of the Corporation and to authorize the directors to fix their remuneration. McGovern, Hurley, Cunningham, LLP, Chartered Accountants, have been the auditors of the Corporation since April 13, 2004 when they replaced Lee & Kim, Chartered Accountants. Further information regarding the Auditors and fees paid to them in the year ending December 31, 2008 is contained in the Corporation's current annual information form (the "AIF") under the heading "External Auditor Service Fees". The AIF is available under the Corporation's profile at www.sedar.com.

Additional Information

Additional information relating to the Corporation may be found under the profile of the Corporation on SEDAR at www.sedar.com. Additional financial information is provided in the Corporation's audited financial statements and related management's discussion and analysis for the financial year ended December 31, 2008, which can be found under the profile of the Corporation on SEDAR. Shareholders may also request these documents from the Corporate Secretary of the Corporation by email at pgleeson@gleesonlegal.com or by telephone at (416) 861-5800.

Board of Directors Approval

The contents of this Circular and the sending thereof to the shareholders of the Corporation have been approved by the Board.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "Michael Hoffman"

President and Chief Executive Officer

Toronto, Ontario
April 6, 2009



crowflight minerals inc.

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the years ended December 31, 2008 and 2007

(a development stage company)



McGovern, Hurley, Cunningham, LLP
Chartered Accountants

AUDITORS' REPORT

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

We have audited the consolidated balance sheets of Crowflight Minerals Inc. (A Development Stage Company) as at December 31, 2008 and 2007 and the consolidated statements of shareholders' equity, operations and deficit and cash flows for the years then ended. 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

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

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
February 20, 2009, except
for Note 17, which is at
February 26, 2009

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

CROWFLIGHT MINERALS INC.

*(A development stage company)***CONSOLIDATED BALANCE SHEETS**

As at December 31,

	2008	2007
ASSETS		
Current		
Cash and cash equivalents	\$ 10,607,543	\$ 9,004,788
Restricted cash (Note 8)	2,999,998	-
Amounts receivable	607,125	1,281,466
Inventory	268,285	-
Prepaid expenses and deposits (Note 11)	138,463	276,164
Derivative asset (Note 4)	8,668,392	-
	23,289,806	10,562,418
Deposits and advances	536,709	952,263
Equipment (Note 3)	109,241	102,769
Exploration and development property, plant and equipment and deferred expenditures (Note 5)	153,939,715	76,596,884
	\$ 177,875,471	\$ 88,214,334
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 11)	\$ 14,950,385	\$ 8,465,682
Equipment leases (Note 6)	48,129	188,856
Derivative liability (Note 7)	624,223	-
	15,622,737	8,654,538
Equipment leases (Note 6)	107,286	
Long term debt (Note 8)	7,600,000	-
Asset retirement obligations (Note 9)	359,000	331,000
Future income tax liability (Note 12(b))	24,139,000	2,490,000
	47,828,023	11,475,538
SHAREHOLDERS' EQUITY		
Common shares (Note 10(a))	99,289,864	86,671,512
Warrants (Note 10(b))	4,944,374	2,025,712
Contributed surplus (Note 10(d))	13,485,751	10,193,512
Retained Earnings/(Deficit)	12,327,459	(22,151,940)
	130,047,448	76,738,796
	\$ 177,875,471	\$ 88,214,334

Commitments and contingencies (Notes 1, 5, 6, 7, 8, 9 and 15)

Subsequent events (Note 17)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Michael Hoffman" , Director

"Bruce Humphrey" , Director

CROWFLIGHT MINERALS INC.

*(A development stage company)***CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

	Common Shares		Warrants	Contributed Surplus	Accumulated Deficit	Shareholders' Equity
	No.	\$	\$	\$	\$	\$
Balance, December 31, 2006	198,518,056	58,437,271	1,773,748	6,328,590	(17,686,671)	48,852,938
Private placement	28,125,000	25,000,000	-	-	-	25,000,000
Value of warrants granted on private placement	-	(1,359,375)	1,359,375	-	-	-
Exercise of warrants and broker warrants	20,192,931	8,372,749	-	-	-	8,372,749
Valuation allocation on exercise of warrants	-	1,548,505	(1,548,505)	-	-	-
Exercise of stock options	1,117,500	325,788	-	-	-	325,788
Valuation allocation on exercise of stock options	-	281,731	-	(281,731)	-	-
Shares issued for property acquisition	2,025,000	1,896,500	-	-	-	1,896,500
Expiry of warrants	-	-	(106,500)	106,500	-	-
Stock based compensation	-	-	-	4,040,153	-	4,040,153
Flow through share tax effect	-	(5,782,788)	-	-	-	(5,782,788)
Value of broker warrants	-	(547,594)	547,594	-	-	-
Share issue costs	-	(1,501,275)	-	-	-	(1,501,275)
Loss for the period	-	-	-	-	(4,465,269)	(4,465,269)
Balance, December 31, 2007	249,978,487	86,671,512	2,025,712	10,193,512	(22,151,940)	76,738,796
Private placement	39,680,000	15,251,000	-	-	-	15,251,000
Value of warrants granted related to debt facility	-	-	3,719,479	-	-	3,719,479
Value of warrants to be granted	-	-	849,709	-	-	849,709
Exercise of warrants and broker warrants	1,115,836	446,334	-	-	-	446,334
Valuation allocation on exercise of warrants	-	118,742	(118,742)	-	-	-
Exercise of stock options	2,530,000	569,531	-	-	-	569,531
Valuation allocation on exercise of stock options	-	979,566	-	(979,566)	-	-
Stock based compensation	-	-	-	2,364,835	-	2,364,835
Flow through share tax effect	-	(3,563,000)	-	-	-	(3,563,000)
Value of broker warrants	-	(375,186)	375,186	-	-	-
Valuation allocation on expiry of warrants and broker warrants	-	-	(1,906,970)	1,906,970	-	-
Share issue costs	-	(1,198,635)	-	-	-	(1,198,635)
Tax effect of cost of issue	-	390,000	-	-	-	390,000
Income for the period	-	-	-	-	34,479,399	34,479,399
Balance, December 31, 2008	293,304,323	99,289,864	4,944,374	13,485,751	12,327,459	130,047,448

-- See Notes to the Consolidated Financial Statements --

CROWFLIGHT MINERALS INC.

*(A development stage company)***CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

For the years ended December 31,

	2008	2007
Expenses		
Professional, consulting and management fees (Note 10(c))	\$ 3,194,231	\$ 5,263,846
Shareholder communications and investor relations	439,525	349,519
General and office	410,509	265,345
Travel	169,088	151,667
Interest expenses and bank charges	11,495	162,799
Amortization	6,816	4,278
	4,231,664	6,197,454
(Loss) before the undernoted	(4,231,664)	(6,197,454)
Interest income	253,448	909,397
Interest and accretion on long term debt	(2,317,355)	-
General exploration	(106,921)	-
Write down of exploration property and deferred expenditures (Note 5)	(5,244,395)	(900,000)
Accretion expense (Note 9)	(28,000)	-
Debt facility expenses (Note 8)	(5,993,883)	-
Realized gain on monetization of derivative instruments (Note 4)	62,580,000	-
Change in value of derivative instruments (Notes 4 and 7)	8,044,169	-
Income/(loss) before income taxes	52,955,399	(6,188,057)
Future income taxes (Note 12(a))	(18,476,000)	1,722,788
Income/(loss) for the year	34,479,399	(4,465,269)
(DEFICIT), beginning of year	(22,151,940)	(17,686,671)
RETAINED EARNINGS/(DEFICIT), end of year	\$ 12,327,459	\$ (22,151,940)
Earnings/(loss) per share - basic	\$ 0.13	\$ (0.02)
Earnings/(loss) per share - diluted	\$ 0.13	\$ (0.02)
Weighted average number of shares - basic	264,303,511	232,201,984
Weighted average number of shares - diluted	267,145,855	232,201,984

CROWFLIGHT MINERALS INC.

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

For the years ended December 31,

	2008	2007
OPERATING ACTIVITIES:		
Net income/(loss) for the period	\$ 34,479,399	\$ (4,465,269)
Charges not affecting cash:		
Amortization	6,816	4,278
Stock-based compensation expense (Note 10(c))	2,364,835	4,040,153
Debt facility expense and accretion (Note 8)	7,175,683	-
Accretion expense (Note 9)	28,000	-
Change in value of derivative instruments (Notes 4 and 7)	(8,044,169)	-
Write down of exploration property and deferred expenditures	5,244,395	900,000
Future income tax expense (Note 12)	18,476,000	(1,722,788)
Net change in non-cash working capital	(498,933)	(460,904)
	59,232,026	(1,704,530)
FINANCING ACTIVITIES:		
Debt facility, net of transaction costs and other fees	47,612,059	-
Retirement of debt facility	(42,400,000)	-
Common shares issued through private placements	14,052,365	21,411,350
Warrants issued through private placements	-	1,359,375
Shares issued from exercise of warrants and options	1,015,865	8,698,537
Payments on equipment leases	(74,444)	-
	20,205,845	31,469,262
INVESTING ACTIVITIES:		
Exploration and development property, plant and equipment, and deferred expenditures	(82,559,511)	(39,898,563)
(Increase) decrease in deposits and advances	318,554	(205,768)
Increase in accounts payable attributable to property development and exploration	7,405,839	5,613,649
Increase in restricted cash	(2,999,998)	-
Equipment	-	(70,182)
	(77,835,116)	(34,560,864)
CHANGE IN CASH AND CASH EQUIVALENTS	\$ 1,602,755	\$ (4,796,132)
CASH AND CASH EQUIVALENTS, beginning of year	\$ 9,004,788	\$ 13,800,920
CASH AND CASH EQUIVALENTS, end of year	\$ 10,607,543	\$ 9,004,788
Cash and cash equivalents consists of:		
Cash	\$ 559,438	\$ 379,909
Equivalents	10,048,105	8,624,879
	\$ 10,607,543	\$ 9,004,788
SUPPLEMENTAL INFORMATION:		
Common shares issued for interest in exploration property	\$ -	\$ 1,896,500
Warrants granted related to debt facility (Note 8)	\$ 4,569,188	\$ -
Broker warrants granted as cost of issue	\$ 375,186	\$ 547,594
Amortization of assets deferred to exploration properties	\$ 28,242	\$ 28,014
Equipment acquired by capital lease	\$ 41,003	\$ 188,856
Repayment of Bridge Facility with Final Tranche (Note 8)	\$ 15,000,000	\$ -
Interest received	\$ 257,347	\$ 900,393
Interest paid	\$ 1,135,555	\$ 1,628
Income taxes paid	\$ -	\$ -

CROWFLIGHT MINERALS INC.

(A development stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2008 and 2007

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 11, and currently has mineral exploration and development properties in Canada. The Company is currently focusing its resources on the development of the Bucko Deposit and the exploration of the Thompson Nickel Belt, both in the province of Manitoba.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration 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 achievement of profitable operations, the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") 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. Such adjustments could be material.

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 obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

The financial markets throughout the world have experienced a dramatic decline which has affected the market value of the Company's shares. The decline in equity markets and value of the Company's shares may affect its ability to finance further exploration for the foreseeable future.

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, except as described under new accounting pronouncements. Outlined below are those policies considered particularly significant.

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its proportionate share of the accounts of the joint venture in which the Company has an interest.

CROWFLIGHT MINERALS INC.

(A development stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP 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 exploration and development properties, stock-based compensation, warrants, derivative instruments 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.

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) Equipment

Equipment is 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) Exploration and development property, plant and equipment and deferred expenditures

Expenses, net of government assistance and pre-production revenues, 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.

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.

CROWFLIGHT MINERALS INC.

(A development stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Joint ventures

A portion of the Company's exploration activities are conducted jointly with others wherein the Company enters into agreements that provide for a specified percentage interest in exploration properties. Expenditures on these properties are capitalized to exploration and development properties. Joint venture accounting, which reflects the Company's proportionate interest in exploration properties is applied by the Company only when the parties have earned their respective interests and enter into a formal comprehensive agreement for joint ownership and exploration participation.

g) 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.

h) 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.

i) 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 properties. Funds raised pursuant to exploration financing agreements must be expended on qualifying exploration expenditures. For income tax purposes, exploration expenses under flow-through financing agreements are renounced in favour of the investors and are not deductible by the Company. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce common shares. The Company indemnifies the subscribers of flow-through shares from any tax consequences arising from the failure of the Company to meet its commitments under the flow-through subscription agreements.

j) Stock-based compensation

The Company has a stock-based compensation plan which is described in Note 10(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 common shares.

CROWFLIGHT MINERALS INC.

(A development stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments and derivatives

The Company's financial instruments consist of cash and cash equivalents, restricted cash, amounts receivable, accounts payable, long-term debt, equipment (capital) leases and derivative instruments. Cash and cash equivalents and restricted cash are designated as held-for-trading and are measured at fair value. Amounts receivable are designated as loans and receivables and are measured at amortized cost using the effective interest rate method. Accounts payables, long-term debt and capital leases are designated as other liabilities and are measured at amortized cost. Derivative instruments are not designated as hedges and are classified as held-for-trading. As such, derivative instruments are carried at their estimated fair market value with any unrealized gains or losses being recognized in the statement of operations. The Company does not enter into derivative contracts for speculative purposes. Transaction costs related to the debt facility are expensed as incurred.

l) Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted average 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 conversion of options and warrants that would increase earnings per share or decrease loss per share. The diluted earnings (loss) per share calculation excludes the following dilutive securities as at December 31, 2008: options 19,564,375 (2007 – 21,510,000); warrants 18,288,686 (2007 – 11,248,650); and warrants to be issued 20,000,000 (2007 – nil).

m) Comparative figures

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

New accounting pronouncements:

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 3031 "Inventories", 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 consolidated financial statements for the Company's reporting period beginning on January 1, 2008.

Inventories

Handbook Section 3031 "Inventories" This standard replaces the previous inventories standard and requires inventory to be measured at the lower of cost and net realizable value and includes guidance on the determination of cost, including allocation of overheads and other costs to inventory. Further, it requires the reversal of previous write-downs to net realizable value when the economic circumstances have changed to support an increased inventory value. The adoption of this standard has had no material impact on the Company's consolidated financial statements.

CROWFLIGHT MINERALS INC.

(A development stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Disclosures

Handbook 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. The Company has included disclosures recommended by the new Handbook section in Note 13 to these audited consolidated financial statements for the year ended December 31, 2008.

Financial Instruments – Disclosures and Presentation

Handbook 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 the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in Note 14 to these audited consolidated financial statements for the year ended December 31, 2008.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Goodwill and Intangible Assets

The CICA issued Handbook Section 3064 "Goodwill and Intangible Assets", which will replace the existing Goodwill and Intangible Asset standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. This standard is effective for years beginning on or after January 1, 2009. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements

International Financial Reporting Standards ("IFRS")

In January 2006, the Canadian Accounting Standards Board ("AcSB") announced its decision to replace Canadian GAAP with IFRS. On February 13, 2008 the AcSB confirmed January 1, 2011 as the mandatory changeover date to IFRS for all Canadian publicly accountable enterprises. This means that the Company will be required to prepare IFRS financial statements for the interim periods and fiscal year ends beginning in 2011. The Company is creating an implementation team, which will consist of internal resources and external consultants. A changeover plan is being established to convert to the new standards within the allotted timeline.

CROWFLIGHT MINERALS INC.

(A development stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2008 and 2007

3. EQUIPMENT

	2008		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Computers	85,855	(80,375)	5,480
Furniture	10,755	(6,302)	4,453
Field equipment	104,760	(51,536)	53,224
Vehicles	54,388	(8,304)	46,084
	<u>255,758</u>	<u>(146,517)</u>	<u>109,241</u>

	2007		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Computers	85,855	(69,661)	16,194
Furniture	10,755	(4,311)	6,444
Field equipment	104,760	(32,398)	72,362
Vehicles	12,858	(5,089)	7,769
	<u>214,228</u>	<u>(111,459)</u>	<u>102,769</u>

During the year ended December 31, 2008, \$6,816 (2007 - \$4,278) in amortization was charged to operations and \$28,242 (2007 - \$28,014) in amortization was charged to deferred exploration expenditures related to assets used in exploration and development activities.

4. DERIVATIVE ASSET

During June and July 2008, the Company completed a price protection program as required by the terms of the debt facility agreement described in Note 8. Forward sales contracts were entered into covering periods from the fourth quarter of 2008 to the fourth quarter of 2012 for a total of 20.5 million pounds of nickel at a price of US\$8.49 per pound.

In October 2008, the Company restructured its debt facility, whereby forward sales contracts for a total of 18.2 million pounds of nickel were closed out for net proceeds of \$62,580,000.

As at December 31, 2008, the estimated fair market value of the remaining future sales contracts for a total of 2.3 million pounds of nickel at a price of US\$8.49 is \$8,668,392. As the remaining future sales contracts are for periods expiring within one year, this value is recorded as a current asset. The Company has classified these derivative instruments as held-for-trading. The change in estimated fair market value of these instruments is recognized in the statement of operations. The Company does not use hedge accounting for its derivative instruments.

CROWFLIGHT MINERALS INC.
(A development stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2008 and 2007

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

	MANITOBA				ONTARIO	TOTAL
	BUCKO PROJECT	BUCKO FEASIBILITY	THOMPSON NICKEL BELT	PURE NICKEL JV	SUDBURY	
	(\$)	(\$)	(\$)	(\$)	(\$)	
Balance, January 1, 2008	35,313,912	22,353,809	12,752,670	131,475	6,045,018	76,596,884
<i>Acquisition or property maintenance costs</i>	-	306,684	112,590	-	-	419,274
<i>Project capital costs</i>	41,448,415	-	-	-	-	41,448,415
<i>Project development costs</i>	37,459,597	-	-	-	-	37,459,597
<i>Exploration costs</i>	302,825	-	2,803,316	381,632	230	3,488,003
<i>Less: government assistance</i>	-	-	(228,063)	-	-	(228,063)
<i>Less: write off</i>	-	-	-	-	(5,244,395)	(5,244,395)
Balance, December 31, 2008	114,524,749	22,660,493	15,440,513	513,107	800,853	153,939,715

	MANITOBA				ONTARIO	TOTAL
	BUCKO PROJECT	BUCKO FEASIBILITY	THOMPSON NICKEL BELT	OTHER	SUDBURY	
	(\$)	(\$)	(\$)	(\$)	(\$)	
Balance, January 1, 2007	-	18,581,899	9,954,532	-	6,835,133	35,371,564
<i>Acquisition or property maintenance costs</i>	-	1,928,316	38,064	78,233	104,693	2,149,306
<i>Project capital costs</i>	23,059,985	-	-	-	-	23,059,985
<i>Project development costs</i>	12,253,927	-	-	-	-	12,253,927
<i>Exploration costs</i>	-	1,512,594	2,884,086	153,148	5,192	4,555,020
<i>Asset retirement obligations</i>	-	331,000	-	-	-	331,000
<i>Less: government assistance</i>	-	-	(124,012)	(99,906)	-	(223,918)
<i>Less: write down</i>	-	-	-	-	(900,000)	(900,000)
Balance, December 31, 2007	35,313,912	22,353,809	12,752,670	131,475	6,045,018	76,596,884

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 included 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 ("NSR") with respect to the Bucko Lake Lease and the properties under the Exploration Option Agreement.

CROWFLIGHT MINERALS INC.

(A development stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2008 and 2007

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

Throughout the year ended December 31, 2008, the Company continued its efforts in developing the Bucko Deposit. The Company incurred \$78.9 million in expenditure on capital and surface and underground development of the Bucko Deposit.

The Company reviewed the Bucko Deposit for impairment during the fourth quarter of 2008 as a result of the declining nickel prices. At December 31, 2008, management determined that the project was not impaired, and no write-downs were necessary. However, the Company will review for impairment during the first quarter of 2009.

Pursuant to the Exploration Option Agreement whereby the Company can earn a 100% interest in the Thompson Nickel Belt properties by incurring \$13,200,000 in expenditures from January 1, 2007 up to and including December 31, 2013 (the "Option Period"), the Company has exceeded its exploration expenditures commitment to December 31, 2008. The Company is required to spend approximately \$7,400,000 over the next five years to meet its expenditure commitment as follows:

- \$2,200,000 by December 31, 2009 (\$800,000 incurred to December 31, 2008);
- \$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.

The Bucko Lake property is subject to a \$500,000 payment due on commencement of commercial production. An underlying 2% NSR was acquired by the Company for a payment of \$300,000 during 2008.

The properties under the Exploration Option Agreement are also subject to underlying agreements, specifically i) a 2% NSR; and ii) a 10% net proceeds of production royalty.

The Company also received \$228,063 (2007 - \$223,918) in government assistance related to its exploration expenditures in the Thompson Nickel Belt which has been applied directly against this expenditure.

Pure Nickel Joint Venture

In November 2007, the Company entered into 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 Wabowden, Manitoba near the past-producing Manibridge Nickel Mine. The Company will also have the right to permit, operate and close the historic tailings facility in the joint venture.

Under the terms of the Joint Venture Agreement, each party contributed property to the joint venture and agreed to make an initial aggregate contribution of \$6,000,000 by the end of 2010 to fund preliminary exploration activities within the joint venture area. In November 2008, due to market conditions, the terms of the Pure Nickel JV Agreement were amended to extend the initial contribution period until December 31, 2011 and to allow Pure Nickel the option to earn a 50% interest in an expanded area surrounding the Manibridge deposit by incurring increased exploration expenditures totalling \$3,000,000 by 2012.

In a separate transaction executed to bring property into the Pure Nickel Joint Venture, 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.

CROWFLIGHT MINERALS INC.

(A development stage company)

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For the years ended December 31, 2008 and 2007

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

SUDBURY

AER Kidd Property

The Company acquired the AER Kidd Property in 2003. The property is subject to 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.

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 Optionor has since terminated the agreement. As a result, the Company has written off the value of the property, an amount of \$5,244,395. Any costs incurred to maintain the property in good standing have been recorded to the statement of operations.

Peter's Roost Property

The Company holds a number of claims along the North Range of the Sudbury Basin, subject to an option agreement with Wallbridge Mining Company Limited ("Wallbridge"). During 2007, Wallbridge earned a conditional 50% interest in the Company's interests in the property. 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.

6. EQUIPMENT LEASE OBLIGATION

During 2007, the Company entered into a capital leasing arrangement for equipment included in exploration and development properties, plant and equipment. The leasing arrangement was amended during 2008 whereby the lease was extended for an additional three years, at monthly payments of \$3,403 and at an annual interest rate of approximately 9.4%.

In December 2008, the Company entered into an arrangement to purchase a vehicle. Monthly lease payments of \$820 commence in January 2009 and extend over a period of five years at an annual interest rate of approximately 7.4%.

As at December 31, 2008, the future minimum lease payments under the equipment lease arrangements were:

Equipment lease obligations

2009	\$	59,871
2010		53,186
2011		46,148
2012		9,836
2013		9,836
		<u>178,877</u>
Less: Amounts representing interest		(23,462)
		<u>155,415</u>
Less: Current portion		(48,129)
Long-term portion	\$	<u>107,286</u>

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7. DERIVATIVE LIABILITY

During the fourth quarter of 2008, the Company entered into forward currency contracts for value dates during 2009 to sell a total of US\$19,200,000 at forward exchange rates ranging from \$1.183 to \$1.191 per US dollar. At December 31, 2008, the estimated fair market value of these contracts was a liability of US\$509,736 (CDN\$624,223), which is based on the difference between the forward rate at December 31, 2008 and the exchange rate locked in under the contract. As the Company does not use hedge accounting, the change in estimated fair market value of these currency derivatives of \$624,223 is recorded to the statement of operations for the year ended December 31, 2008.

8. LONG-TERM DEBT

In February 2008, the Company closed a \$55,000,000 debt facility agreement. RMB Resources Inc. ("RMB") arranged the financing as Agent for FirstRand Ireland Plc ("FirstRand"), the lender and underwriter of the debt finance package. RMB and FirstRand are both wholly-owned subsidiaries of the FirstRand Group. The debt facility consisted 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 \$45,000,000 Final Tranche Secured Loan (the "Final Tranche"). The Bridge Facility had to be paid from the proceeds of the Final Tranche. The interest rate on the First Tranche and the Bridge Facility was LIBOR plus 2.25% per annum. The interest rate on the Final Tranche was LIBOR plus 1.75% per annum if the Company did not draw down the Bridge Facility in full or LIBOR plus 1.5% per annum if the Company drew down the Bridge Facility in full. The debt facility agreement required the Company to enter into a price protection program for a portion of the expected production from the Bucko Deposit. (See Note 4.)

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 had a term of 36 months ("T1 Warrants"). The remaining 1,000,000 warrants ("Bridge Facility Warrants") had a term of 24 months. The grant date fair value of these warrants was estimated using the Black Scholes option pricing model with the following weighted average assumptions: expected dividend – 0%; expected volatility – 71%; risk-free interest rate – 3.2%; expected life – 2 or 3 years. The estimated grant date fair value of the T1 Warrants of \$3,542,479 was recorded against the First Tranche while \$177,000, being the estimated grant date fair value of the Bridge Facility Warrants, was recorded against the Bridge Facility. The value of the warrants and certain other draw down fees were to be accreted over the terms of the respective portions of the debt facility. Accretion expense during 2008 included in debt facility expenses on the statement of operations totalled \$1,181,800. Transaction costs related to this debt facility totalled \$1,617,335 and have been included in debt facility expenses on the statement of operations for the year ended December 31, 2008.

On July 31, 2008 the Bridge Facility was repaid upon draw down of the Final Tranche.

In October 2008, the Company restructured the debt facility through the monetization of 89% of the nickel forward sales contracts entered into in July 2008 (See Note 4). The proceeds of \$62,580,000 were used to repay in its entirety the First Tranche in the amount of \$10,350,000 million (including capitalized interest) and \$32,000,000 (including capitalized interest) of the Final Tranche of the debt facility. As a result of this restructure, a debt of \$7,600,000 remains, with quarterly payments commencing March 2010. As a part of the restructured facility the Company will make mandatory quarterly prepayments to the Lender equal to 40% of after debt service project cash flow during 2009, falling to 15% thereafter.

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For the years ended December 31, 2008 and 2007

8. LONG-TERM DEBT (continued)

As part of the debt restructuring, the Company and the Lender have agreed to cancel the 16,324,786 million warrants exercisable at \$0.64 per share associated with the First Tranche of the facility and the 1,000,000 warrants exercisable at \$0.64 per share associated with the Bridge Facility. Under the restructured facility, the Company has agreed to grant 20,000,000 warrants (the "Restructuring Warrants") at a price of \$0.2125 for a period of three years, subject to regulatory approval. Any proceeds from the exercise of the Restructuring Warrants will be used to prepay or repay the outstanding debt facility. Regulatory approval for the issuance of the Restructuring Warrants was received in January 2009. As a result, at December 31, 2008, the incremental estimated grant date fair value of the Restructuring Warrants of \$849,709 was recorded as warrants to be issued and included in the warrants section of shareholders' equity. The grant date fair value of these warrants was estimated using the Black Scholes option pricing model with the following weighted average assumptions: expected dividend yield – 0%; expected volatility – 93%; risk-free interest rate – 1.0%; expected life – 3 years. Restructuring costs totalling \$4,376,548 have been included in debt facility expenses on the statement of operations. These included the incremental fair value associated with the Restructuring Warrants and the loss on loan settlement, that being the value of the warrants and draw down costs applied against the loan that were not accreted.

The restructuring required the Company apply \$3,000,000 to a debt facility service reserve. This amount has been reflected as restricted cash.

9. 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 exploration and development property, plant and equipment:

	2008	2007
	\$	\$
Balance, beginning of year	331,000	-
Liabilities incurred	-	331,000
Accretion expense	28,000	-
Balance, end of year	<u>359,000</u>	<u>331,000</u>

The Company has estimated the present value of its total asset retirement obligations to be \$359,000 (2007 – \$331,000) at December 31, 2008 based on a total future liability estimated to be approximately \$632,000 (2007 – \$632,000) and a credit adjusted risk-free rate of 8.4% (2007 – 8.4%). Reclamation is expected to take place in 2015.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2008 and 2007

10. 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, 2006	198,518,056	\$ 58,437,271
Private placement, flow-through	12,500,000	12,500,000
Private placement, non flow-through	15,625,000	12,500,000
Value of warrants granted	-	(1,359,375)
Exercise of warrants	20,192,931	8,372,749
Exercise of warrants - warrant valuation	-	1,548,505
Exercise of options	1,117,500	325,788
Exercise of options - option valuation	-	281,731
Property acquisition	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
Private placement, flow-through	31,615,000	10,250,700
Private placement, non flow-through	8,065,000	5,000,300
Exercise of warrants	1,115,836	446,334
Exercise of warrants - warrant valuation	-	118,742
Exercise of options	2,530,000	569,531
Exercise of options - option valuation	-	979,566
Flow-through shares tax effect	-	(3,563,000)
Cost of issue	-	(1,573,821)
Tax effect of cost of issue	-	390,000
Balance, December 31, 2008	293,304,323	\$ 99,289,864

The Company completed a private placement financing on April 30, 2008 through the issuance of 8,000,000 flow-through common shares at a price of \$0.75 per share and 8,065,000 non flow-through common shares at a price of \$0.62 per share for total gross proceeds of \$11,000,300. The offering was completed by a syndicate of underwriters who received a commission of 6% of the total gross proceeds, as well as 963,900 compensation options, each of which entitles the holder to purchase one common share of the Company at a price of \$0.62 per share until April 30, 2010. The fair value of these compensation options of \$244,831 was estimated using the Black-Scholes option pricing model with the following assumptions: estimated dividend yield – 0%; estimated volatility – 73%; risk-free interest rate – 2.7%; and estimated life – 2 years.

CROWFLIGHT MINERALS INC.

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For the years ended December 31, 2008 and 2007

10. CAPITAL STOCK (continued)

In December 2008, the Company completed a private placement financing through the issuance of 23,615,000 flow through common shares at a price of \$0.18 per share for total gross proceeds of \$4,250,700. The offering was completed by a syndicate of underwriters who received a cash commission of 6% of the gross proceeds raised, as well as 1,416,900 compensation options, each of which entitles the holder to purchase one common share of the Company at a price of \$0.18 per share until December 17, 2010. The fair value of these compensation options of \$130,355 was estimated using the Black-Scholes option pricing model with the following assumptions: estimated dividend yield – 0%; estimated volatility – 96.41%; risk-free interest rate – 1.3%; and estimated life – 2 years.

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 received 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 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 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.

b) Warrants

	2008		2007	
	Number of warrants	Weighted average exercise price (\$)	Number of warrants	Weighted average exercise price (\$)
Balance, beginning of year	11,248,650	1.03	22,308,769	0.42
Granted, private placements	-	-	7,812,500	1.15
Granted, broker options	2,380,800	0.36	2,320,312	0.92
Granted, facility loan (Note 8)	17,324,786	0.64	-	-
Exercised	(1,115,836)	0.40	(20,192,931)	0.41
Expired	(10,132,814)	1.10	(1,000,000)	0.55
Balance, end of year	19,705,586	0.61	11,248,650	1.03

CROWFLIGHT MINERALS INC.

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For the years ended December 31, 2008 and 2007

10. CAPITAL STOCK (continued)

As at December 31, 2008, the following warrants were outstanding:

Estimated Grant Date Fair Value (\$)	Number of Warrants	Exercise Price (\$)	Expiry Date
177,000	1,000,000	0.64	13-Feb-10
244,831	963,900	0.62	30-Apr-10
130,355	1,416,900	0.18	17-Dec-10
3,542,479	16,324,786	0.64	13-Feb-11
4,094,665	19,705,586		

As at December 31, 2008, the warrant balance included \$849,709 related to the issuance of 20,000,000 Restructuring Warrants as described in Note 8. The Restructuring Warrants will replace the 1,000,000 and 16,324,786 listed as outstanding at December 31, 2008 with respective expiry dates of February 13, 2010 and February 13, 2011.

c) Stock Options

The following are the stock option transactions during the period:

	2008		2007	
	Number of options	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
Balance, beginning of year	21,510,000	0.54	9,070,000	0.27
Granted	4,340,000	0.63	13,885,000	0.71
Exercised	(2,530,000)	0.23	(1,117,500)	0.29
Expired	(150,000)	0.61	(327,500)	0.64
Forfeited	(3,525,625)	0.84	-	-
Balance, end of year	19,644,375	0.55	21,510,000	0.54

CROWFLIGHT MINERALS INC.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2008 and 2007

10. CAPITAL STOCK (continued)

As of December 31, 2008, the following stock options were outstanding:

Estimated Grant Date Fair Value (\$)	Number of Options	Number of Options Exercisable	Exercise Price (\$)	Expiry Date
69,304	100,000	100,000	0.63	January 10, 2009
25,339	25,000	25,000	0.69	January 10, 2009
129,269	650,000	650,000	0.23	January 14, 2009
235,000	1,000,000	1,000,000	0.33	January 14, 2009
343,944	1,000,000	1,000,000	0.41	January 14, 2009
385,200	600,000	600,000	0.94	January 14, 2009
1,767	50,000	6,250	0.16	January 31, 2009
3,806	5,625	5,625	0.54	January 31, 2009
51,978	75,000	75,000	0.63	January 31, 2009
10,136	10,000	10,000	0.69	January 31, 2009
4,464	60,000	7,500	0.34	February 7, 2009
2,057	37,500	37,500	0.23	June 1, 2009
34,394	100,000	100,000	0.41	June 1, 2009
44,238	70,000	61,250	0.94	June 1, 2009
175,000	875,000	875,000	0.25	October 12, 2009
14,850	50,000	50,000	0.39	October 20, 2009
19,600	100,000	100,000	0.30	January 10, 2010
39,800	200,000	200,000	0.28	February 14, 2010
19,800	100,000	100,000	0.29	February 21, 2010
7,100	50,000	50,000	0.20	July 14, 2010
300,303	1,510,000	1,510,000	0.23	March 13, 2011
84,740	350,000	350,000	0.28	July 5, 2011
3,446	15,000	15,000	0.30	August 9, 2011
31,394	100,000	100,000	0.37	August 15, 2011
44,295	150,000	150,000	0.35	September 28, 2011
607,030	1,785,000	1,785,000	0.41	January 10, 2012
6,423	56,250	56,250	0.50	February 20, 2012
250,000	1,000,000	1,000,000	0.60	March 30, 2009
222,000	1,000,000	1,000,000	0.70	March 30, 2009
99,000	500,000	500,000	0.80	March 30, 2009
138,600	200,000	200,000	1.02	April 9, 2012
1,178,622	1,865,000	1,631,875	0.94	June 28, 2012
585,362	1,500,000	1,125,000	0.60	September 17, 2012
66,093	150,000	93,750	0.71	November 21, 2012
93,999	240,000	150,000	0.63	November 22, 2012
42,393	140,000	70,000	0.52	February 1, 2013
52,811	180,000	90,000	0.54	March 31, 2013
36,211	100,000	37,500	0.68	April 30, 2013
1,095,865	3,225,000	1,209,375	0.69	May 26, 2013
37,197	165,000	61,875	0.48	June 30, 2013
10,380	75,000	18,750	0.32	July 31, 2013
1,420	30,000	3,750	0.15	October 31, 2013
7,959	150,000	18,750	0.19	November 30, 2013
6,612,589	19,644,375	16,230,000		

CROWFLIGHT MINERALS INC.*(A development stage company)***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2008 and 2007

10. CAPITAL STOCK (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, 2008, 4,340,000 stock options (2007 – 13,885,000) were granted to directors, officers, employees and consultants of the Company. These options vest one eighth every quarter from the date of grant over a two-year term. An amount of \$2,364,835 (2007 - \$4,040,153) was recorded for all options that vested during the year and is included in professional, consulting and management fees on the statement of operations. The weighted average grant date fair value of options granted during the year ended December 31, 2008 was \$0.43 (2007 - \$0.40). 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:

	<u>2008</u>	<u>2007</u>
Expected dividend yield	0%	0%
Expected volatility	81%	88%
Risk-free interest rate	3.3%	4.3%
Expected average life (yrs)	5	5

d) **Contributed Surplus**

	2008	2007
Balance, beginning of year	\$ 10,193,512	\$ 6,328,590
Stock options granted and/or vested during the period:		
Directors, officers and employees	2,140,846	2,827,420
Consultants	223,989	1,212,733
Exercise of stock options, reallocation of valuation	(979,566)	(281,731)
Expiry of warrants, reallocation of valuation	1,906,970	106,500
Balance, end of year	\$ 13,485,751	\$ 10,193,512

CROWFLIGHT MINERALS INC.

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11. 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, 2008 an amount of \$nil (2007 - \$45,034) is payable in relation to these expenses. As well, the Company has prepaid \$75,753 (2007 - \$nil) at December 31, 2008 for shared expenses. Amounts payable and prepaid are unsecured, non-interest bearing with no fixed terms of repayment.

The Company was charged \$60,000 during the year ended December 31, 2008 (2007- \$10,000) by a company controlled by a director of the Company for administration services.

During the year ended December 31, 2008, 2,275,000 stock options were granted to directors and officers of the Company compared to 6,320,000 options for the year ended December 31, 2007.

12. 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 33% (2007 - 36%) are:

	2008 \$	2007 \$
Net income/(loss) for the year before income taxes	52,955,399	(6,188,057)
Expected income taxes at statutory rates	17,608,000	(2,234,000)
Increase (decrease) resulting from:		
Stock-based compensation	786,000	1,458,000
Expired losses	-	105,000
Changes and differences in tax rates	(1,707,000)	(1,431,000)
Debt facility expenses	1,529,000	-
Other	(195,000)	379,212
Change in valuation allowance	455,000	-
Provision for income taxes	18,476,000	(1,722,788)

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, 2008 and 2007 are as follows:

	2008 \$	2007 \$
Future income tax assets (liabilities)		
Non-capital losses	-	1,405,000
Resource properties	(22,766,000)	(4,962,000)
Derivative asset and liability	(2,594,000)	-
Finance costs	1,676,000	1,067,000
Valuation allowance	(455,000)	-
	(24,139,000)	(2,490,000)

CROWFLIGHT MINERALS INC.

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12. INCOME TAXES (continued)

The Company has approximately \$23,000,000 of Canadian exploration and development expenditures as at December 31, 2008 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 \$2,982,000 upon renunciation of flow-through expenditures in 2009.

13. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Company's capital consists of common shares, warrants and contributed surplus. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration and development stage; as such the Company is dependent on external financing to fund its activities, as well as the achievement of profitable operations. In order to carry out the planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2008.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, restricted cash, amounts receivable, accounts payables, long-term debt, capital leases and derivative instruments. The Company's risk management objectives include minimizing risk relating to cash and cash equivalents to preserve capital for strategic investing. The Company does not enter into or trade financial instruments for speculative purposes. See Notes 4 and 7.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is primarily attributable to cash equivalents and amounts receivables included in other assets. The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of guaranteed investment certificates and bankers acceptance, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist of goods and services tax due from the Federal Government of Canada and receivables from related and unrelated companies. Management believes that the credit risk concentration with respect to these financial instruments included in amounts receivable is remote.

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2008, the Company had a cash and cash equivalents balance of \$10,607,543 (December 31, 2007 - \$9,004,788) to settle current liabilities of \$15,622,737 (December 31, 2007 - \$8,654,538). Most of the Company's financial liabilities have contractual maturities of between 30 – 60 days and are subject to normal trade terms; however, the Company will be negotiating longer payments terms as required.

Market risk

(a) Interest rate risk

The Company has cash and cash equivalent balances and a long term debt facility subject to fluctuations in interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As a result of the long-term debt facility where interest payable is based on LIBOR, the Company is subject to interest rate risk. Currently, the Company does not hedge against interest rate risk.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Upon production, the Company will be exposed to foreign exchange risk as a result of sales transactions being denominated in US dollars. During the fourth quarter of 2008, the Company entered into derivative contracts to minimize the impact of currency fluctuations. These contracts are classified as held-for-trading, and are not designated as hedges. Consequently any changes in fair value of these derivatives are recorded on the statement of operations. See Note 7.

(c) Commodity price risk

The Company is exposed to price risk with respect to commodity prices, specifically nickel prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future mining operations will be significantly affected by changes in the market prices for nickel. Prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for nickel, the level of interest rates, the rate of inflation, investment decisions by large holders of nickel and stability of exchange rates can all cause significant fluctuations in nickel prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

In July 2008, the Company entered into forward sale contracts for a total of 20.5 million tonnes of nickel as part of this price protection program. These contracts were monetized during the fourth quarter of 2008 and subsequent to December 31, 2008. These were classified as held-for-trading and were not designated as hedges. See Note 4.

CROWFLIGHT MINERALS INC.

(A development stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2008 and 2007

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Sensitivity analysis

The Company has designated its cash as held-for-trading, measured at fair value. Financial instruments included in other assets are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. Long term debt is classified as held-to-maturity and measured at amortized cost. Derivative financial instruments are classified as held-for trading.

As at December 31, 2008, the carrying and fair value amounts of the Company's financial instruments are approximately the same. Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

The Company carries long term debt on which interest is payable based on fluctuations in LIBOR. A 1% increase or decrease in LIBOR based on the loan balance at December 31, 2008 will generate monthly fluctuations in interest expense of \$6,300.

The Company holds certain cash equivalents that upon renewal will earn interest at the then market rate for such deposits. A 1% decrease in interest rates based on the cash and cash equivalents balance at December 31, 2008 will generate a decrease in interest income of approximately \$100,000.

The Company currently does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk, but will be exposed to foreign exchange risk as metal sales are denominated in US dollars. See Note 7.

15. COMMITMENTS AND CONTINGENCIES

(a) Pursuant to the issuance of 12,500,000 flow through shares in April 2007, the Company renounced \$12,500,000 in qualified exploration expenditure in February 2008 with an effective date of December 31, 2007. At December 31, 2008, the Company had met its expenditure commitment.

The Company issued 8,000,000 flow through shares in April 2008 and as a result, the Company is committed to expending \$6,000,000 in qualified exploration expenditure by December 31, 2009. As of December 31, 2008, the Company had met its expenditure commitments.

The Company issued 23,615,000 flow through shares in December 2008 and as a result, the Company is committed to expending \$4,250,700 in qualified exploration expenditure by December 31, 2009. As of December 31, 2008, the Company has spent \$728,254, and will be required to spend \$3,522,446 by December 31, 2009.

(b) The Company is party to certain management contracts which require that additional payments of approximately \$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 \$733,000, all of which is due within one year.

(c) The Company entered into an agreement on February 28, 2007 with a general contractor for the Bucko Lake mine. If the agreement is terminated without cause, the Company must give 90 days notice and is liable for demobilization fees.

CROWFLIGHT MINERALS INC.

(A development stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2008 and 2007

15. COMMITMENTS AND CONTINGENCIES (continued)

(d) Outstanding legal issues relate to a claim for damages by the Company to Met-Chem Canada Inc. ("Met-Chem"), the engineering firm hired by the Company to design the processing facility. The claim is for corrective measures required to the crushing plant building due to engineering errors by Met-Chem. The cost of expected corrective measures is \$230,000.

(e) The Company is party to derivative contracts from the first quarter of 2009 to the fourth quarter of 2009 for a total of 2.3 million pounds of nickel at a price of US\$8.49 per pound. See Note 4.

(f) The Company is party to derivative currency contracts from the fourth quarter of 2008 to the fourth quarter of 2009 for a total of US\$19,200,000 at rates ranging from \$1.183 to \$1.191. See Note 7.

16. INTEREST IN JOINT VENTURE

The Company's proportionate share of the assets, liabilities and cash flows of its joint venture included in these audited consolidated financial statements are as follows:

	Pure Nickel JV	
	2008	2007
Current assets	18,146	-
Exploration properties and deferred exploration expenditures	420,751	-
Current liabilities	-	-
Revenues	1,272	-
Expenses	-	-
Cash flows from operating activities	116	-
Cash flows from investing activities	(420,751)	-
Cash flows from contributions	435,000	-

17. SUBSEQUENT EVENTS

(a) On January 13, 2009, the Company entered into additional forward sales contracts for the first and second quarters of 2009 for a total of 700,000 pounds of nickel at a price of US\$5.32 per pound. In addition, the Canadian dollar was hedged as follows:

- Q1 2009 – 0.25 million pounds Nickel, with the Canadian dollar hedged at 1.1965
- Q2 2009 – 0.45 million pounds Nickel, with the Canadian dollar hedged at 1.1956

In February 2009, the Company monetized their forward sales contract position of 2.97 million pounds of nickel and corresponding foreign exchange price protection for 2009 for net proceeds of approximately \$10,000,000. A portion of the proceeds of such monetization have been used to repay the \$7,600,000 debt facility plus interest (See Note 8).

CROWFLIGHT MINERALS INC.

(A development stage company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2008 and 2007

17. SUBSEQUENT EVENTS (continued)

(b) In January 2009, 17,324,786 warrants with an exercise price of \$0.64 were cancelled in accordance with the debt facility structuring agreement. These were replaced with 20,000,000 warrants at a strike price of \$0.2125. See Notes 8 and 10(b).

(c) The Company has signed a letter of intent with Auramet Trading LLC for a working capital line of credit of US\$10,000,000. Finalization of the facility remains subject to due diligence and final binding agreements.

(d) Subsequent to December 31, 2008, 3,575,625 options described in Note 10(c) expired unexercised.



crowflight minerals inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the year ended December 31, 2008

(a development stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

of financial condition and results of operations
for the year ended December 31, 2008

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, 2008 and should be read in conjunction with our annual audited consolidated financial statements and notes for the year ended December 31, 2008. 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.

The scientific and technical information contained in this report has been prepared under the supervision of, and reviewed by, Mr. Paul Keller, P.Eng., and Mr. Greg Collins, P.Geo., officers of the Company, both of whom are "Qualified Person(s)" within the meaning of National Instrument 43-101.

This MD&A reports our activities through February 27, 2009 unless otherwise indicated. All figures are in Canadian dollars unless otherwise indicated.

References to the first, second, third and fourth quarters of 2008 or Q1-2008, Q2-2008, Q3-2008 and Q4-2008 and the first, second, third and fourth quarters of 2007 or Q1-2007, Q2-2007, Q3-2007 and Q4-2007 mean the three months ended March 31, June 30, September 30 and December 31, 2008 and 2007 respectively.

HIGHLIGHTS

2008 IN REVIEW - HIGHLIGHTS FOR THE YEAR INCLUDE THE FOLLOWING:

- Initial production was achieved at the Bucko Lake Nickel Mine (Bucko) with a nickel concentrate being produced in December 2008.
- The listing of Crowflight's common shares graduated to the TSX in December 2008.
- The Company secured a \$55 million debt facility with favourable terms required to complete development of Bucko in March, in addition to raising \$11 million in April and \$4 million in December, despite difficult financial markets.
- Crowflight forward-sold a portion of 2008 - 2012 production in July, of which 89% was later monetized in October, allowing the Company to pay off \$42 million in debt and add \$19.4 million in cash. Subsequent to the year's end, Crowflight implemented additional nickel and foreign exchange hedges. In February 2009, the Company closed out all remaining forward sale contracts and paid off all remaining debt. (See Subsequent Events section for more details.)
- In March 2008, Crowflight was granted its license pursuant to the *Environment Act* (Manitoba) from the province of Manitoba to commence production at Bucko.
- The 2007 – 2008 winter drilling program resulted in expanded resources for the satellite deposits near Bucko. Of particular note are M11A, which saw a 197% increase in contained nickel, and Halfway Lake, which increased by 46%. Two new zones of mineralization were also discovered near the Manibridge property.

- Results from the Phase 1 underground delineation drilling at Bucko are consistent with mine design tonnage and grade expectations.

HIGHLIGHTS FOR THE FOURTH QUARTER OF 2008 INCLUDED THE FOLLOWING:

- Surface and underground activities at the Bucko Lake Nickel Mine (“Bucko”) during the fourth quarter of 2008 focused on the on-going commissioning of the processing plant and underground delineation drilling from the 1,000 foot level. Mill commissioning began in early September, as did mining and stock-piling of ore in preparation for the mill start-up. The main ventilation raise broke through to surface in late October. The commissioning of the crushing and grinding areas was completed, the flotation circuit was fully commissioned and a low grade flotation concentrate was produced on November 18, 2008. Further commissioning of the flotation circuit to produce a marketable nickel concentrate continued throughout the period. The concentrate filtration area was completed and underwent final commissioning. The mill automation and assay lab was completed and portal development continued. The interim tailings storage facility (ITSF) was also completed. Subsequent to the quarter’s end, Crowflight announced that production of a nickel concentrate had begun at Bucko, with the first marketable concentrate being produced in December 2008. Work is on-going to ramp up to full commercial production early in the second quarter of 2009, and the first shipment of concentrate from Bucko occurred in February 2009.
- Underground delineation drilling conducted during 2008 was successful in delineating the first zones of commercial production, accessed by underground development in mid-September. Assay results from the program were released on June 25, 2008, October 1, 2008 and January 22, 2009. Results to date are interpreted to be consistent with the feasibility grade model.
- On October 1, 2008, the Company provided an update on the federal permitting process for the storage of tailings in Bucko Lake. The release of the screening level assessment report (the federal government’s technical review of the project) was expected in January 2009. Crowflight received correspondence in late January 2009 that the Fisheries Habitat Compensation Plan requires further revision before acceptance. It is expected that the Schedule 2 amendment of the MMER process will take eight to twelve months after the letter of recommendation from federal authorities to the federal cabinet. The letter of recommendation will be sent after the screening assessment has undergone public review and inclusion of comments from the review has been included in the screening assessment.
- On October 22, 2008, Crowflight announced updated National Instrument 43-101 compliant mineral resource estimates for its Halfway Lake and M11A North nickel deposits located near the Company’s Bucko Mine and mill operations. Drilling at the M11A North deposit in 2008 resulted in a 197% increase in contained nickel. Using a 1.0% nickel cut-off grade, the estimated Inferred Resource at M11A North deposit was increased to 903,125 tonnes grading 1.55% nickel. At Halfway Lake, exploration drilling resulted in a 46% increase in contained nickel. Utilizing a 1.0% nickel cut-off grade, the Inferred Resource at Halfway Lake now stands at 989,268 tonnes grading 1.20% nickel.
- In October 2008, the Company restructured its debt facility through the monetization of 89% of the nickel forward sales contracts entered into in July 2008. The proceeds of \$62,580,000 were used to repay the First Tranche of the debt facility in its entirety, which equaled \$10,350,000 (including capitalized interest), and \$32,000,000 (including capitalized interest) of the Final Tranche of the debt facility. As a result of the restructuring, a debt of \$7,600,000 remained and the Company was provided with \$19,400,000 in cash. (See Note 8 of the Company’s 2008 Audited Annual Financial Statements.) As part of the debt restructuring, Crowflight and the Lender have also agreed to cancel the 16.3 million warrants exercisable at \$0.64 per share associated with the First Tranche of the facility and the 1 million warrants exercisable at \$0.64 per share associated with the Bridge Facility. Under the restructured facility, the Company has agreed to grant 20 million warrants at a price of \$0.2125. See Subsequent Events for additional information.
- On November 21, 2008, Crowflight was granted conditional approval to list its common shares on the Toronto Stock Exchange (TSX). Crowflight’s shares subsequently commenced trading on the TSX on Wednesday, December 3, 2008 under the same symbol of “CML”.

- In December 2008, the Company completed a private placement financing through the issuance of 23,615,000 flow-through common shares at a price of \$0.18 per share for total gross proceeds of \$4,250,700. The offering was completed by a syndicate of underwriters who received a cash commission of 6% of the gross proceeds raised, as well as 1,416,900 compensation options, each of which entitles the holder to purchase one common share of the Company at a price of \$0.18 per share until December 17, 2010.
- On December 31, 2008, Crowflight announced that, in connection with the debt facility restructuring, it had re-priced the 17,324,786 warrants issued to FirstRand Ireland Plc ("FRI") to \$0.2125 and amended the terms of the warrants so that they shall expire three years from the date of issue, on January 16, 2012. The warrants were issued ten days from the announcement, which was on January 16, 2009 (the "Effective Date"). In addition, FRI was issued an additional 2,675,214 warrants exercisable to acquire one common share in the Company at an exercise price of \$0.2125.

OVERVIEW

Crowflight is a development stage company in accordance with Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11, and currently has mineral exploration and development properties in Canada. The Company is currently focusing its resources on the development of the Bucko Lake Nickel Mine and the exploration of the Thompson Nickel Belt ("TNB"), both in the province of Manitoba.

Crowflight owns a 100% interest in the Bucko Lake deposit and operates a mine and mill complex on the Bucko Lake mine site near Wabowden, Manitoba. The Company maintains an interest in a variety of grass roots and advance-staged exploration properties in the TNB and Sudbury district, Ontario.

MINERAL PROPERTIES

THOMPSON NICKEL BELT PROPERTIES ("TNB") – MANITOBA

The Company owns or holds under option claims and leases totaling 684 square kilometers in the Province of Manitoba. These properties are situated in the 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. An estimated 4.5 billion pounds of nickel has been previously produced from the TNB. Crowflight's Joint Venture partner, Xstrata, through predecessor companies, 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 Mining Lease, Offtake, and TNB Exploration Option Agreements

On January 31, 2007, Crowflight entered into an amended Agreement with Xstrata Nickel that provided Crowflight 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 the advanced-stage exploration ground previously the subject of the separate TNB South and TNB North Agreements. At the end of this reporting period, property maintained by Crowflight and covered by this Agreement approximately totalled 731.7 square kilometers.

The Company also secured a definitive offtake agreement. See Definitive Offtake Agreement section below.

Right to Earn a 100% Interest in the Bucko Lake Nickel Deposit – Bucko Lease Transfer Agreement

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, subject to a 2.5% Net Smelter Return royalty ("NSR"), 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. 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 Measured and Indicated Resources of approximately 110,000,000 pounds of nickel at a cutoff grade of 1.4% nickel. A royalty payment of \$500,000 is payable at the start of commercial production.

Right to Earn a 100% Interest in the TNB Exploration Properties – Exploration Option Agreement

Under the terms of a jointly signed Exploration Agreement, Crowflight has the right to earn a 100% interest in Xstrata's TNB Properties (formerly referred to as the TNB North and TNB South Exploration Properties), which includes approximately 580 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. At the end of Q4-2008, Crowflight has incurred net exploration expenditures of approximately \$5.8 million of the required \$7.2 million expenditure commitment. The Company 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 33,000 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 concentrates at commercially competitive terms over the current approximate seven year life of the mine. These agreements replace former agreements with Falconbridge Ltd. (Xstrata Nickel) dated June 2004 and January 2005.

MANIBRIDGE JOINT VENTURE – MANITOBA

The Company holds an interest in 55 claims totaling approximately 145.3 square kilometers centered around the past-producing Manibridge Nickel Mine, located approximately 20 kilometres south of Wabowden, Manitoba. 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 August 2007, the Company acquired a 100% interest in the Owl Claim from Ferreira Ltd., subject to a 2% Net Smelter Return royalty ("NSR").

In November 2007, the Company entered into two separate but related transactions:

Firstly, Crowflight entered into an option agreement with Hudson Bay Exploration and Development Ltd. (HBED) to acquire a 100% interest in two claims located close to the Manibridge mine. 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% NSR.

Secondly, Crowflight entered into 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 (the "Pure Nickel Agreement"). Under the terms of the Pure Nickel Agreement, both parties have agreed to contribute property to the Joint Venture and make an aggregate contribution of \$6 million over a three year period to fund preliminary exploration activities within the joint venture area. Pure Nickel contributed two claims containing the Manibridge Deposit. Crowflight contributed 62 claims it owned, including claims held under option from HBED.

In November 2008, the terms of the Pure Nickel Agreement were amended to allow Pure Nickel the option to earn a 50% interest in an expanded area surrounding the Manibridge deposit by incurring additional exploration expenditures by 2012. In addition, the period for funding preliminary exploration activities in the joint venture area was extended until 2011.

SUDBURY PROPERTIES – ONTARIO

In the Sudbury Basin, Crowflight maintains an interest in approximately 75.4 square kilometers of mining property which includes: (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 PGMs); 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 near Sudbury, Ontario. In September of 2008, it became apparent that due to weak equity market conditions it was unlikely that the Optionor would be able to raise sufficient equity to satisfy the terms of the agreement. As such, it was mutually agreed that the agreement would be terminated. The AER Kidd property remains a 100% owned asset of Crowflight Minerals. As a result of the cancelling of the agreement and the current lack of activity on the property, Crowflight has decided to write down its value of \$5,244,395.

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 was required to incur \$700,000 in exploration expenditures on the properties by December 31, 2007 in order to earn an initial 50% interest. Wallbridge has 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. See Exploration Activities section below for current status.

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.

EXPLORATION ACTIVITIES

Thompson Nickel Belt Properties

Exploration drilling on the Xstrata option completed during the first and second quarters of 2008 was used to further expand Inferred Resources at Halfway Lake and evaluate exploration targets located in close proximity to the Bucko Lake Nickel Deposit. The results of this activity were communicated in a press release dated October 22, 2008.

During the third and fourth quarters of 2008, exploration activities consisted of review and interpretation resulting in the calculation of updated Inferred Resources at the Halfway Lake and M11A North deposits located near Crowflight's mining and milling operations in Wabowden (refer to press release dated October 22, 2008).

At Manibridge the results from a six hole, 2,496 metre program were reviewed and assay results were communicated in a press release dated September 10, 2008. The program was successful in discovering two new zones of nickel mineralization near the past producing Manibridge Deposit which operated from 1972 to 1976 and produced approximately 900,000 tonnes grading 1.86% nickel.

Bucko Lake Nickel Mine

At Bucko, the first phase of definition drilling from the 1,000 foot mining level was completed. By the end of the quarter, 80 holes for a total of 13,659 metres of underground drilling had been completed. Initial portions of planned production into 2010 had been delineated by the end of the quarter. Results from the program are consistent with the mine design tonnage and grade expectations and have been used to update the mineral inventory at Bucko.

Sudbury Properties

In January 2008, Wallbridge earned an initial 50% interest in the property and submitted a proposal for additional work in 2008. During 2008, Wallbridge focused its efforts on Area 4, completing a high resolution airborne geophysical survey, mapping and the drilling of three holes. Two holes intersected encouraging intercepts containing anomalous nickel copper sulphide mineralization. Wallbridge has informed the Company that it intends to conduct a program of follow-up drilling in 2009.

DEVELOPMENT ACTIVITIES

Bucko Lake Nickel Mine

Commissioning activities and ramp-up to full production continued at the Bucko Lake Nickel Mine. Crowflight expects to declare full commercial production early in the second quarter of 2009. The commissioning status as at year-end is as follows:

- Mill commissioning was 90% complete as at year-end.
- Ore from the first production stopes was developed and production mining began in December.
- The main ventilation raise broke through to surface in late October.
- The commissioning of the crushing and grinding areas was completed.
- The flotation circuit was close to being fully commissioned and a low grade flotation concentrate was produced on November 18th. A marketable concentrate was achieved by year-end.
- The concentrate filtration area was mechanically and electrically complete and underwent final commissioning early in January.
- Completion of the mill automation was finalized in January.
- The interim tailings storage facility was complete and water was stockpiled for reclamation in the storage facility.
- The assay lab was completed.
- Mill training was conducted and 10 local residents for mill operations were hired.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A detailed summary of the Company's significant accounting policies is included in Note 2 of the Company's Annual Audited Financial Statements for the year ended December 31, 2008. The following is a list of the accounting policies that the Company believes are critical, as they are subject to estimates and key judgments about future events, many of which are beyond management's control.

- Carrying value of exploration and development properties and deferred expenditures
- Asset retirement obligations
- Income taxes

Carrying value of exploration and development properties and deferred expenditures

Crowflight reviews and evaluates the carrying value of its exploration and development properties for impairment whenever events or circumstances indicate that the carrying amounts of these assets might not be recoverable. If the carrying amount exceeds the undiscounted cash flow, an impairment loss is measured and recorded. Future cash flows are based on estimated recoverable production as determined from Proven and Probable Reserves and Measured, Indicated and Inferred Resources. Assumptions underlying the cash flow estimates include, but are not limited to, forecasted prices for nickel, the CAD/US foreign exchange rate, production levels, and operating, capital and reclamation costs. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. It is therefore possible that any change in estimates with respect to the Company's mine plans could occur and could affect the expected recoverability of Crowflight's investments in the carrying value of the assets. Management's assessment of the exploration property's estimated current value is based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

Asset retirement obligations

Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are subject to change and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. The Company records the estimated present value of reclamation liabilities in the period in which they are incurred. 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. This liability can also be adjusted for changes in the estimate of the amount, timing and cost of the work to be carried out. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each property. Actual costs incurred may differ from those amounts estimated and any future changes to environmental laws and regulations could increase the extent of reclamation work required to be performed by the Company.

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. See Note 2 of the Company's Annual Audited Financial Statements for the year ended December 31, 2008. Assessing the recoverability of future income tax assets requires management to make significant estimates of future taxable income as estimates of future taxable income are subject to changes as discussed above in "Carrying value of exploration and development properties and deferred expenditures". Should future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the balance sheet date could be impacted. In addition, future changes in tax laws could affect the Company's ability to obtain tax deductions in future periods.

RECENT ACCOUNTING CHANGES AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 2 of the Company's Annual Audited Financial Statements for the year ended December 31, 2008.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2008, the Company had working capital of \$7,667,069 compared to \$1,907,880 as at December 31, 2007. The cash balance as at December 31, 2008 was \$10,607,543 (2007 – \$9,004,788) and the

restricted cash balance was \$2,999,998 (2007 -- \$nil).

In February 2008, the Company closed a \$55 million debt facility agreement. RMB Resources Inc. ("RMB") arranged the 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 consisted 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"). It was required that the Bridge Facility 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 1.5% per annum.

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 remaining 1,000,000 warrants have a term of 24 months.

As a requirement of the debt facility, the Company entered into nickel forward sales contracts hedging 20.5 million pounds of nickel at a price of US\$8.49 per pound from 2009 - 2012. See Note 4 of the Company's 2008 Annual Audited Financial Statements for more details.

In October 2008, the Company restructured the debt facility and closed out most of the nickel forward contracts generating proceeds of \$62,580,000. The proceeds of \$62,580,000 were used to repay the majority of the existing debt facility and also provided the Company with \$19,400,000 in cash, where \$10,000,000 was applied to the facility proceeds account for completion of the Bucko Mine and project working capital, \$3,000,000 was applied to the facility debt service reserve (restricted cash) and the remainder was applied to working capital and general corporate purposes. See Note 8 of the Company's 2008 Annual Audited Financial Statements.

Subsequent to the end of the year, in January 2009, the Company entered into additional forward nickel and currency contracts for the first and second quarters of 2009. In February 2009, the Company monetized their total hedge position of 2.97 million pounds of nickel, allowing Crowflight to repay its remaining \$7,600,000 debt and providing an additional \$5,500,000 in cash with the restriction released from the debt reserve account. See Subsequent Events for more details.

On April 30, 2008, Crowflight completed a private placement financing through the issuance of 8,065,000 common shares of the Company at a price of \$0.62 per share and 8,000,000 flow-through common shares of the Company at a price of \$0.75 per share for gross proceeds of \$11,000,300. The offering was completed by a syndicate of underwriters who received a commission equal to 6% of the total gross proceeds. As well, the underwriters were issued 963,900 compensation options, each of which entitles them to purchase one common share of the Company at a price of \$0.62 per share until April 30, 2010.

In December 2008, the Company completed a private placement financing through the issuance of 23,615,000 flow-through common shares at a price of \$0.18 per share for total gross proceeds of \$4,250,700. The offering was completed by a syndicate of underwriters who received a cash commission of 6% of the gross proceeds raised, as well as 1,416,900 compensation options, each of which entitles the holder to purchase one common share of the Company at a price of \$0.18 per share until December 17, 2010.

During the year ended December 31, 2008, 1,115,836 warrants were exercised at a weighted average exercise price of \$0.40 for gross proceeds of \$446,334, and 2,530,000 stock options were exercised at a weighted average exercise price of \$0.225 for gross proceeds of \$569,531.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, restricted cash, receivables, payables and accruals, long-term debt, capital leases and derivative instruments. The Company's risk management objectives include minimizing risk relating to cash and cash equivalents to preserve capital for strategic investing. The Company does not enter into or trade financial instruments for speculative purposes. See Notes 4 and 7 of the Company's 2008 Annual Audited Financial Statements for additional information.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is primarily attributable to cash equivalents and amounts receivable included in other assets. The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of guaranteed investment certificates and bankers acceptance, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist of goods and services tax due from the Federal Government of Canada and receivables from related and unrelated companies. Management believes that the credit risk concentration with respect to these financial instruments included in amounts receivable is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2008, the Company had a cash and cash equivalents balance of \$10,607,543 (December 31, 2007 - \$9,004,788) to settle current liabilities of \$15,622,737 (December 31, 2007 - \$8,654,538). The Company's trade payables balance was \$7.2 million and normally have contractual maturities of 30 to 45 days and are subject to normal trade terms. The remaining accrued liabilities have maturities greater than approximately 60 days. The Company has the potential to raise additional funds and negotiate longer payment terms as required to meet obligations as they come due. In addition, revenues from nickel concentrate sales are expected in the first quarter of 2009. Subsequent to year-end, the Company closed out all outstanding hedge contracts to add an additional \$5.5 million in treasury. See Subsequent Events section.

Market risk

(a) Interest rate risk

The Company has cash balances and a long-term debt facility subject to fluctuations in interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As a result of the long-term debt facility where interest payable is based on LIBOR, the Company is subject to interest rate risk. Currently, the Company does not hedge against interest rate risk.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Upon production, the Company will be exposed to foreign exchange risk as a result of sales transactions being denominated in US dollars. During the fourth quarter of 2008, the Company entered into derivative contracts to minimize the impact of currency fluctuations on the value of nickel hedge only. These contracts are classified as held-for-trading, and are not designated as hedges. Consequently any changes in fair value of these derivatives are recorded on the Statement of Operations.

(c) Commodity price risk

The Company is exposed to price risk with respect to commodity prices, specifically nickel prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken. The Company's future mining operations will be significantly affected by changes in the market prices for nickel. Prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for nickel, the level of interest rates, the rate of inflation, investment decisions by large holders of nickel and stability of exchange rates can all cause significant fluctuations in nickel prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

In July 2008, the Company entered into forward sale contracts for a total of 20.5 million tonnes of nickel as part of this

price protection program. These were classified as held-for-trading, and are not designated as hedges. While most of these contracts were monetized during the fourth quarter of the year, the Company holds contracts to cover 2009 production. Subsequent to the end of the year, the Company entered into additional forward nickel contracts and subsequently liquidated them in late February 2009, so currently the Company has no hedges. (see Subsequent Events).

Sensitivity analysis

The Company has designated its cash as held-for-trading, measured at fair value. Financial instruments included in other assets are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. Long-term debt is classified as held-to-maturity and measured at amortized cost. Derivative financial instruments are classified as held-for-trading.

As at December 31, 2008, the carrying and fair value amounts of the Company's financial instruments are the same. Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

The Company carries long term debt on which interest is payable based on fluctuations in LIBOR. A 1% increase or decrease in LIBOR based on the loan balance at December 31, 2008 will generate monthly fluctuations in interest expense of \$6,300.

The Company holds certain cash equivalents that upon renewal will earn interest at the then-market rate for such deposits. A 1% decrease in interest rates based on the cash and cash equivalents balance at December 31, 2008 will generate a decrease in interest income of approximately \$100,000.

The Company currently does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk, but will be exposed to foreign exchange risk as metal sales are denominated in US dollars. As such, the Company has put in place forward currency contracts to hedge a portion of future revenues. See Note 7 of the Company's 2008 Annual Audited Financial Statements, and the Subsequent Events section for more information.

RESULTS OF OPERATIONS

The Company reported net income of \$34,479,399 (\$0.13 per share - diluted) for the year ended December 31, 2008 compared to a net loss of \$4,465,269 (loss of \$0.02 per share) for the year ended December 31, 2007.

The Company realized gains of \$62,580,000 as a result of the monetization of their forward nickel contracts as discussed above. As well, the Company recorded a net non-cash gain of \$8,044,169 as a result of changes in the estimated fair value of the remaining forward nickel contracts, as well as forward currency contracts entered into during the fourth quarter of 2008. The nickel contracts increased in value as a result of declining nickel prices through the quarter, while the currency contracts decreased in value as a result a weaker Canadian dollar.

The Company incurred debt facility costs of \$7,175,683 during the year ended December 31, 2008, of which \$4,569,188 represents the value of the warrants granted in relation to the portion of the debt facility that was retired during the year. The Company also incurred a non-cash accretion charge on the asset retirement obligation of \$28,000 for the year ended December 31, 2008. Stock based compensation expense for the current year was \$2,364,835 compared to \$4,040,153 for 2007.

Interest income earned during the current year totaled \$253,448 compared to \$909,397 during the year ended December 31, 2007 as a result of both lower cash balances held during the year and lower interest rates offered by lending institutions for short term investments. General and administrative expenses, net of stock based compensation expense, decreased by approximately \$290,000 from the previous year. During the current year, the Company incurred higher listing and filing costs as a result of its graduation to the TSX. The Company incurred higher insurance and capital tax costs during the current year due to the construction of the mill. Higher costs were

also incurred related to leasehold improvements on the Company's corporate shared office space that were not incurred during the previous year. These higher costs were more than offset by costs incurred during 2007 that were not incurred this year, these including a \$544,000 severance accrual related to a former officer of the Company.

During the year ended December 31, 2008, the Company recognized future income taxes of \$18,476,000 compared to an income tax recovery of \$1,722,788 during the year ended December 31, 2007.

QUARTERLY INFORMATION

The quarterly results have been as follows:

Summary Financial Information for the Eight Quarters Ended December 31, 2008					
<i>Tabular amounts in \$000 except for per share amounts.</i>					
<u>Period</u>	<u>Revenues</u>	<u>Total Assets</u>	<u>Net Income (Loss)</u>	<u>Net Income (Loss) per Share basic and diluted</u>	<u>Long Term Financial Liabilities</u>
4 th Quarter 2008	Nil	177,875	28,958	0.11	8,066
3 rd Quarter 2008	Nil	170,826	9,891	0.04	39,901
2 nd Quarter 2008	Nil	121,927	(1,530)	(0.01)	7,140
1 st Quarter 2008	Nil	106,508	(2,840)	(0.01)	6,795
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

The Company did not have any operating revenue as at December 31, 2008.

Income earned during Q4-2008 resulted from a realized gain on the monetization of forward nickel contracts, net of future income taxes. During Q3-2008, income resulted from the unrealized gain recognizing the increase in fair value of forward nickel contracts entered into by the Company. The net losses in Q1-2008 and Q2-2008 result primarily from corporate overheads, including stock based compensation. During 2008, the Company expensed \$522,557, \$1,016,030, \$508,473 and \$317,775 in stock based compensation for the four quarters reported respectively. The Company expensed \$667,338, \$849,886, \$1,699,259 and \$823,670 during Q1, Q2, Q3 and Q4 respectively for stock based compensation during 2007.

The Company continues to invest in capital assets for the development of the Bucko Lake Nickel Mine, which accounts for the continued increases in total assets.

In Q4-2008, as a result of the restructuring of the debt facility, the remaining value of warrants was expensed at the time of settlement for that portion of the debt facility. As well, an incremental value on the warrants was determined and \$849,709 was charged during Q4-2008. During the second and third quarters of 2008, the Company incurred a non-cash accretion charge of \$475,485 and \$292,696 respectively as a result of the accretion of the value of warrants charged against the debt facility. During the first quarter of 2008, the Company expensed \$2,040,905 in debt facility costs.

Long-term liabilities in Q4 2007 relate to asset retirement obligations. In Q1 2008, the Company entered into a long term loan facility agreement as previously discussed, and drew down funds against this facility accounting for the sharp rise in long term debt. The Company drew down the majority of the Final Tranche during Q3 2008. During Q4-2008, the Company restructured their debt facility and settled the majority of this debt. Subsequent to year-end, the Company paid the debt in its entirety. See Subsequent Events section.

ANNUAL INFORMATION

The annual results have been as follows:

Tabular amounts in '000's except for per share amounts

	2008	2007	2006
	\$	\$	\$
Net income (loss)	34,479	(4,465)	(1,732)
Income (loss) per share, basic and diluted	0.13	(0.02)	(0.01)
Total assets	177,875	88,214	51,055
Total long term financial liabilities	8,066	331	-

CASH FLOWS

Cash provided by Operating Activities was \$59,232,026 during the year ended December 31, 2008, compared to the use of \$1,704,530 during the same period in 2007. Cash of \$62,580,000 was generated from the monetization of the nickel contracts. The change in non-cash working capital used was \$498,933 during the year ended December 31, 2008 compared to the use of \$460,904 in non-cash working capital during the year ended December 31, 2007.

Cash from Financing Activities generated \$20,205,845 during the year ended December 31, 2008 compared to \$31,469,262 for 2007. As described in the Liquidity and Capital Resources section above, the Company drew down \$47,612,059 net of transaction costs during 2008. As a result of the debt facility restructuring and monetization of derivative contracts, \$42,400,000 was paid down. Cash financing costs in 2008 related to the debt facility amounted to \$2,606,495, \$218,554 of which was paid last year and recorded as a prepaid expense. Major cash costs relating to the facility include \$1,010,000 paid to the financiers, \$825,000 paid to the financial advisors of the Company for their services related to arranging the debt facility and a milestone bonus paid to employees, consultants, directors and officers of the Company totaling \$407,000 relating to their positive efforts that enabled the Company to obtain permits to commence production and complete the project financing. The Company completed two private placement financings, raising \$14,052,365 net of issue costs during the current year, compared to \$22,770,725 raised during 2007. As well, the Company received proceeds of \$1,015,865 through the exercise of warrants and options during the current period compared to \$8,698,537 received during the year ended December 31, 2007. Finally, the Company paid \$74,444 against capital leases during 2008 compared to \$nil during the nine month period in 2007.

Cash used in Investing Activities during the year ended December 31, 2008 was \$77,835,116 compared to \$34,560,864 used in investing activities during the year ended December 31, 2007. Cash spending on exploration and development of its properties primarily in the TNB, Manitoba as well as the acquisition of capital assets related to exploration and development for the current year was \$82,559,511, net of government assistance, compared to \$39,898,563 during 2007. Specifically, the Company used \$79,190,499 in cash in the development of the Bucko Mine, \$2,682,050 net of government assistance in exploration of the TNB Exploration properties, and \$380,048 for Crowflight's share in exploration expenses on the Pure Nickel Joint Venture. (See table below for breakdown of cash expenditures.) As at December 31, 2008, additional project costs incurred were \$4 million higher than guidance given in November, as a result of lower pre-production revenues and higher than anticipated mill commissioning costs. The Company invested \$nil in office and field equipment for this current year, compared to \$70,182 for the comparative year. Prepaid exploration expenditures decreased by \$318,554 during the year ended December 31, 2008 compared to an increase of \$205,768 during the comparative year. Also, accounts payable related to exploration and development expenditures increased by \$7,405,839 during the current year compared to an increase of \$5,613,649 during the comparative year. The Company set aside \$2,999,998 in a debt reserve account during the year.

Cash Expenditures on Exploration Property, Plant and Equipment and Deferred Exploration Expenditures

For the year ended December 31, 2008

	MANITOBA				SUDBURY			TOTAL
	BUCKO PROJECT	BUCKO FEASIBILITY	THOMPSON NICKEL BELT	PURE NICKEL JV	AER KIDD	PETER'S ROOST	OTHER	
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	
<i>Acquisition or property maintenance costs</i>	-	306,684	112,590	-	-	-	-	419,274
<i>Project capital costs</i>	41,448,415	-	-	-	-	-	-	41,448,415
<i>Project development costs</i>	37,438,732	-	-	-	-	-	-	37,438,732
<i>Exploration costs</i>	302,825	-	2,797,523	380,048	-	230	-	3,480,626
<i>Equipment</i>	527	-	-	-	-	-	-	527
<i>Less: government assistance</i>	-	-	(228,063)	-	-	-	-	(228,063)
TOTAL	79,190,499	306,684	2,682,050	380,048	-	230	-	82,559,511

COMMITMENTS AND CONTINGENCIES

Pursuant to the issuance of 12,500,000 flow-through shares in April 2007, the Company renounced \$12,500,000 in qualified exploration expenditure in February 2008 with an effective date of December 31, 2007. At December 31, 2008, the Company had met its expenditure commitment.

The Company issued 8,000,000 flow-through shares in April 2008 and as a result, the Company is committed to expending \$6,000,000 in qualified exploration expenditure by December 31, 2009. As of December 31, 2008, the Company had met its expenditure commitments.

The Company issued 23,615,000 flow-through shares in December 2008 and as a result, the Company is committed to expending \$4,250,700 in qualified exploration expenditure by December 31, 2009. As of December 31, 2008, the Company has spent \$728,254, and will be required to spend \$3,522,446 by December 31, 2009.

The Company is party to certain management contracts which require that additional payments of approximately \$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 \$733,000, all of which are due within one year.

The Company entered into an agreement on February 28, 2007 with a general contractor for the Bucko Lake Mine. If the agreement is terminated without cause, the Company must give 90 days notice and is liable for demobilization fees.

Outstanding legal issues relate to a claim for damages by the Company to Met-Chem Canada Inc., the engineering firm hired by the Company to design the processing facility. The claim is for corrective measures required to the crushing plant building due to engineering errors by Met-Chem. The cost of expected corrective measures is anticipated to be \$230,000.

The Company is party to derivative contracts from the fourth quarter of 2008 to the fourth quarter of 2009 for a total of 2.27 million pounds of nickel at a price of US\$8.49 per pound. These contracts were closed subsequent to year-end.

The Company is party to derivative currency contracts from the fourth quarter of 2008 to the fourth quarter of 2009 for a total of US\$19,200,000 at rates ranging from \$1.183 to \$1.191. These contracts were closed subsequent to year-end.

TRANSACTIONS WITH RELATED PARTIES

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

The Company shares its premises with other companies that have common directors. The Company reimburses the related companies for their proportionate share of the expenses. At December 31, 2008, an amount of \$nil (2007 - \$45,034) is payable in relation to these expenses. As well, the Company has prepaid \$75,753 (2007 - \$nil) at December 31, 2008 for shared expenses. Amounts payable and prepaid are unsecured, non-interest bearing with no fixed terms.

The Company was charged \$60,000 during the year ended December 31, 2008 (2007: \$10,000) by a company controlled by a director of the Company for administration services.

DIRECTORS AND OFFICERS COMPENSATION

During the three and twelve months ended December 31, 2008, the Company paid or accrued \$160,750 and \$925,758 in fees and bonuses to officers of the Company (Q4 2007: \$257,499; 2007: \$792,270).

As well, \$544,000 in severance was paid during the first quarter of 2008 to a former director and officer of the Company. This amount was accrued in 2007.

During the three and twelve months ended December 31, 2008, \$38,000 and \$314,500 were paid or accrued to directors of the Company (Q4 2007: \$95,000; 2007: \$1,637,250) as remuneration for services provided as well as bonuses.

The compensation of the President and CEO previously disclosed under Directors' Compensation is now included under Officers' Compensation.

During the year ended December 31, 2008, 2,275,000 stock options were granted to directors and officers of the Company compared to 6,320,000 options for the year ended December 31, 2007.

OUTSTANDING SHARE DATA

As at February 27, 2008, 293,304,323 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, 16,163,750 remain outstanding with exercise prices ranging from \$0.15 to \$1.02, with expiry dates ranging between June 1, 2009 and January 31, 2014. If exercised, 16,163,750 common shares would be issued for proceeds of \$9,189,163.

As at February 1, 2008, 22,380,800 share purchase warrants and broker options were outstanding with an exercise prices ranging from \$0.18 to \$0.62 expiring between April 30, 2010 and January 16, 2012. If all warrants were exercised, 22,380,800 common shares would be issued for proceeds of \$5,102,660.

SUBSEQUENT EVENTS

On January 13, 2009, Crowflight entered into additional forward sales contract agreements to further its risk management strategy to manage commodity price exposure on nickel sales and foreign exchange rates. Forward sale contracts were entered into for the first and second quarters of 2009 for a total of 700,000 pounds of nickel at

a price of US\$5.32 per pound. In addition, the Canadian dollar was hedged on these quantities.

Details are as follows:

- Q1 2009 – 0.25 million pounds Nickel, with the Canadian dollar hedged at 1.1965
- Q2 2009 – 0.45 million pounds Nickel, with the Canadian dollar hedged at 1.1956

In January 2009, 17,324,786 warrants with an exercise price of \$0.64 were cancelled in accordance with the debt facility structuring agreement. These were replaced with 20,000,000 warrants at a strike price of \$0.21.

On February 13, 2009, the Company announced the first shipment of nickel concentrate from Bucko and announced completion of the Bucko Mine mill construction. Please see press release dated February 13, 2009 for more details.

On February 26, 2009, the Company monetized their hedge position of 2.97 million pounds at an average realized price of US\$7.74 per pound nickel, which included a CAD\$1.19 to US\$1.0 exchange rate, for net proceeds of \$10,134,725. Of this, \$7,648,258 was used to pay off the outstanding balance of the debt facility plus accrued interest. As well, the restriction on the debt reserve account was lifted, providing the Company with cash of approximately \$5.5 million. The Company has no hedges remaining as of February 27, 2009.

In February 2009, the Company has signed a letter of intent with Auramet Trading LLC for a working capital line of credit of US\$10,000,000. Finalization of the facility remains subject to due diligence and final binding agreements.

Subsequent to year-end 3,575,625 options described in Note 10(c) of the 2008 Audited Annual Financial Statements expired unexercised.

RISKS AND UNCERTAINTIES

The exploration for, development and mining of mineral deposits involve significant risks, that 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, unusual or unexpected geological formations or pressures 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 climatic 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 Mine 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 finance 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.

Since the end of Q3-2008, the sector has taken a turn for the worse due to the slowing global demand, illiquid markets and tight credit conditions. Nickel prices have declined dramatically over the last months. If nickel prices continue to decline such that cash operation costs were to significantly exceed metal revenues, the feasibility of continuing operations would be evaluated and, if warranted, discontinued.

Foreign Exchange

Nickel is sold in US dollars thus Crowflight is 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

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 stripping 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 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.

OFF BALANCE SHEET ITEMS

There are no off balance sheet items.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Disclosure controls and procedures ("Disclosure Controls") are procedures designed to provide reasonable assurance that all relevant information required to be disclosed in documents filed with the relevant securities regulatory authorities is recorded, analyzed, summarized and reported on a timely basis and is communicated to the Company's management, including the participation of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO").

Management, including the CEO and the CFO, does not expect that the Company's Disclosure Controls will prevent or detect all errors and fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not guaranteed assurance that all material issues, instances of fraud or error, if any, within the Company have been detected.

Pursuant to Multilateral Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, issued by the Canadian Securities Administrators ("MI 52-109"), CEOs and CFOs are required to certify that they are responsible for determining and maintaining Disclosure Controls for the issuer, that Disclosure Controls have been designed to provide reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's Disclosure Controls, and that their conclusions about the effectiveness of those Disclosure Controls at the end of the period covered by the relevant annual filings have been disclosed.

Crowflight's CEO and the CFO have evaluated the effectiveness of the Company's Disclosure Controls as at December 31, 2008 and concluded that, subject to the inherent limitations noted above, that they provide reasonable assurance that they were effective.

Internal Controls Over Financial Reporting

MI 52-109 also requires the CEO and CFO to certify that they are responsible for establishing and maintaining internal controls over financial reporting ("ICFR"), as defined by the CSA, for the Company, that the ICFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP, and that the Company has disclosed any changes in its ICFR during its' most recent interim period that has materially affected, or is reasonably likely to materially affect, its financial reporting.

As discussed above, the inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected. Therefore, no matter how well-designed, ICFR has limitations and can provide only reasonable assurance with respect to financial statement preparation and may not prevent and detect all misstatements.

As of the end of the period covered by this MD&A and accompanying audited financial statements, Crowflight's management evaluated the effectiveness of its disclosure controls. Based on that evaluation, the CEO and the CFO have concluded that Crowflight's disclosure controls and procedures and internal controls over financial reporting, provide reasonable assurance that they were effective.

OUTLOOK

Crowflight is currently mining in the first high grade stope area on the 1,000 foot level underground at Bucko. As planned, lower grade stopes on the 1,000 foot level are also being mined and the high grade stope area on the 900 foot level is now being developed. The main ramp has been developed approximately 400 feet down vertically from surface. Some ore development and crown pillar support activities will occur from the 450 foot level, which should be reached late in the first quarter. The mill commissioning was completed in January 2009 and Crowflight expects to reach commercial production early in the second quarter of 2009.

Crowflight's production targets for 2009 at Bucko are 9.1 million pounds of payable nickel at average operating cash cost of US\$3.61 per pound nickel¹. Crowflight currently estimates ongoing capital requirements for 2009 to be approximately US\$10 million. Please see press release dated February 12, 2009 for additional details.

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

¹ Non-GAAP Measure

This MD&A refers to cash cost per ounce which is not a recognized measure under Canadian GAAP. This non-GAAP financial measure does not have any standardized meaning prescribed by Canadian GAAP and is therefore unlikely to be comparable to a similar measure presented by other issuers. Management uses this measure internally. The use of this measure enables management to better assess performance trends. Management understands that a number of investors and others who follow the Company's performance assess performance in this way. Management believes that this is a better indication of its expected performance in future periods. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to Crowflight, certain information contained herein constitutes forward-looking information. Forward-looking information includes, but is not limited to, statements with respect to the development potential of the Company's properties; the future price of nickel and other minerals; the estimation of mineral reserves and mineral resources; conclusions of economic evaluation; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success

of exploration activities; 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. Estimates regarding the anticipated timing, amount and cost of mining at the Company’s projects are based on assumptions underlying mineral reserve and mineral resource estimates and the realization of such estimates are set out herein. Capital and operating cost estimates are based on extensive research of the Company, purchase orders placed by the Company to date, recent estimates of construction and mining costs and other factors that are set out herein. Production estimates are based on mine plans and production schedules, which have been developed by the Company’s personnel and independent consultants. These estimates are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Crowflight 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 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 prices of gold and other minerals; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry. 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.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

All information in the Company's continuous disclosure documents, including the consolidated financial statements and management's discussion and analysis of the consolidated financial position and results of operation ("MD&A"), is the responsibility of the management of the Company and has been approved by its Audit Committee and Board of Directors. The consolidated financial statements and MD&A were prepared by management in accordance with accounting principles and disclosure requirements generally accepted in Canada.

The preparation of financial statements and MD&A requires the selection of appropriate generally accepted accounting principles and the use of estimates and judgment by management to present fairly and consistently the consolidated financial position and the results of operations of the Company. Estimates are required when transactions affecting the current accounting period cannot be finalized with certainty until future periods. In management's opinion, such estimates have been properly reflected in the consolidated financial statements and MD&A. Systems of internal accounting controls are established and maintained by management in order to provide reasonable assurance, on a cost effective basis, of the reliability of this financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and MD&A. The Board carries out this responsibility principally through its Audit Committee composed of three independent directors. The committee meets periodically with management and the Company's independent auditors to discuss internal controls over the financial reporting process; auditing matters and financial reporting issues; to review and approve the consolidated financial statements and MD&A; and to review and the independent auditors' report to the shareholders. The Committee reports its findings to the Board for consideration when approving the annual consolidated financial statements and MD&A for issuance to shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the Company's independent auditors.

The consolidated financial statements have been audited the Company's independent auditors, McGovern, Hurley Cunningham LLP, in accordance with Canadian generally accepted auditing standards.



Michael Hoffman
President and Chief Executive Officer.



Anna M. Ladd
Vice-President and Chief Financial Officer

February 27, 2008

