



***crowflight minerals inc.***

**CROWFLIGHT MINERALS INC.**

**ANNUAL INFORMATION FORM**  
**For the year ended December 31, 2010**

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**March 29, 2011**

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## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

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This annual information form contains forward-looking statements under Canadian securities legislation. Forward-looking statements include, but are not limited to, statements with respect to the Company's development potential and timetable of the Company's properties, including the Bucko Lake Nickel Mine; the future price of nickel and other minerals; the estimation of mineral reserves and mineral resources; conclusions of economic evaluations; 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 statements 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 statements are 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 Bucko Lake Nickel Mine are based on assumptions underlying mineral reserve and mineral resource estimates and the probability of realizing such estimates that 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 development 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. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to: unexpected events and delays during construction, expansion and operation; variations in mineral grade and recovery rates; receipt and revocation of 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 minerals, particularly nickel; failure of plant, equipment or processes to operate as anticipated; reliance on joint venture partners and contractor service providers; 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 statements, 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 statements. The Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws.

## **DEFINITIONS AND GLOSSARY OF TERMS**

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In this annual information form, references to “Crowflight” or the “Company” mean Crowflight Minerals Inc. and the following abbreviations and defined terms are used:

“AIF”	means this annual information form.
“Audit Committee”	means the audit committee of the Board.
“Board”	means the Board of Directors of Crowflight.
“Common Shares”	means the common shares in the capital of the Company.
“Compensation Committee”	means the compensation committee of the Board.
“Corporate Governance and Nominating Committee”	means the corporate governance and operating committee of the Board.
“NI 43-101”	means National Instrument 43-101 – <i>Standards of Disclosure for Mineral Projects</i> of the Canadian Securities Administrators
“OBCA”	<i>Business Corporations Act (Ontario)</i>

## **CURRENCY PRESENTATION AND NOTES ON INFORMATION**

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This AIF contains references to United States dollars and Canadian dollars. All dollar amounts referenced herein, unless otherwise indicated, are expressed in Canadian dollars and United States dollars are referred to as “United States dollars”, or “US\$”.

All information in this AIF is given as of December 31, 2010, unless otherwise indicated.

Mats Heimersson P.Eng., Engineering Manager of the Company, who is a qualified person under NI43-101, has reviewed the technical and scientific information of this AIF.

## **CORPORATE STRUCTURE**

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Crowflight was incorporated under the name Nootka-Zeballos Gold Mines Limited, under the laws of British Columbia on January 11, 1937, by registration of its Memorandum and Articles with the British Columbia Registrar of Companies. On December 13, 1937, NootkaZeballos Gold Mines Limited changed its name to Privateer Mine Limited. On January 29, 1959, Privateer Mine Limited changed its name to New Privateer Mine Limited. On June 6, 1995, New Privateer Mine Limited changed its name to Phrygian Mining Corporation, consolidated its common shares on a five-to-one basis and altered its post consolidation authorized share capital to consist of 100,000,000 common shares without par value. On August 12, 1998, Phrygian Mining Corporation changed its name to Crowflight Minerals Inc., consolidated its common shares on a three-to-two basis and altered its post consolidation authorized share capital to consist of 100,000,000 common shares without par value, 100,000,000 Class "A" Preference Shares with a par value of \$10.00 each and 100,000,000 Class "B" Preference Shares with a par value of \$50.00 each. On August 12, 1998, the Common Shares were listed on the Toronto Venture Exchange. On July 30, 2003, Crowflight Minerals Inc. filed Articles of Continuance pursuant to the OBCA to continue the Company from British Columbia to Ontario. Also on July 30, 2003, Crowflight amended its Articles to increase its authorized share capital to an unlimited number of common shares without par value, an unlimited number of Class "A" Preference Shares and an unlimited number of Class "B" Preference Shares. On June 21, 2004, Crowflight Minerals Inc. was registered as an extra-provincial corporation in the Province of Manitoba.

In December 2010, the Company changed its head office and registered office at 181 Bay Street, Suite 2500, Toronto, ON M5J 2T7 and relocated its corporate office to 999 West Hastings Street, Suite 1655, Vancouver, BC V6C 2W2.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

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Crowflight is a Canadian base metals mining company focused on nickel mining and related activities, including exploration and the extraction and processing of nickel-containing ore. The Company owns or has under option approximately 800 square kilometers of advanced-stage exploration and development projects with potential for nickel, copper and platinum group minerals (PGMs). Mineral exploration and development properties are in the Thompson Nickel Belt (TNB), Manitoba and the Sudbury basin in Ontario, Canada. The Company is focusing on producing nickel at its Bucko Lake Mine, Manitoba. Commercial production at Bucko Lake Mine was declared in June 2009.

### **2011 Outlook**

On October 1, 2010, the Company announced that it was temporarily suspending operation at the Bucko Lake Mine in order to facilitate the introduction of its own underground mining equipment and team and to make readjustments to address certain operation issues.

The Company will resume the mine operation at Bucko Lake Mine in April 2011 and expects to mine 220,000 tonnes of ore in 2011 to produce approximately five million pounds of payable nickel. At currently nickel price, the Company expects a total of \$20 million cash generated from the operation at Bucko Lake Mine in 2011.

Capital expenditures at Bucko Lake Mine are budgeted at \$15 million, of which \$6, \$9 million for mine development, backfill plant upgrade, and tailing facility expansion.

The Company also budgeted \$2.5 million to carry out extensive drilling program at the Thompson Nickel Belt Exploration Properties with intention to upgrade the mineral resources and assess the economic potential of M11A zone.

### **Three-Year History**

The following is a summary of the general development of the Company's business over the three most recently completed financial years.

#### *Financial Year Ended December 31, 2010*

In December 2010, upon completion of the private placement in the form of a convertible debenture issued to King Place Enterprises Limited ("King Place") in the principle amount of the \$10 million, the Company restructured its Board of Directors and management team.

On October 1, 2010, Crowflight announced that it was temporarily suspending ore production mining operations at the Bucko Lake Nickel Mine in order to facilitate the introduction of its own underground mining equipment and team and to make readjustments to address certain operational issues.

On September 23, 2010, Crowflight announced a private placement financing in the form of a convertible debenture issued to King Place in the principal amount of \$3,000,000 (the "Convertible Debenture"). The Convertible Debenture shall mature on the date that is six months from the date of issue. Amounts owing under the Convertible Debenture shall be unsecured and interest shall accrue at a rate of 10% per annum, compounded annually. The Convertible Debenture holder shall be entitled to convert amounts owing into common shares of Crowflight at a price equal to the five-day Volume Weighted Adjusted Price (VWAP) on the Toronto Stock Exchange (the "TSX") at the time of conversion less the maximum discount allowed under TSX regulations, subject to the Company not issuing an aggregate of more than 58,356,471 common shares of Crowflight in total pursuant to the Convertible Debenture and the convertible debenture of the Company issued to King Place on September 3, 2010, without prior approval from a simple majority of disinterested shareholders. In addition, King Place holds a pre-emptive right to maintain its 42.5% interest (see press release of September 3, 2010).

On August 26, 2010, Crowflight issued and sold a convertible debenture (the "Convertible Debenture") to King Place in the principal amount of \$10,050,000 (see press release of August 27, 2010). The Convertible Debenture shall mature on February 27, 2011. Amounts owing under the Convertible Debenture shall be unsecured and interest shall accrue at a rate of 10% per annum, compounded annually. The holder shall be entitled to convert amounts owing under the Convertible Debenture into common shares of Crowflight at a price equal to the five-day Volume Weighted Adjusted Price (VWAP) at the time of conversion less the maximum discount allowed under Toronto Stock Exchange regulations at the time of conversion. However, King Place may not convert any portion of the amounts outstanding hereunder in excess of the amount that would result in the obligation to issue an aggregate number of shares exceeding 58,356,471 Common Shares without prior approval of disinterested shareholders. King Place, who purchased the Convertible Debenture, is the largest shareholder of Crowflight. King Place owns and controls a total of 247,029,971 common shares and 50,588,235 warrants of Crowflight prior to this private placement, or 42.5% of the issued and outstanding common shares of Crowflight on a non-diluted basis. Crowflight previously issued and sold a non-convertible debenture in the principal amount of \$5,050,000 to King Place (see press release of August 9, 2010), which was cancelled and replaced by the \$10,050,000 Convertible Debenture.

On April 6th, the Company received an offer from Jinchuan Group Ltd. ("Jinchuan") to acquire all of the common shares of Crowflight in consideration for an aggregate cash payment of \$150,000,000. Based on the number of Crowflight common shares outstanding at the time of the announcement, this Offer equates to approximately \$0.26 per common share. The Offer represents a premium of 47.3% to the closing price on the Toronto Stock Exchange for the Company's common shares on April 2, 2010 and a premium of

56.8% to the 20 day volume weighted average trading price. On a partially diluted basis, taking into account the outstanding convertible securities of the Company that have an exercise price of equal to or less than \$0.22, the Offer equates to approximately \$0.22 per share. On this basis, the Offer represents a premium of 27.0% to the closing price on the Toronto Stock Exchange for the Company's common shares on April 2, 2010 and a premium of 35.1% to the 20 day volume weighted average price. Please see press release dated April 6, 2010. The Offer was premised on Jinchuan obtaining 100% of the offtake from the Bucko Lake Mine and any of the Crowflight exploration properties that are subsequently placed into production and remained valid August 31, 2010. Subsequent to the receipt of the offer, negotiations continued between representatives of the Company and Jinchuan, but were terminated in September 2010.

On March 22, 2010, the Company announced that it had re-commenced shipments of nickel concentrate from the Bucko Lake Nickel Mine. This marked the first shipments of nickel concentrate since operations at the Bucko Mine had been suspended in November 2009.

On February 19, 2010, the Company completed a private placement financing for gross proceeds of approximately \$11,552,000. Crowflight issued an aggregate of 72,200,000 common shares of the Company at a price of \$0.16 per share. The Company stated that the purposes of the net proceeds of the financing was to fund the continued ramp up of the Bucko Lake Mine in the Thompson Nickel Belt, Manitoba and for general corporate and working capital purposes.

In January 2010, the Company received a non-binding expression of interest (the "Expression of Interest") from Pala Investments Holdings Limited ("Pala") regarding the direct or indirect acquisition of the Bucko Lake Nickel Mine and certain surrounding exploration areas held by Crowflight in the Thompson Nickel Belt, including the M11A and Apex deposits (collectively, the "Bucko Assets"). In consideration for the purchase of the Bucko Assets, Pala proposed that it would pay to Crowflight the sum of \$101.9 million. If the acquisition were completed, the Company would cancel the 116,079,971 common shares and 50,588,235 share purchase warrants of Crowflight held by Pala at the time in consideration for \$29.88 million, providing an aggregate net payment from Pala to the Company of \$72.0 million. In addition to receiving the cash consideration, Crowflight would retain certain exploration mineral properties of the Company, including the Bowden Lake, Halfway Lake and Manibridge deposits located in Manitoba as well properties within the Sudbury district namely, the AER Kidd property and the Peter's Roost property (collectively, the "Exploration Assets"). The expression of interest was non-binding and subject to a number of conditions, including the negotiation and execution of a definitive agreement, receipt of requisite board, shareholder and regulatory approvals and Pala being satisfied with its due diligence review of the Bucko Assets. Due to offer from Jinchuan, in April 2010, Pala terminated the discussion relate to the non-binding expression of interest.

#### *Financial Year Ended December 31, 2009*

In November 2009, Crowflight suspended all production mining and milling operations at the Bucko Lake Mine to complete ramp development, accelerate mine development and upgrade the backfill plant.

In September and October 2009, Crowflight completed a private placement financing with King Place Enterprises Limited for aggregate gross proceeds of \$20,000,000. Pursuant to the financing, the Company issued 80,000,000 Common Shares at a price of \$0.25 per Common Share. The Company stated that the primary intended use of the proceeds was to continue development of the Bucko Lake project and for general working capital purposes.

On August 21, 2009, Crowflight announced the appointment of Mark Trevisiol as President and Chief Executive Officer of the Company.

In July 2009, Crowflight installed and commissioned a new water treatment facility in response to certain water issues encountered at the end of June 2009. Mill operations were halted in July 2009 due to a lack of available ore from the main production stope and subsequently resumed in August 2009. Poor ground

conditions in the stope entrance required the development of a new stope access drift so that mining operations could resume safely.

On July 23, 2009, the Company completed a \$15,000,000 financing with Pala pursuant to which the Company issued 60,000,000 units at a price of \$0.25 per unit. Each unit was comprised of one Common Share and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one Common Share at a price of \$0.30 prior to July 23, 2011. Crowflight relied on the financial hardship exemption (section 604(e)) under the guidelines of the Toronto Stock Exchange to complete this financing, which would result in a new holder of more than 20% of the outstanding Common Shares, without first obtaining shareholder approval. Pursuant to the terms of the financing, two directors of the Board resigned and the Company granted Pala the right to nominate two directors to the Board, subject to certain conditions. Pala nominated, and the Board appointed, Michael Barton and Jan Castro to the Board. The Company stated that the principal purpose of the proceeds from the financing was to pay outstanding indebtedness and for capital development and general working capital purposes.

In June 2009, Crowflight announced that it had achieved commercial production at the Bucko Lake Mine, with commercial production being defined as throughput greater than 60% of mill nameplate capacity.

In April 2009, Crowflight completed a \$7,820,000 financing pursuant to which the Company issued 46,000,000 units at a price of \$0.17 per unit. Each unit was comprised of one Common Share and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one Common Share at a price of \$0.20 prior to April 30, 2011. The offering was completed by a syndicate of underwriters led by Macquarie Capital Markets Canada Ltd. and including Cormark Securities Inc. and TD Securities Inc. The Company stated that the principal purposes of the net proceeds from the financing were to fund the continued ramp up of the Bucko Lake Mine and for general corporate and working capital purposes.

In March 2009, Crowflight disclosed updated mineral reserve and mineral resource estimates for the Bucko Lake Mine. The estimates were updated to reflect the results of the 2007 and 2008 drill programs. The aggregate estimated proven and probable mineral reserves increased by 22% to 3,708,393 tonnes grading 1.45% nickel. For details regarding these estimates, please see “Description of the Bucko Lake Property” and “Cautionary Note Regarding Forward-looking Information”.

On February 26, 2009, the Company announced that it had monetized its remaining hedge position of 2.97 million pounds of nickel and the corresponding foreign exchange price protection, which allowed the Company to repay its remaining \$7.6 million of debt. As a result of these transactions, Crowflight became debt free and added \$5.5 million in cash to its treasury, which included \$3.0 million from the debt reserve account. Crowflight monetized the 2.97 million pound hedge at an average realized price of US\$7.74 per pound of nickel, which included a \$1.19 to US\$1.00 exchange rate, for net proceeds of \$10,134,725, with \$7,648,257 of the proceeds to be used to pay off Crowflight’s remaining debt.

In February 2009, Crowflight announced that it had shipped its first nickel concentrate from the Bucko Lake Mine.

#### *Financial Year Ended December 31, 2008*

In December 2008, the Company completed a private placement financing involving the issuance of 23,615,000 common shares on a flow-through basis, at a price of \$0.18 per Common Share for total gross proceeds of \$4,250,700. The offering was completed by a syndicate of underwriters led by Macquarie Capital Markets Canada Ltd. and including Cormark Securities Inc. and TD Securities Inc. The intended use of proceeds was for eligible Canadian exploration expenses on the Bucko Lake Mine and other regional exploration.

On December 3, 2008, the Common Shares commenced trading on the Toronto Stock Exchange.

In October 2008, Crowflight restructured its \$55 million debt facility with FirstRand Ireland plc. The Company sold nickel forward sales contracts representing 18.2 million pounds of nickel, which represented 89% of its hedge position, for net proceeds of \$63 million. Crowflight used the net proceeds to repay (i) the entire \$10.35 million owing under Tranche 1 of the debt facility; and (ii) a minimum of \$33.2 million of the \$45 million Tranche 2 of the debt facility. As a result of the debt restructuring, Crowflight gained \$19.4 million in cash and had remaining debt of \$7.6 million. Pursuant to the restructuring, Crowflight repriced 17,324,786 share purchase warrants held by FirstRand Ireland plc to \$0.2125 and amended the terms of the warrants to expire on or about January 16, 2012. The Company also issued FirstRand Ireland plc an additional 2,675,214 warrants at an exercise price of \$0.2125.

In October 2008, the Company announced that it had increased estimates regarding the mineral resources at its Halfway Lake and M11A North nickel deposits in the Thompson Nickel Belt. Using a 1.0% cut-off grade, the estimated inferred mineral resource at the 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. Using a 1.0% nickel cut-off grade, the estimated inferred mineral resource at Halfway Lake was 989,268 tonnes grading 1.20% nickel.

In April 2008, Crowflight closed a private placement financing involving the issuance of 8,065,000 common shares at a price of \$0.62 per common share and 8,000,000 common shares on a flow-through basis at a price of \$0.75 per common share for total gross proceeds to the Company of \$11,000,300. The offering was completed by a syndicate of underwriters led by Macquarie Capital Markets Canada Ltd. and including Versant Partners Inc. The Company declared its intention to use the gross proceeds from the offering for working capital, projects in the Thompson Nickel Belt, Manitoba and for general corporate purposes. The Company committed to use the gross proceeds from the sale of the flow-through shares for general exploration expenditures,

In March 2008, Crowflight received its *Environment Act* Licence from the Province of Manitoba to permit Crowflight to commence production at the Bucko Lake Nickel Project in Manitoba. Due to the extended schedule for completion of the federal permitting process to allow Crowflight to dispose of tailings in Bucko Lake and the likelihood that federal permits would not be available by the time the mine would be ready to start production, Crowflight decided to consider alternative means of bringing the project into production. To this end, Crowflight submitted a Notice of Alteration to its original *Environmental Act* Licence Proposal in December 2007 to include the provision for an interim land-based tailings storage facility that would allow for up to twelve months of tailings to be stored on surface, assuming 50% of the tailings are disposed underground in mined out areas as originally planned.

In January 2008, Crowflight secured a \$55 million debt facility with RMB Resources Inc. acting as agent for FirstRand Ireland plc in order to finance the remaining construction and start-up of the Bucko Lake Mine. The debt facility closed on February 13, 2008. In July 2008, the Company began drawing down on the \$45 million Tranche 2 part of the debt facility. In connection with this drawing down and as required under the terms of the facility, Crowflight entered into forward sales contracts for a total of 20.5 million pounds of nickel at a price of US\$8.49 per pound.

## **NARRATIVE DESCRIPTION OF THE BUSINESS**

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### **General**

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 Thompson Nickel Belt, Manitoba and Sudbury district, Ontario.

### **Suppliers**

The Company spends a significant percentage of its financial resources to procure goods and services in support of its business activities. Principal goods and services include labour and contractor personnel, maintenance and repair parts and services, electricity, fuel and lubricants, ground support materials, explosives, tires, chemical reagents and ventilation supplies. The Company uses suppliers or independent contractors for a portion of the equipment rebuilds and repairs both on and off-site, as well as for construction activities.

### **Competitive Conditions**

The base metals mineral exploration and mining business is highly competitive. Crowflight competes with numerous other companies for the discovery and acquisition of mineral rich properties that can be developed and produced economically, the technical expertise to find, develop, and operate such properties, the labour to operate the properties, and the capital for the purchase of such properties. Many of these companies are substantially larger and have greater financial resources than the Company.

### **Offtake Arrangement**

The Company's primary product is nickel concentrate. Crowflight has a concentrate sales agreement with Xstrata Nickel Inc. pursuant to which the Company has agreed to sell, and Xstrata Nickel Inc. has agreed to purchase, 100% of the nickel concentrate produced at the Bucko Lake Mine at commercially competitive terms during the life of the Bucko Lake Mine.

### **Environmental Protection**

The operations of the Company, are subject to extensive federal, provincial and local laws and regulations governing; environmental protection, employee health and safety, exploration, development, tenure, production, taxes, labour standards, wastes disposal, toxic substances and other matters. Crowflight is also subject to various reclamation-related conditions imposed under federal or provincial rules and permits.

The Company believes that the primary environmental management issues, related with the Bucko Mine are associated with the treatment and disposal of mill tailings and related effluent. The mine, mill facility and power supply line have been established on a previously disturbed site. Crowflight has a progressive environmental management plan for the prevention of adverse environmental impacts during the life of the mine, including further exploration, mining and milling operation and closure.

Challenges with the federal permitting process to allow disposal of tailings in Bucko Lake and the unlikelihood that Environment Canada will recommend authorization caused Crowflight to consider alternative solution for tailings disposal. A Notice of Alteration (NOA) to its original *Environmental Act* Licence Proposal in December 2007 to include the provision for an interim (land-based) tailings storage facility (ITSF) was submitted and approved. Crowflight has received its *Environment Act* License from the Province of Manitoba to permit Crowflight to commence production at the Bucko Lake Nickel Mine

in Manitoba. The company has secured the necessary permitting to re-start underground production and milling in 2011.

Crowflight is presently re-evaluating the option of a land based tailings disposal area in light of difficulties in obtaining federal approval for deposition into Bucko Lake. Engineering has commenced for a permanent land based tailings disposal solution and Crowflight remains confident that provincial permitting and construction will be completed in plenty of time to deposit tailings once the ITSF operation is complete.

### **Employees**

In October, 2010, the Company laid off approximately 45 employees as a result of the temporary operation suspension at Bucko Lake Mine.

We are currently hiring to prepare recommencement of mining and milling operations. The Company currently has approximately 93 employees comprised of 36 staff and 57 hourly workers. Manpower “ramp up” began in mid January and is expected to continue until mid second quarter until both staff and hourly workers are filled. We anticipate some turnover initially but estimate manpower retention to stabilize towards the end of the second quarter. No assurance can be given that a sufficient number of qualified employees can be retained by the Company when necessary. See “Risk Factors – Qualified Personnel”.

### **Health and Safety**

The Company’s lost time accident frequency rate was approximately 3.8 lost time claims per 200,000 hours worked in 2010. Safety statistics include Crowflight employees and contractors at the Bucko Mine site.

### **Risks of the Business**

Investing in the Company involves risks that should be carefully considered. The operations of the Company are speculative due to the high-risk nature of its business. Investors should be aware that there are various risks, including those discussed below, that could have a material adverse effect on, among other things, the operation of the Bucko Lake Mine, and the operating results, earnings, business and condition (financial or otherwise) of the Company. See “Cautionary Statement Regarding Forward-Looking Information”.

#### *Nature of Mining, Mineral Exploration and Development Projects*

Mining operations generally involve a high degree of risk. The Company’s 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 capital and operating costs. For development projects, resource and operating costs estimates 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 capital and operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, 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.

During 2009, the Company commenced production operations at the Bucko Lake Mine. In November 2009, the Company temporarily suspended production operations. The Company suspended mining and milling operations to focus on ramp development, mine development and installation of the backfill plant. Milling operations subsequently resumed in March 2010 and commercial production was declared in June 2010. In October 2010, the Company temporarily suspended the mine operation again in order to facilitate the induction of its own underground mining equipment and team and to make readjustments to address certain operation issues. Operation at Bucko Lake Mine will re-commence in early April 2011. There is no guarantee that the Company will be able to maintain mining and milling operations on the projected rates, or at all. There is no assurance that the mine can be operated profitably, particularly in light of its past operational history.

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. Due to 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 ore.

#### *Limited Revenues*

To date, the Company has recorded only limited revenues from operations. There can be no assurance that the Company has sufficient capital resources to continue as a going concern, that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with advancing exploration, development and commercial production of the Bucko Lake Mine or other properties in which the Company has an interest become more expensive. The Company expects to continue to incur losses unless and until such time as it generates sufficient revenues to fund its continuing operations. The development of the Company's exploration properties will require the commitment of substantial resources to conduct time-consuming exploration and development. There can be no assurance that the Company will continue as a going concern, generate any revenues or achieve profitability.

#### *Liquidity Concerns and Future Financings*

As at December 31, 2010, the Company had cash and cash equivalents of \$4.1 million and working capital of deficit of \$24.2 million. Management recognizes the needs of additional working capital, and the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable level of operation. However, there can be no assurance that the Company will be successful in obtaining required financing as and when needed. The Company is being negatively affected by several key factors, including, but not limited to, availability of funding, extreme volatility creating uncertainty with respect to industrial markets and foreign exchange fluctuations. 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 the Company's properties or reduce or terminate some or all of its activities. In the event that the Company completes any equity financing at or near to current trading prices of its Common Shares, such financing could be dilutive to current shareholders who invested in the Company at higher share prices.

#### *Nickel Prices*

The Company is focused on nickel mining and related activities, including exploration and the extraction and processing of nickel-containing ore. The Company's future profitability is largely dependent on movements in the price of nickel. Nickel prices have historically been volatile and are primarily affected by levels of industrial production in addition to production supply/demand balance. Given the historical volatility of nickel prices, there are no assurances that the nickel price will remain at economically attractive levels. A decline in nickel prices would be expected to adversely affect the business of the Company and could affect the feasibility of the Company's projects. Many nickel projects have been placed on care and maintenance due to the impact of decreased nickel prices since the financial crises in 2008. If nickel prices decrease again and below the economically attractive levels, or Crowflight has difficulty in maintaining sufficient cash resources to maintain operations, Crowflight will have to consider placing the Bucko Lake Mine on care and maintenance.

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

#### *Foreign Exchange*

Nickel is sold in U.S. dollars thus the Company is subject to foreign exchange risks relating to the relative value of the Canadian dollar as compared to the U.S. dollar. To the extent that the Company generates revenues, it will be subject to foreign exchange risks as revenues will be received in U.S. dollars while operating and capital costs will be incurred primarily in Canadian dollars. The Company does not currently hold any currency hedges. A decline in the U.S. dollar would result in a decrease in the real value of the Company's revenues and adversely impact the Company's financial performance.

#### *Mineral Resource and Mineral Reserve Estimates May be Inaccurate*

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves. 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, market conditions and actual events could have a material adverse effect on the Company's mineral reserve estimates, financial position and results of operations. The results of production activities in 2010 and 2009 called into question the estimated grades at the Bucko Lake Mine upon which the mineral reserve and mineral resource estimates were based. Although the Company has completed additional analysis and continues to believe that the estimated grades are accurate, this could result in a significant adverse impact on the potential profitability of the mine if the Company cannot realize the estimated grades.

#### *Licences and Permits, Laws and Regulations*

The Company's exploration and development activities, including mine, mill, road, rail and port facilities, require permits and approvals from various government authorities, and are subject to extensive federal, provincial and local laws and regulations governing prospecting, development, production, transportation, 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 time-consuming and costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. There can be no guarantee that the Company will be able to maintain or obtain all necessary licences, permits and approvals that may be required to explore and develop its properties, commence construction or operation of mining facilities.

As described above, the Company is required to obtain additional permits for the use of Bucko Lake as a tailings facility and may be required to obtain additional licences and permits from various governmental authorities to continue and expand its exploration and development activities. The failure of the Company to obtain the required additional permits on the timelines prescribed could result in a partial, temporary or even complete cessation of mining operations at the Bucko Lake Mine.

### *Environmental*

The Company's 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. Furthermore, any failure to comply fully with all applicable laws and regulations could have significant adverse effects on the Company, 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. The Company holds title to the Bucko Lake Mine through mining claims. 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 the Company may have an interest, which, if successful, could result in the loss or reduction of the Company's interest in the properties.

Crowflight's interest in the Bucko Lake mining lease is subject to a back-in right held by Xstrata Nickel Inc. In the event that Crowflight identifies a new deposit (in addition to the Bucko Lake Mine) with estimated measured and indicated resources in excess of 200,000,000 pounds of Nickel, Xstrata has the right to purchase a 50% interest in the property and to become the operator of the new deposit in consideration for a payment to Crowflight of an amount equal to the aggregate of all direct expenditures that 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. Accordingly, the potential benefit to Crowflight of any discovery of a significantly increased deposit will be limited to a 50% interest in the project.

### *Uninsured Risks*

The Company maintains 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 the Common Shares.

### *Competition*

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

### *Dependence on Outside Parties*

The Company has relied upon consultants, engineers, third party mining contractors and others and intends to rely on these parties for development, construction and operating expertise. Substantial expenditures are required to construct mines, to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company.

### *Qualified Personnel*

Recruiting and retaining qualified personnel in the future is critical to the Company's success. The number of persons skilled in the exploration and development of mining properties is limited and competition for this workforce is generally intense. The development of the Company may be significantly delayed or otherwise adversely affected if the Company cannot recruit and retain qualified personnel as and when required.

### *Availability of Reasonably Priced Raw Materials and Mining Equipment*

The Company will require a variety of raw materials in its 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, the Company's production and financial performance could be adversely impacted.

### *Failure to Meet Production Targets and Cost Estimates*

The operation of the Bucko Lake Mine is premised on certain production and capital cost estimates. Actual production and costs may vary from the estimates for a variety of reasons such as estimates of grade, recovery, tonnage, dilution and metallurgical and other characteristics of the nickel varying in the actual ore 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. Indeed, 2010 production estimates were not met and capital and operating cost estimates were exceeded, resulting in the Company suspending mining and milling operations. Production costs may also be affected by increased stripping costs, increases in level of ore 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 experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. As of March 25, 2011, the common shares of the Company are currently trading approximately 50% below the 52-week high. There can be no assurance that fluctuations in the Company's share price will not continue.

### *Conflicts of Interest*

Certain of the Company's 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 the Company may participate or consider opportunities that may be of interest to the Company, the directors of the Company may have a conflict of interest. In particular, and without limitation, the Company entered into a consulting agreement with a corporation controlled by Stan Bharti, a director of the Company, which corporation provides administrative services to the Company. This agreement could

result in a conflict of interest for Stan Bharti. This agreement was terminated in December 2010 when the corporate office of the Company re-located to Vancouver, British Columbia. Currently, the Company entered into a management service agreement with a corporation controlled by Wenfeng Liu, a director of the Company, which the corporation provides administrative service, office space, and equipment rental to the Company. Further, there were two directors of the Company who were nominated by Pala. Pala is a private equity group focused on the mining and natural resources sector. Accordingly, Pala invests in other resource companies and the members of the Board nominated by Pala may have conflicting interests in respect of transactions or contracts to which the Company is a party. For example, Pala is also a large shareholder in Dumas, which was the mining contractor engaged by the Company at the Bucko Lake Mine. Any dispute between the Company and Dumas would place the Pala nominees on the Board in a position of conflict. The Pala nominees on the Board also had a conflict of interest in respect of the Expression of Interest (see General Development of the Business – Three- Year History) that was submitted by Pala to the Company. Conflicts of interest have the potential to call into question the good governance of the Company and can also result in additional time and costs reviewing and implementing transactions involving a conflict.

## **DESCRIPTION OF THE BUCKO LAKE PROPERTY**

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The information in this section has been derived in part from and based on the assumptions, qualifications and procedures set out in the “Technical Report regarding an Update to Reserves and Resources for the Bucko Lake Nickel Project, Wabowden, Manitoba” (the “Technical Report”), prepared by J. Gregory Collins, an officer of the Company, Paul D. Keller, a former officer of the Company, Martin Drennan of Python Mining Consultants Inc. and Eugene J. Puritch of P&E Mining Consulting Inc., dated March 31, 2009. Each of the authors is a Qualified Person under NI 43-101 and each has reviewed the following information regarding the Bucko Lake nickel mine. See “*Interests of Experts*”, “*Risk Factors - Mineral Resource and Mineral Reserve Estimates May be Inaccurate*” and “*Cautionary Statement Regarding Forward-Looking Information*”.

### **Property Description and Location**

The Bucko Lake property is located near the town of Wabowden, Manitoba, approximately 105 km southwest of Thompson, Manitoba. Various drilling campaigns on the Bucko Lake property over the past 35 years have delineated a mineral resource, containing nickel, copper, cobalt, platinum, palladium and gold.

The Bucko Lake Mine is situated on Mineral Lease - 031 (ML-031) totaling 546 hectares. In Manitoba, a mining lease has a term of 21 years and requires that the party holding such lease make annual payments of CAD\$8.00 per hectare if in production, or if not in production at the annual rate of CAD\$12.00 per hectare. Mining leases that terminate after the initial 21 year period can be renewed for an additional 21 year period on into perpetuity through the payment of the annual CAD\$8.00 or CAD\$12.00 per hectare fee. ML-031 was recorded in 1992 and is due for renewal in April of 2013.

Crowflight's 100% interest in ML-031 is subject to a back-in right held by Xstrata Nickel Inc. In the event that Crowflight identifies a new deposit (in addition to the Bucko Lake Mine) with estimated measured and indicated resources in excess of 200,000,000 pounds of nickel, Xstrata has the right to purchase a 50% interest in the property and to become the operator of the new deposit in consideration for a payment to Crowflight of an amount equal to the aggregate of all direct expenditures that were incurred by Crowflight in carrying out mining operations on the Bucko Lake Lease outside of the Bucko Mine prior to the date of exercise of the back-in right.

## **Accessibility, Climate, Local Resources, Infrastructure and Physiography**

Access to the site is on an existing all weather road from the town of Wabowden, a distance of approximately 6.3 km. Wabowden is located 4 km from the provincial Highway 6 that connects Winnipeg in southern Manitoba to Thompson in northern Manitoba.

The climate is typical of northern areas within the Canadian Shield with long winters and short and warm to hot summers. Average temperatures range from a low average of -25 °C in January to a high average of 16.9 °C in July. The average number of frost free days is 104. The annual precipitation averages 315 cm of rain and 147.5 cm of snow.

Power to the mine site is supplied by a new 66 kV overhead electrical power line built by Manitoba Hydro over a distance of 3.4 km from the main north – south provincial power grid. The power demand for the mine site is conservatively estimated at 7,900 kW, based on electrical process and surface infrastructure, and the underground mine demands rates of 1,000 tonne per day.

Site infrastructure includes a main mill building (approx. 35 m wide by 70 m long), including mill offices, electrical building, maintenance shops and analytical laboratory. The concentrate load-out area is located in a non-heated but enclosed portion of the mill building. Current operations involve dump trucks delivering concentrate to a covered railroad load-out station in Winnipeg, Manitoba. A service building located east of the concentrator building and south of the shaft includes the hoist room and compressors. A separate garage/warehouse is located to the south east and the administration offices and shower/change-room is contained in a six unit trailer complex.

Fresh water make-up is supplied by a combination of water from Bucko Lake and underground diamond drill holes from underground. Recycling systems are established to reuse water from the underground operations and the tailings facility to reduce additional water consumption from the make-up sources.

## **History**

The Bucko Lake Deposit was originally acquired in 1959 by Consolidated Marbenor Mines Limited (CMML) and optioned to Falconbridge in 1962 after the drilling of hole M77-B, which intersected 1.54% nickel over 6.3 metres. CMML and Falconbridge conducted numerous follow-up ground and airborne-based magnetic, electromagnetic, seismic refraction and induced polarization surveys on the claims during the 1960s.

The Bucko Lake mineralization was discovered in a 1964 drill program (3,720 m) that tested high priority geophysical targets. By 1970, approximately 53 drill holes totaling about 21,050 m had been drilled. At that time, a decision was made to go underground and conduct an exploration program.

Between 1971 and 1972, an all-weather access road was developed and a three compartment shaft was sunk to the 305 m level (1000' Level). Approximately 915 m of drifting, in the hanging wall, was completed on the 1000' Level and an underground diamond drill program consisting of 12,739 m of coring in 61 holes was completed. The shaft was sunk in the footwall gneisses although the exploration drifting crossed through the mineralization-hosting ultramafic unit into the hanging wall gneisses where the bulk of the development occurred. The mineralized zone was intersected by the drift at the extreme south end of the zone but no substantial development was completed within the body. In 1974 the shaft was capped, allowed to flood and the site demobilized. By late 1974, the property had become dormant.

The reported drilling in and around the Bucko Lake Deposit, between 1972 and 1994 by Falconbridge and CMML consisted of some 130 surface drill holes totaling 43,091 m. Additional geophysical work was completed in 1990 and 6,880 m of additional drilling was completed over nine holes and three wedges.

An internal feasibility study was conducted by Dennis Miller from Falconbridge in 1989. Another study (contracted to Marston Mining Services in 1991) estimated the economics of open pit mining the top part of the ore-body.

A pre-feasibility study, completed in 1994 by Falconbridge, considered a combination of both open pit and underground mining. The results of the study indicated that both the open pit and underground high grade portion of the Bucko Lake ore body were economically extractable at nickel prices in excess of US\$4.09/lb (15% IRR).

In 2000, Nuinsco Resources Ltd. conducted a 4,628 m due diligence drill program 13 holes to confirm some of the Falconbridge results and to test the continuity and projection of certain zones of nickel mineralization. Nuinsco carried out an additional 2,500 m of diamond drilling in the first quarter of 2001.

Crowflight acquired an option to earn an interest in the Bucko Lake property in 2004. The terms of the option were subsequently amended and, in July 2007, Crowflight exercised its option and acquired a 100% interest in the property, subject to certain royalties and other rights retained by Xstrata Nickel Inc.

## **Geological Setting and Mineralization**

### *Regional Geology*

The Thompson Nickel Belt is a 10 km to 35 km wide belt of variably reworked Archean basement gneisses and early Proterozoic cover rocks between the Superior and Churchill Provinces in northern Manitoba. Strong gravity and magnetic expressions allow delineation of the belt and permit its extension beneath platformal cover. It is comprised of gneisses, meta-sedimentary, meta-volcanic and ultramafic rocks and felsic plutons. Most of the meta-sedimentary, meta-volcanic and ultramafic rocks are on the western side of the belt, which also contains the known nickel deposits. The intermediate to felsic gneisses are stratiform in character and have a complex tectonic and metamorphic history. They show an earlier Achaean granulite facies and a pervasive retrograde Proterozoic amphibolite facies metamorphism.

The meta-sedimentary / meta-volcanic assemblages are long, thin, complexly deformed bands. Some are younger and others coeval with the gneisses. Meta-sedimentary sequences include siliceous, calcareous, pelitic and ferruginous rocks of high metamorphic grade and complex metamorphic histories.

A minimum of two structural events have been recognized. Earlier folding produced tight, sub-horizontally plunging synclinal structures. Later cross folding produced sub-vertically plunging folds.

The meta-volcanic pile consists of pillowed and massive meta-basalt flows. They are recrystallized to amphibolites and no primary textures are evident. Associated are magnesian meta-basalt and minor ultramafic flows. Field relationships suggest that the meta-volcanic rocks are coeval with the meta-sedimentary rocks.

The ultramafic rocks have been divided into serpentinite and ultramafic amphibolite units, both of which occur as sheet-like or lenticular concordant bodies in the gneisses. They range from dunite to peridotite to pyroxenite in composition. The general character of the ultramafic rocks suggests that they were originally intruded as sills and are early "Hudsonian" or "pre Hudsonian" in age.

The nickel sulphide deposits are genetically and spatially related to the serpentinite sills. Their present distribution, however, is believed to be the result of re-mobilization during the long and complex tectonic history of the Thompson Nickel Belt.

Sulphides occur as interstitial grains in the serpentinite, as massive and inclusion bearing sulphides on the contact between the serpentinite and the country rocks and as stringers or veins in the serpentinite and

country rocks.

### *Local Geology*

The Bucko Lake property is underlain by Archean gneisses and Proterozoic ultramafic intrusive rocks. The Archean magmatite gneisses have been subdivided into granite gneiss, amphibole gneiss and amphibolite. Granitic gneisses are primarily quartz and potassium feldspar with less than 25% mafic minerals. Amphibole gneisses are 25% to 50% amphibole with the remainder quartz and feldspar. Amphibolites contain more than 60% amphibole.

The Archean gneisses were intruded by Archean ultramafic sills including the Bucko Lake ultramafic that hosts the nickel mineralization on the property. The Bucko Lake ultramafic sill is on the northeast flank of the Resting Lake intrusion and is entirely within granodiorite gneiss. The Bucko Lake ultramafic sill is primarily composed of metamorphosed peridotite and dunite with lesser amounts of olivine orthopyroxenite, poikilitic harzburgite, orthopyroxenite and amphibole bearing peridotite. It is a hook shaped body dipping steeply (75 to 80°) to the east. It is approximately 20m wide at the south end, gradually increasing to over 150 m wide at the north end where it wraps around the nose of a synformal fold structure plunging steeply to the south. The Bucko Lake Sill has been traced near surface over a north-south strike length of approximately 800 m.

Blocks of amphibolite rich gneiss called plagioclase amphibole, ranging from a few metres to over 30 metres in width, occur in the northern part of the ultramafic sill. The larger xenoliths occur within a distinct bulge or keel in the footwall of the ultramafics adjacent to the Hinge Zone. These blocks appear to be xenoliths of country rock incorporated into the sill during its emplacement.

The sill has undergone two stages of metasomatic alteration. First was the serpentinization of the olivine with concurrent alteration of the orthopyroxene to anthophyllite, tremolite and phlogopite. The second stage of alteration, which is superimposed on the serpentinized ultramafics, occurs as envelopes around pegmatite dikes and fractures. The envelopes range from centimeters to meters in width and consist of an outer zone of talc and tremolite, a central zone of fibrous tremolite and an inner zone of phlogopite and minor anthophyllite.

### **Exploration**

Since acquiring its option on the Bucko Resource Block in 2004, Crowflight has funded several programs of advanced exploration and diamond drilling on the property. The first program was conducted from October 2004 to April 2005 with field work completed by Falconbridge on behalf of Crowflight. The operation of the program was assumed by representatives from Crowflight in May 2005. Since May of 2005, Crowflight has conducted infill drilling with the goal of further defining the resources at the project. Work completed includes the drilling of 157 diamond drill holes and analysis of drill core totaling 45,905 m, line-cutting, surface and borehole electromagnetic surveying on selected holes, surface and airborne magnetic surveys, borehole directional surveys, petrographic studies and a bathymetric survey of the lake bottom.

In 2004 and 2005, 30 holes for a total of 14,056 m were completed. The results of this program were used by P&E Mining Consultants of Brampton, Ontario ("P&E") to produce a NI 43-101 compliant report regarding an updated resource estimate for the deposit. The mineable portion of the Indicated Resource at the 1.5% nickel cut-off from the January 2006 P&E report was used to determine an updated Measured Reserve for the deposit which was used to update project economics. This update prepared by Micon, entitled "Feasibility Study for the Bucko Lake Nickel Deposit, Wabowden Manitoba" was released in late January 2006.

The December 2005 P&E report highlighted several areas at Bucko where additional drilling could result in further resource expansion. In response to these recommendations, Crowflight undertook a program of drilling in 2006 with the goal of further enhancing the economics of project. Under this program, Crowflight completed a total of 13,549 m in 29 holes.

In November 2006, P&E undertook a re-estimation of the mineral resources at Bucko Lake incorporating the new results. Based on the results from the 2006 program, mineral resource estimates were updated. Stope design and mine sequencing based on the updated resource was modeled in February 2007 by AST.

During 2007, exploration was carried out in the Thompson Nickel Belt North (TNBN) and Thompson Nickel Belt South (TNBS) Areas of the Xstrata Crowflight JV properties. In both areas diamond drilling and down hole E.M. were conducted. Work in the TNBN area comprised of completion of 6 diamond drill holes totaling some 1840 metres. Results were, from an exploration standpoint, encouraging as varying concentrations of sulphide mineralization was intersected.

The Drilling conducted in the TNBS area was conducted on the Halfway Lake, Apex, Bucko North and M11A areas. Results were similar to those encountered in the TNBN areas but stronger and encouraging enough to plan further work in 2008.

In 2008, Crowflight commissioned 906 km of high resolution Mag and E.M. surveys in the TNBN area and drilled a total of 6,675 metres of diamond drilling. Again the drilling focused on the Apex, Bucko North and Halfway Lake areas. Also, as a result of a J.V. agreement with Pure Nickel on the past producing Manibridge mine property, a 6-hole 2,495 metre diamond drill program was completed.

November of 2009 saw the initiation of a diamond drill program designed to further test the M11 A zone. This program consisted of some 6,675 metres of NQ diamond drilling in 18 holes. This drilling was designed to test theories on plunge and orientation of previously intersected mineralization. Fourteen of the holes intersected nickel mineralization and of those seven cut nickel mineralization > 1.34% in core lengths from 3.15 to 8.15 metres.

2010 did not see the commissioning of any exploration programs as Crowflight was focusing its energies at trying to start up the Bucko Lake mine. As a result a modified agreement was signed with Xstrata to cover the deficiency in exploration expenditures for this year.

For 2011 an exploration program consisting of 2 phases of diamond drilling January to April and then June to November and some target selection work such as soil geochem and detailed ground geophysics has been budgeted for. This work will take place on the Thompson Nickel Belt South and North property areas. A focused program on the M11 A zone is also planned for and it is anticipated that upon completion an economic evaluation of this zone may be made.

## **Drilling**

Crowflight has conducted a number of drill programs on the Bucko Lake property. It has completed infill drilling with the goal of further defining the resources at the project. In 2008, work completed includes the drilling of 80 diamond drill holes and analysis of drill core totaling 13,659 meters. In 2009 and 2010, drilling was done from underground setups to provide better definition and confidence to mine plans from 500 level down to 1,000 level. A total of 313 holes and 22,915 meters of definition drilling were completed over the past two years. The results of this drilling has led to the initiation of remodeling of the mine's hinge zone. It is expected that this should be completed part way through 2011. In summary, drill programs have been conducted to in-fill areas of known mineralization, provide a bulk sample for metallurgical testing and to delineate the extent of known mineralization and explore for potential extensions to the Bucko mineralized zones.

Drill hole sites on surface were located by either DGPS or hand-held GPS prior to drilling. Some drill hole collars were DGPS surveyed at time of completion. Underground drill holes were located and aligned using standard underground survey methods, reconciled upon completion of drilling at each set up. Downhole surveying of all drill holes was completed using Reflex and or Flex-it Single-Shot instruments approximately every 30 m down the hole. When Single-Shot readings were in question, the holes were re-surveyed using a Reflex Maxibor instrument. Most holes upon completion were surveyed from bottom to top using the Maxibor and or LRG Gyro. All core was logged and is stored on a secured compound at the Bucko Mine Site. Drilling core recovery averaged 99.5%. Drill sites were inspected upon completion by Crowflight personnel, and cleaned if necessary. Manitoba Conservation officers were notified upon the completion of drilling for post drilling site inspection. All casings of completed holes were left in the hole and capped. Site locations were marked with a stake and aluminum tags affixed indicating hole number, depth, azimuth, and dip.

### **Sampling Methods and Approach**

A number of independent technical consultants have commented on the historical sampling of drill core as conducted by Falconbridge in the pre-1994 period and more recently by Nuinsco. Roscoe Postle and Associates (RPA) reported that “The Falconbridge holes appear to have been sampled at about 1.5 m (5 feet) spacing unless there was a geologic reason for a shorter sample”. The Falconbridge holes were not sampled for PGEs. MICON International Inc. conducted statistical analysis on the Nuinsco sampling and noted that Nuinsco instituted a program of check assaying in which the pulps and rejects for 50 samples originally assayed by TSL Laboratories (“TSL”) were re-assayed by Lakefield research. The samples were selected to cover a range of assay values from 0.01% nickel to 5.77% nickel, and were taken from seven runs of consecutive samples. While, overall, the 50 check analyses were similar to the original TSL analyses, a more detailed comparison of TSL results to Lakefield results showed that the average variance for each pair of samples is about 3.50%. The entire set of 50 pulp check samples as assayed by TSL have slightly higher values than Lakefield assays and for the subset of samples > 1.5% nickel, the TSL values have an average variance for each pair of samples of about +2.33%. Geologica concluded that Nuinsco and Falconbridge have sampled the drill holes on the basis of lithological and mineralogical criteria with sample intervals varying from 0.30 m to 3.04 m in length. The drill core was sawn prior to sampling and samples were assayed for nickel by TSL Laboratories in Saskatoon. Copper and PGE assays were not performed.

In a 2004 report, Geologica stated that verification sampling indicated that correlation between original and second half core sampling was acceptable. The correlation coefficient was 91% between Geologica samples and Falconbridge-Nuinsco samples. Geologica stated that logging was reasonable and to industry standards and sample descriptions were described as reasonably representative. Further, Geologica stated that the results indicated that the laboratory utilized consistent methodology with good reproducibility. The correlation coefficient between nickel and cobalt values was 98% while a coefficient of 77% was found between nickel and platinum values. Based on the significant PGE assay results Geologica recommended that all future drill core samples be systematically assayed for PGEs.

#### *Sampling Methods*

The core sampling method applied during the 2004 and 2005 drill campaign followed the procedure as set forth in the Thompson Nickel Belt South Diamond Drill Standard Procedures, an adaptation of the El Morro Protocol, the Noranda Generic Drill Site Standard Operating Procedures and the Raglan Diamond Drill Standard Procedures Manual. Technical logging for the Bucko resource delineation and definition drilling (only on the Bucko Resource Block) was done in accordance with procedures outlined by Golder Associates of Sudbury, Ontario. This work was performed by Falconbridge personnel contracted to Crowflight.

Due to the complex history of metamorphism and deformation of the Bucko-Bowden area, the distribution of sulfide mineralization sometimes necessitated the use of multiple overlapping criteria to determine sample intervals. As much as possible no sampling was done across distinct sulfide, lithology or alteration domains. All sulfide-bearing ultramafic rock was assayed.

The maximum sample length was set at 1.5 m, and the minimum sample length was 0.3 m. Where numerous narrow (<0.3 m) intersections of different rock type occurred, sample intervals were based on the dominance of one rock type over the other. In such cases the sample description identifies the rock types and their relative abundance. This situation arose most commonly with:

- the presence of deformed pegmatite dykes in the peridotite and altered ultramafic.
- the presence of peridotite and altered ultramafic xenoliths in pegmatite dykes.
- alternating peridotite and altered ultramafic sometimes with gradational contacts.

Within lithology, sample intervals were based on observations of the alteration styles and intensity. In situations where more than one alteration type occurs over narrow intervals the sample limits were based on the most dominant alteration. Within rock types and alterations, sample intervals were based on sulfides abundance, texture and type. As a rule of thumb, sample intervals had to reflect changes of  $\pm$  3-5% sulfide where the sulfide content was < 10%. In cases where the sulfide content ranges from 10-30%, sample intervals were determined by changes of  $\pm$  5-8% sulfide. Sample intervals within intersections containing > 30% sulfide were determined by changes of  $\pm$  10-20%. Wing samples up hole and down hole to close the sulfide zone were also taken.

On the Bucko resource delineation and definition drilling, core recovery averaged 99.5% while it averaged 97.9% for the Bucko Extension drilling.

#### *Sample Security Procedures*

At least one control standard and one blank were inserted per 40 samples. Three different internal control standards representing different grades were utilized and ideally the standard was selected with similar grade as the samples submitted. The standards were made for the Laval Exploration Group in January 2000, and were mixed from rocks obtained at Raglan. 20 sub-samples of the standard were submitted to Lakefield, Bondar-Glegg, TLS laboratories and X-Ral for a Round Robin survey to determine the working values of the standard for nickel, copper, cobalt and sulphur. The chosen blank was diamond drill core (NQ) pieces coming from the Sudbury barren felsic norite. About a kilo of split blank was submitted. Ten samples were sent in for assay to ALS Chemex to confirm the low metal content.

Quality Assurance/Quality Control results have been periodically reviewed and appropriate action taken when problems were detected as outlined in the Noranda QA/QC protocol.

Once all standards, blanks and (duplicates) were assembled, the core was shipped to Thunder Bay, Ontario for preparation and was subsequently analyzed by ALS Chemex in Vancouver, British Columbia. All ALS Chemex laboratories in Canada are registered under ISO 9001:2000 quality standard. The samples were ground transported by Gardwine North of Thompson. To prevent potential tampering, samples were put in sealed plastic bags. A list of each sealed bag was submitted to the laboratory along with the sample list in each bag. On each bag, bag number, sample number and company name were clearly labeled. Once split, the core was stored in racks or cross-stacked at Wabowden core storage area. All rejects and pulps are to be returned to Wabowden and properly stored so as to not alter their integrity.

#### **Mineral Reserve and Mineral Resource Estimates**

Results from a program of surface and underground drilling completed on the property from 2007 to 2008 were used to produce an updated Mineral Reserve and Resource estimate, with the primary goal of the underground program being the upgrading of reserves in preparation for mining. Based on drill results

from this program and updated information regarding production costs, fully diluted Proven and Probable Reserves at Bucko have increased to 3,708,393 tonnes grading 1.45% nickel. This represents a 22% increase in contained nickel over the 2007 Bankable Feasibility Study (BFS) filed on SEDAR on April 24, 2007.

**Estimated Mineral Reserves and Resources at Bucko as at  
December 31, 2008<sup>(1)</sup>**

<b>Category</b>	<b>Cut-Off Grade</b>	<b>Tonnes</b>	<b>Ni %</b>	<b>Contained Nickel (000 000 lbs)</b>
Proven Reserves <sup>(1)</sup>	1.25%	359,000	1.63	12.9
Probable Reserves <sup>(1)</sup>	1.25%	3,349,1000	1.44	105.3
<b>Total Reserves</b>	<b>1.25%</b>	<b>3,708,000</b>	<b>1.45</b>	<b>118.2</b>
Measured Resources	1.0%	495,000	1.48	16.2
Indicated Resources	1.0%	2,264,000	1.53	76.9
<b>Total Measured and Indicated Resources</b>	<b>1.0%</b>	<b>2,759,000</b>	<b>1.53</b>	<b>93.1</b>
Inferred Resources	1.0%	5,468,000	1.34	161.6
<b>Total Inferred Resources</b>	<b>1.0%</b>	<b>5,468,000</b>	<b>1.34</b>	<b>161.6</b>

(1) Resources are in addition to reserves.

The resource calculations were prepared by Crowflight personnel under the supervision of Greg Collins, P. Geo. and former Vice President of Exploration at Crowflight, a Qualified Person under NI 43-101 guidelines and a professional geoscientist experienced in the determination of mineral resources and reserves. Resource estimates were based on geological data collected by representatives from Crowflight and chemical analysis provided by ALS Chemex. The update incorporates historical exploration information collected by Falconbridge and recent surface and underground drill data collected by Crowflight.

The resource estimates were prepared in accordance with the Canadian Institute of Mining, Metal, and Petroleum (CIM) definition standards regarding Mineral Resources and Reserves. Determination of mineral resources was based on geostatistical block modeling using Gemcom Software utilizing the inverse distance squared method for grade interpolation. Estimates were based on information from 285 surface and underground diamond drill holes. Composite lengths were based on a 1.5 metre ideal interval within resource domain solids. The density of nickel mineralized material was based on bulk density measurements where data was available and a calculated determination of bulk density proportionate to a formula based on nickel content where data was absent. Nickel model interpolation values were primarily established in the Measured Resource category based on a 20 metre diameter search ellipse, Indicated Resources based on a 35 metre search ellipse and Inferred Resources based on a 200 metre search ellipse. Interpreted geological contacts and a 1.0% nickel cut-off grade were used to constrain domains used in the interpolation model.

Resource updates at Bucko were independently reviewed by Eugene Puritch, P.Eng. of P&E Mining Consultants Inc. ("P&E") of Brampton, Ontario. P&E conducted a verification of the estimates prepared by Crowflight and was able to replicate the results within an acceptable margin of variance and has concluded that the methodology employed by Crowflight is consistent with industry standards. Mineral resources that are not reserves do not have demonstrated economic viability. The estimate of mineral

resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.

The mineral reserve estimates were determined by Martin Drennan, P. Eng. of Python Mining Consultants of Hamilton, Ontario, under the supervision of Paul Keller, P. Eng. and COO of Crowflight at the time, both of whom are Qualified Persons under NI 43-101 guidelines and professional engineers experienced in the determination of reserves, from the Measured and Indicated Resource categories verified by P&E. The methodology employed is a geometric approach specific to the mining method specified in the Company's 2007 Updated Bankable Feasibility Study (BFS). Level spacing was based on a 30 metre arrangement to facilitate extraction via sublevel long-hole stoping methods. Minimum mining width has been assumed to be 2.5 metres. Current site operating costs and projected development costs were scheduled into a mine plan and cash flow model based on continued production at 1,000 tonnes per day. A forecast long-term nickel price of US\$6.00 and a 0.81 CAD: US exchange rate was assumed. Mining reserves were established using a 1.25% nickel marginal cut-off grade.

### **Mining Operations**

Commercial production at Bucko Lake Mine was declared in June 2009 and the mine operation was temporarily suspended in November 2009 in order to complete ramp development, review the mining method, accelerate mine development, continue with underground diamond drilling, and to upgrade the backfill plant. At March 26, 2010, Crowflight resumed nickel concentrate shipments from the Bucko Lake Mine. However, due to numerous reasons, the Company was not able to achieve the production target and unit mining cost was very high. In October 2010, the Company temporarily suspended the mining operation at Bucko Lake Mine in order to facilitate the introduction of its own underground mining equipment and team and make readjustments address certain operation issues. The Company is expecting to resume mine operation at Bucko Lake Mine in early April 2010 and expects to mine 220,000 tonnes of ore in 2011 to produce approximately five million pounds of payable nickel. At the current nickel price, the Company expects a total of \$20 million cash generated from the operation at Bucko Lake Mine in 2011.

### **DESCRIPTION OF OTHER EXPLORATION PROPERTIES**

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#### **THOMPSON NICKEL BELT EXPLORATION PROPERTIES (THE "TNB") - MANITOBA**

The Thompson Nickel Belt (TNB) is a geological region located in north central Manitoba known to host large deposits of nickel sulphides. Since discovery in the 1950s, the belt has produced more than four billion pounds of nickel from several mines operated at one point or another by either Inco Limited or Falconbridge Limited. Two deposits owned and operated by Inco (Thompson and Birchtree) are currently in production and in 2005 produced about 70 million pounds of contained nickel. The nickel smelting and refining facilities at Thompson contribute to roughly one-third of total Canadian nickel output.

Under the terms of a jointly signed Exploration Agreement ("Agreement") dated July 11, 2007, the Company 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 by incurring \$13.2 million by December 31, 2013. In 2010, the Company was not able to fulfill the exploration expenditures requirements and entered into an Exploration Option Amending Agreement ("Amending Agreement") with Xstrata. Pursuant to the Amending Agreement, the Company paid Xstrata the amount of \$500,000 in 2010 and is required to incur \$12.7 million option expenditures before December 31, 2013 as follows:

- An initial amount of not less than \$2.5 million during 2007 (incurred);
- An additional amount of not less than \$2.5 million (representing cumulative option expenditures of not less than \$5.0 million) by on or before December 2008 (incurred);

- An additional amount of not less than \$2.5 million (representing cumulative option expenditures of not less than \$7.5 million) by on or before December 2009 (incurred);
- An additional amount of not less than \$2.5 million (representing cumulative option expenditures of not less than \$9.7 million) by December 31, 2011 (a total of \$0.4 million was incurred in 2010, and the cumulative option expenditures incurred as of December 31, 2010 was \$7.7 million);
- Additional amount of not less than \$1.5 million (representing cumulative option expenditures of \$11.2 million) by December 31, 2012; and,
- Additional amount of not less than \$1.5 million (representing cumulative option expenditures of \$12.7 million) by December 31, 2013.

The Company's 100% interest in the TNB 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 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 the Company in carrying out mining operations on the property prior to the back-in, provided that if Xstrata 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.

The TNB South Exploration Properties include (a) the Bowden Lake Nickel Deposit; (b) the M11A Project Area; (c) Apex Zone Project, and (d) Halfway Lake Project located within 30 kilometres of the Bucko Deposit.

The TNB North Project area encompasses 250 square kilometres of mineral claims in six properties (Burntwood River, Birchtree South, Birchtree North, Airport, Moak Lake and Strong Lake) located adjacent to Inco's Thompson and Birchtree mines near the town of Thompson, Manitoba.

In October 2008, the Company announced that it had increased estimates regarding the mineral resources at its Halfway Lake and M11A North nickel deposits in the Thompson Nickel Belt. Using a 1.0% cut-off grade, the estimated inferred mineral resource at the 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. Using a 1.0% nickel cut-off grade, the estimated inferred mineral resource at Halfway Lake is 989,268 tonnes grading 1.20% nickel.

## **PURE NICKEL JOINT VENTURE**

The Company holds an interest in 55 claims totalling approximately 145.3 square kilometers centered around the past-producing Manibridge Nickel Mine, located approximately 20 kilometers 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, 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 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 2 claims containing the Manibridge Deposit. Crowflight contributed 62 claims it owned, including claims held under option from Hudson Bay Exploration and Development Ltd. ("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.

In August 2009, the Company allowed 9 claims totalling 1,100 hectares to expire as no work was planned on the properties in the upcoming season and the prospective potential of these 9 claims was not high enough to warrant their continued maintenance.

There was no activity carried by both joint venture parties in 2010, and the parties are in negotiation to amend the joint venture agreement. As of December 31, 2010, a total of \$504,498 expenditures were allocated to the Company.

Secondly, the Company entered into an option agreement with HBED to acquire a 100% interest in 2 claims ("HBED property") 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. There was no activity at HBED property in 2010, and the Company is in negotiation with HBED to amend the option agreement.

## **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***

Crowflight holds a 100% interest in a 280 hectare property along approximately 2 kilometres of the historically productive Worthington Offset Dyke of the Sudbury Intrusive Complex (SIC, Sudbury Basin). Past production on the AER Kidd property has come from numerous underground and surface workings (Howland Pit, Rosen and Robinson Deposits). The property is subject to an Agreement dated June 9th, 2000 made between AER Nickel Corporation, Toburn Gold Mines Ltd., Patrick J. Sheridan Sr., and Crowflight. Crowflight has fulfilled all its obligations under the terms of this Agreement and has vested a 100% interest in the property subject to a 3% net smelter royalty. There is a \$50,000 advance royalty payment payable semi-annually beginning January 31, 2001. Crowflight may purchase up to 50% of this royalty for \$1.2 million up to the time when commercial production commences.

From December 2003 to August 2004, Crowflight was active on the property, completing 18,000 meters of diamond drilling in 27 holes designed to test a series of geophysical anomalies along a one kilometer segment of the Worthington Offset Dyke, roughly one kilometre northeast of Inco's Totten Deposit.

Eleven of the 27 core drill holes completed intersected sulphide-bearing Quartz Diorite (QD), whereas another 10 core drill holes did not intersect the QD because it was cut-off or displaced, by gabbro dykes or faulting, or oriented differently than predicted. Stringer and massive sulphides were present. The best intersection from this program was in Hole DDH-3AW1 which intersected 19.2 metres (9.8 metres true width) grading 0.80% nickel, 0.48% copper and 1.02 gpt PGM's that included a higher grade 8.3 metre (4.2 metre true width) intersection grading 1.46% nickel, 0.56% copper and 1.31 gpt PGMs.

Deep drilling of an area of the property below Perch Lake targeted a stronger geophysical response and was successful in identifying a 30 metre to 50 metre wide segment of the Worthington Offset Dyke with disseminated sulphides, the occasional sulphide stringers and pervasive mineral alteration suggestive of

marginal or halo-type mineralization surrounding or capping potentially more massive sulphide mineralization at depth.

Crowflight's exploration approach at the AER Kidd Property has been successfully used by companies exploring for Offset, Sublayer or Contact ores in the Sudbury Basin. This work was successful in identifying new mineralized occurrences at depth, but was unsuccessful tying together enough mineralization to constitute a significant new mineral resource. Despite the level of work on the property, Crowflight believes that it is still in the early exploration stages at the AER Kidd Property and that several targets identified during the course of exploration remain untested. The potential remains of deposits on the order of 5 to 10 million tonnes to occur above the 1,000 metre depth and that exploration potential below the 1,000 metre depth are wide open.

There is currently no activity on this property. The Company maintains a 100% interest in the mining patents associated with this property, but the value of the property was written off in 2008. Going forward, and in light of Crowflight's commitments in the Thompson Nickel Belt, including the financing and development of the Bucko Deposit, the Company will look to enter into a joint venture agreement with a third party whereby such third party will fund future exploration activities in order to earn an interest in the AER Kidd Property. Should such efforts fail to result in a joint venture agreement, Crowflight will look to fund advanced exploration from cash flows from the Bucko Deposit, Manitoba once in production or other free cash as it becomes available.

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

Crowflight maintains a 100% undivided interest in 884 mining claim units totaling 442 square kilometres in surface area. These mining claim units are distributed over 7 townships located between the towns of Capreol and Cartier approximately 40 kilometres north of the City of Sudbury.

The Property covers prospective portions of east-west trending corridors running parallel to the North Range footwall contact of the Sudbury Intrusive Contact (SIC, Sudbury Basin) and potential north-south trending Offset structures. These corridors and structures are interpreted to be prospective for the occurrence of Offset Type nickel-copper-PGM and Volcanogenic Massive Sulphide (VMS) Type copper-zinc-silver-gold mineralization.

In 2006, the Company reached an agreement with Wallbridge Mining Company Limited ("Wallbridge") to earn an initial and conditional 50% interest in the Company's interests in the Peter's Roost group of properties. 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 established, by reimbursing Wallbridge 50% of its exploration costs to that point.

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. In January 2008, Wallbridge earned an initial 50% interest in the property and submitted proposals for additional work in 2009. In April 2009, Crowflight granted Wallbridge an extension to the period required to complete minimum exploration expenditures for 2009 and Wallbridge committed to fund additional work on the property in 2010. Under the terms of the Agreement, Wallbridge retains an option right 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 reverting back to the Company. Wallbridge did not fulfill the \$1,000,000 exploration expenditures commitment as of December, 31, 2010 and are in negotiation with the Company to amend the option agreement.

## **DIVIDENDS**

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The constating documents of the Company do not limit its ability to pay dividends on its Common Shares. However, the Company has not paid any dividends since incorporation and the Company does not expect to pay dividends in the foreseeable future. Payment of dividends in the future will be made at the discretion of the Board.

## **DESCRIPTION OF CAPITAL STRUCTURE**

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The authorized capital of the Company consists of an unlimited number of common shares. As of December 31, 2010, there were 641,988,262 common shares issued and outstanding. Subsequent to December 31, 2010, the Company completed a private placement and issued a total of 600 million units, and each unit consists of one common share and one-half of common share purchase warrants. As at the date of this form, there are a total of 1,241,988,262 common shares issued and outstanding.

### **Common Shares**

Holders of Common Shares are entitled to receive notice of and to attend any meetings of shareholders and shall have one vote per share at all meetings, except meetings at which only holders of another class or series of shares are entitled to vote separately as such class or series. Holders of Common Shares are entitled to receive, on a pro rata basis, such dividends, if any, as and when declared by the Board and, upon liquidation, dissolution or winding up of the Company, are entitled to receive on a pro rata basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Common Shares.

## **MARKET FOR SECURITIES**

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### **Trading Price and Volume**

The common shares of the Company commenced trading on the Toronto Stock Exchange on December 3, 2008 under the symbol “CML”, prior to which the common shares traded on the TSX Venture Exchange under the same symbol. The table below shows the price ranges and volume of trading for each month of the year ended December 31, 2010:

<b>Month</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Close (\$)</b>	<b>Average Daily Volume (# of Shares)</b>
December 2010	0.08	0.06	0.07	1,806,600
November 2010	0.11	0.07	0.08	2,022,200
October 2010	0.08	0.05	0.08	4,051,600
September 2010	0.15	0.08	0.08	1,595,600
August 2010	0.15	0.12	0.14	439,600
July 2010	0.15	0.12	0.14	924,200
June 2010	0.19	0.13	0.14	478,800
May 2010	0.21	0.15	0.16	924,200
April 2010	0.25	0.17	0.21	3,976,900
March 2010	0.18	0.15	0.17	615,300

February 2010	0.17	0.15	0.16	904,000
January 2010	0.19	0.15	0.16	668,600

## **DIRECTORS AND OFFICERS**

In December 2010, the Company restructured the Board of Directors and management team. The following table sets forth the name, province of residence, position held with the Company, and principal occupation of each person who is a director/officer or a former director/officer of the Company but hold office in 2010. Unless otherwise stated, all directors hold office until the next annual meeting of shareholders of the Company or until their successors are elected or appointed.

<b>Name and Province of Residence</b>	<b>Position(s) with Company and Period of Service as a Director</b>	<b>Principal Occupation</b>
Wenfeng Liu <sup>(2)(3)</sup> (British Columbia, Canada)	Chairman and Director Since December 2010	Business Executive
Kevin (Xuexin) Zhu (British Columbia, Canada)	Directors since September 2010, Interim CEO since December 2010	Interim Chief Executive Officer of the Company
Myles Gao <sup>(1)(2)(3)</sup> (British Columbia, Canada)	Director since December 2010	Mining Executive
Michal Hibbitts <sup>(1)(2)(3)</sup> (British Columbia, Canada)	Director since December 2010	Mining Executive
John (Zhonghua) Pan <sup>(1)</sup> (British Columbia, Canada)	Director since December 2010	Geologist
Derek Liu (British Columbia, Canada)	Chief Financial Officer and Corporate Secretary since December 2010	CFO and Corporate Secretary of the Company
Rick Sproule (Ontario, Canada)	Vice President of Geology Since October 2010	Vice President of Geology of the Company
Stan Bharti (Ontario, Canada)	Former Chairman and Director from June 2003 to December 2010	Mining financier
Michael Barton (Zug, Switzerland)	Former Director from July 2009 to June 2010	Fund Manager
Maurice Colson (Ontario, Canada)	Director from October 2004 to December 2010	Business Executive
Bruce Humphrey (Ontario, Canada)	Director from September 2007 to December 2010	Mining Executive
Gregory Radke (Luzern, Switzerland)	Director from March 2010 to June 2010	Lawyer/Manager
Bernard Wilson, FCA (Ontario, Canada)	Director from July 2006 to December 2010	Financial Executive and Corporate Director

<b>Name and Province of Residence</b>	<b>Position(s) with Company and Period of Service as a Director</b>	<b>Principal Occupation</b>
Mark Trevisiol (Ontario, Canada)	Former President and CEO Resigned in December 2010	Former President and CEO of the Company
Anna Ladd (Ontario, Canada)	Former Chief Financial Officer Resigned in June 2010	Former Chief Financial Officer of the Company
David Hunter (Ontario, Canada)	Former Chief Financial Officer Resigned in December 2010	Former Chief Financial Officer of the Company
Greg Collins (Ontario, Canada)	Vice President, Exploration Resigned May 2010	Former Vice President, Exploration of the Company
Patrick Gleeson (Ontario, Canada)	Former Corporate Secretary Resigned in December 2010	Former Corporate Lawyer

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- (1) Member of the Audit Committee.  
(2) Member of the Compensation Committee.  
(3) Member of the Corporate Governance and Nominating Committee.

The current directors and officers of the Company, as a group, beneficially own, directly or indirectly, or exercise control over, 306,311,442 common shares, representing approximately 24.7% of the issued and outstanding common shares of the Company as of the date hereof.

The principal occupations, businesses or employments of each of the Company's directors and executive officers within the past five years are disclosed in the brief biographies below.

*Wenfeng Liu, Chairman and Director*, Mr. Liu is a Chinese-Canadian businessman and investor who has numerous business interests and who serves as a principal of Canadian Maple Leaf Investment Ltd. (CMLI). Mr. Liu has held senior positions with Chinese steel producer Hebei Wenfeng Iron and Steel Co., Ltd. from its inception to 2004, as well as senior management and executive positions in various other business corporations in China. In Canada Mr. Liu served as Director of TSXV listed Welichem Biotech Inc. from January 24, 2008 to March 12, 2009.

*Kevin (Xuexin) Zhu, Director and Interim Chief Executive Officer*, Mr. Zhu is a PMI-certified project management professional with 20 years' experience in planning, design and construction management of open pit and underground mines in China and Canada. Prior to joining Crowflight, he worked at Continental Minerals Corporation for two years as project manager of Xietongmen project, two years with Eldorado Gold Corporation as senior mining engineer and chief engineer at Tanjianshan mine, and six years with Sino Gold Limited as senior manager at JCL gold mine and White Mountain project. He holds a Master Degree in Mining Engineering from Laurentian University.

*Myles Gao, Director*, Mr. Gao is a director and the president and chief operating officer of Silvercorp Metals Inc since 2003. He has worked for numerous Canadian mining and exploration companies. He is based part-time in China, where he is also active in sourcing, assessing and acquiring mineral projects for the Company.

*Michael Hibbitts, Director*, Mr. Hibbitts is a professional geologist and senior mining professional with over 30 years of extensive and progressive experience and a proven track record from early exploration through to feasibility, mine development, and production. He has held senior positions at numerous public Canadian mining companies and is currently the Vice President Development and Exploration at Majestic Gold Corp.

*John (Zhonghua) Pan, Director*, Mr. Pan is a geologist with more than 15 years of experience in mineral exploration and mining. He has a doctorate in geology and is currently a consulting geologist with Majestic Gold Corporation.

*Derek Liu, Chief Financial Officer and Corporate Secretary*, Mr. Liu is a professional accountant with over 15 years of diverse international experience in financial reporting, auditing, and accounting. He is a member of Certified General Accountants Association of British Columbia ("CGA, BC") and a Certified Public Accountant ("CPA") in the State of Colorado, USA. Prior to joining the Company, he was the Chief Financial Officer of Prophecy Resource Corp. and held controller position at Silvercorp Metals Inc. from 2006 to 2010. Mr. Liu is also a director and chief financial officer of Maple Leaf Reforestation Inc.

*Rick Spourl, Vice President of Geology*, Mr. Spourl has over 34 years of experience in exploration and geology, with a specific focus on base metals, uranium and gold. He was previously the Senior/Chief Mine Geologist at Goldcorp's Red Lake Mine for eight years. Prior to that, he also worked for Kinross Gold as Mine Geologist and has served on the Board of Directors for various junior mining and exploration companies. Rick has spent a number of years as a consulting geologist handling a portfolio of exploration projects including nickel exploration and evaluation. He holds a Bachelor of Science in geology from Dalhousie University.

*Stan Bharti, former Chairman and Director*, Mr. Bharti has over 25 years of experience in operations, public markets and finance. Over the last ten years Mr. Bharti has been involved in acquiring, restructuring and financing. He is a Professional Mining Engineer and holds a Masters Degree in Engineering from Moscow, Russia and University of London, England. From 2002 to April 2006, Mr. Bharti was a director and past president of Desert Sun Mining Corp. (which was acquired by Yamana Gold Inc. in 2006). In addition, Mr. Bharti is a director of several public and private companies.

*Michael Barton, former Director*, Mr. Barton is a Vice President with Pala Investments AG, the exclusive advisor to Pala Investments Holdings Limited, an investment company focused on the mining and natural resources sector. Prior to joining Pala, from 2004 to 2007, Mr. Barton was at Hatch Corporate Finance, a company specializing in the provision of corporate finance advisory services to the metals and mining industry. Mr. Barton is a qualified chartered accountant (ACA) and a fellow of the Securities and Investment Institute.

*Maurice Colson, former Director*, Mr. Colson has more than 25 years of experience in the Canadian investment industry specializing in sales and corporate finance. Among other accomplishments, he was a co-founder of a small institutional brokerage firm, and was actively engaged in the area of oil and gas and mining finance in Canada, China, Mongolia and Kazakhstan. He currently serves on the board of several mining and natural resource companies.

*Bruce Humphrey, former Director*, Mr. Humphrey is a mining engineer with over 30 years of experience with such major companies as Inco, Cominco and Noranda. He served as the President and Chief Executive Officer of Desert Sun Mining Corp. from October 2004 to April 2006 where he was responsible for the successful development of the Jacobina Mine in Brazil. From May 1998 to May 2004, Mr. Humphrey served as Senior Vice President and Chief Operating Officer at Goldcorp Inc. during the re-development of its high-grade Red Lake mine. He is a member of the Professional Engineers of Ontario.

*Greg Radke, former Director*, Mr. Radke is General Counsel to Pala Investments AG, the exclusive advisor to Pala Investments Holdings Limited, and a director of Coalcorp Mining Inc. Prior to joining Pala, from February 2003 to June 2007, Mr. Radke was a Vice President and Corporate Counsel at Prudential Financial, Inc., responsible for all aspects of legal and transactional oversight of the pan-Asian and Mexican/Latin American asset management businesses of its Pramerica Real Estate Investors division. He participated in the formation and management of investment funds for institutional investors

from Asia, Australia, Europe, the Middle East and North America. Mr. Radke received a J.D. from Columbia University and a B.A., magna cum laude, from Harvard University.

*Bernard Wilson, FCA, former Director*, Mr. Wilson is a senior financial professional. He is the former Vice-Chairman of PriceWaterhouseCoopers LLP. Further, Mr. Wilson is the Chairman of the Founders Board of the Institute of Corporate Directors. Mr. Wilson has served as Chairman of the Canadian Chamber of Commerce; Chairman of the International Chamber of Commerce – Canada; and Member of the Canada/US Trade Committee. Mr. Wilson was awarded his FCA designation from the Canadian Institute of Chartered Accountants, a designation that is limited to 3% of the members of the Institute. He is also the Founder of the Institute of Corporate Directors’ formal directors’ education program and was the first Canadian to be awarded the ICD.D accreditation. He received his Commerce Degree from St Francis Xavier University and later his Doctor of Laws (Hons.) He also completed post-graduate studies in Alternative Dispute Resolution at Harvard Law School.

*Mark Trevisiol, former President and Chief Executive Officer*, Mr. Trevisiol has over 21 years of management experience in the base metals industry, 18 of which have been spent specifically in the nickel sector. Prior to joining Crowflight, Mr. Trevisiol was Chief Operating Officer of Liberty Mines, where he was responsible for their mining and milling operations in Timmins, Ontario. Formerly General Manager of Business Development & Strategy of Xstrata Nickel Sudbury Operations, Mr. Trevisiol spent 18 years with Falconbridge Ltd. in various roles, including General Manager of the Sudbury Smelter business unit, Production Manager of the Sudbury smelter and Superintendent of the Kidd Creek operations. He obtained a mechanical engineering degree from the University of Waterloo and is also currently the President and CEO of Auger Resources Inc., a private exploration company.

*Anna Ladd, former Chief Financial Officer*, Ms. Ladd is a Certified Management Accountant. Prior to becoming the Chief Financial Officer of the Company in May 2008, from November 2006 to May 2008, she was the Group Controller for North America at Kinross Gold Corporation, and prior thereto, from January 2006 to October 2006, she was the Mine Controller at Grande Cache Coal Corporation. Prior to that, she spent six years with ValeInco at its Thompson and Sudbury Operations. She also serves as the Chief Financial Officer of Kria Resources Ltd. She obtained a Masters of Arts (Economics) from Queen's University in Kingston, Ontario and a Bachelor of Commerce degree from the University of British Columbia.

*David Hunter, former Chief Financial Officer*, Mr. Hunter was admitted to the Ontario Institute of Chartered Accountants (CA) in 1996 after training with some of the largest national accounting firms. He has extensive experience in setting up financial systems for growing companies to ensure they meet proper financial governance. Aside from public accounting experience, he has served in senior financial roles including Vice President, Director and Controller in both public and private companies. He earned an MBA in accounting and finance from the University of Toronto.

*Greg Collins, former Vice President, Exploration*, Mr. Collins is a Professional Geologist. Prior to becoming Vice President of Exploration of the Company in 2007, he was a senior exploration geologist with Falconbridge Limited from 2001 to 2005 where he managed nickel exploration programs for company operations at Raglan, in northern Quebec. Mr. Collins worked as an exploration geologist for Falconbridge and Noranda from 1994 to 2005. He obtained a Bachelor of Applied Science from Queen’s University.

*Patrick Gleeson, former Corporate Secretary*, Mr. Gleeson is a lawyer in the Province of Ontario. Prior to joining the Company in April 2007, from September 2002 to April 2007, he was a lawyer at Cassels Brock & Blackwell LLP.

## **Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

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

No director or executive officer of Crowflight, or a shareholder holding sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **Conflicts of Interest**

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or have significant shareholdings in other reporting companies. For a list of the other reporting issuers in which directors of the Company also serve as directors, please see the 2010 Management Information Circular of the Company and the above biographies of Myles Gao, Derek Liu, Stan Bharti, Michael Barton, and Greg Radke. Please also see the information above regarding certain existing conflicts of interest involving members of the Board under the heading "*Narrative Description of the Business - Risks of the Business - Conflicts of Interest*". To the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will remove themselves from the room during any discussion of the matter. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. Under the laws of Canada, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

## AUDIT COMMITTEE DISCLOSURE

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National Instrument 52-110 - *Audit Committees* of the Canadian Securities Administrators ( “NI 52-110 ” ) requires the Corporation to have a written audit committee charter and to make the disclosure required by Form 52-110F2.

### **Audit Committee Charter**

Please find attached as Schedule A hereto, a copy of the Charter of the Audit Committee of the Board of Directors, which has been adopted by the Board in order to comply with NI 52-110 and to more properly define the role of the Committee in the oversight of the financial reporting process of the Corporation. Nothing in the Charter is intended to restrict the ability of the Board or Committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

### **Composition of the Audit Committee**

The Corporation’ s audit committee is comprised of three directors, Michael Hibbitts (Chair), Myles Gao, and John (Zhonghua) Pan. Each member of the audit committee is independent of the Corporation and financially literate; as such terms are defined in NI 52-110.

#### *Relevant Education and Experience*

The following provides a brief summary of the qualifications of each member of the Audit Committee.

Mr. Hibbitts is a professional geologist and senior mining professional with over 30 years of extensive and progressive experience and a proven track record from early exploration through to feasibility, mine development, and production. He has held senior positions at numerous public Canadian mining companies and is currently the Vice President Development and Exploration at Majestic Gold Corp.

*Myles Gao, Director*, Mr. Gao is a director and the president and chief operating officer of Silvercorp Metals Inc since 2003. He has worked for numerous Canadian mining and exploration companies. He is based part-time in China, where he is also active in sourcing, assessing and acquiring mineral projects for the company.

*John (Zhonghua) Pan, Director*, Mr. Pan is a geologist with more than 15 years experience in mineral exploration and mining. He has a doctorate in geology and is currently a consulting geologist with Majestic Gold Corporation.

### **Audit Committee Oversight**

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

### **Reliance on Certain Exemptions**

At no time since the commencement of the Corporation’ s most recently completed financial year has the Corporation relied on any available exemption regarding the composition, responsibilities or otherwise of the Audit Committee.

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

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services.

## **External Auditor Service Fees**

### *Audit Fees*

In January 2011, the Company's external auditors were changed to Ernst & Young LLP ( "Ernst & Young" ). The audit fee for the year ended December 31, 2010 was \$80,000. The former auditors, McGovern, Hurley, Cunningham, LLP, Chartered Accountants ("McGovern"), billed the Company \$72,879 for the fiscal year ended December 31, 2009, for audit fees.

### *Audit-Related Fees*

McGovern billed the Corporation \$91,708 and \$48,874 in the fiscal years ended December 31, 2010 and 2009, respectively, for assurance and related services related to the performance of the audit or review of the Corporation's financial statements, which are not included in audit fees.

### *Tax Fees*

The fee for tax compliance service for the year ended December 31, 2010 is \$9,500. McGovern billed the Company \$2,000 in the fiscal years ended December 31, 2009. These fees were in connection with assistance provided to the Corporation in the preparation and filing of its annual tax returns.

### *All Other Fees*

The Auditors billed the Corporation nil in both of the fiscal years ended December 31, 2010 and 2009, for other services not included above.

## **PROMOTERS**

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To the best of the Company's knowledge, no person or company has been within the three most recently completed fiscal years, or is during the current fiscal year, a promoter of the Company.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

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During the year ended December 31, 2010, four suppliers or contractors of the Company registered liens against the Company's Bucko Lake Mine. Dumas Contracting Ltd ( "Dumas" ), the former mining contractor of the Company filed a statement of claim for the amount of \$7,128,383 against the Company in December 2010. Subsequent to December 31, 2010, the Company reached settlement agreement with Dumas and Dumas agreed to discharge the liens and pending legal actions against of the Company. As of the date of this report, all liens against Bucko Lake Mine have been removed or in the process to be removed.

Outstanding legal issue related to a claim made by Met-Chem Canada Inc. ( "Met-Chem" ) against the Company for the amount of \$260,000, plus interest at the Royal Bank of Canada Prime Rate + 2% from March 2009 to date of payment. No formal action commenced by Met-Chem to enforce claim for payment. The Company claims for damages and/or set-off to Met-Chem debt currently under review by counsel.

Outstanding legal issue related to a claim made by a former employee, who left the Company in 2009, against the Company for damages for alleged wrongful dismissal and alleged payment of a bonus of \$30,000. The Company has responded with a statement of defence. The parties have not yet set dates for examination for discovery. As at December 31, 2010, in the legal process the likelihood of successfully defending the claim and ultimate value of the claim are not determinable.

There have been no penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the fiscal year ended December 31, 2010, or any other time that would likely be considered important to a reasonable investor making an investment decision in the Company. The Company has not entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority during the fiscal year ended December 31, 2010.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

None of the directors, executive officers or principal shareholders of the Company and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction within the past three years or in any proposed transaction that has materially affected or will materially affect the Company or any of its subsidiaries, other than:

- During the year ended December 31, 2010, the Company entered into three convertible debenture notes with King Place to raise gross proceeds of \$23,050,000, which could be converted into common shares at a conversion price equal to five-day Volume Weighted Adjusted Price (VWAP) on the TSX at the time of conversion less the maximum discount allowed under TSX regulations, subject to the Company not issuing an aggregate of more than 58,356,471 common shares of Crowflight in total without prior approval from a simple majority of disinterested shareholders.
- In June 2010, Pala sold all 152,311,221 common shares and 50,588,235 warrants of the Company to King Place for \$30.75 million. As a result of this transaction, a change of control of the Company was triggered, and King Place became the largest shareholders and held approximately 42.3% of then-issued and outstanding common shares of the Company.
- In 2009, King Place participated in private placement financing of the Company to purchase 80,000,000 common shares at a price of \$0.25 per share for an aggregate purchase price of \$20,000,000.
- In connection with its purchase of securities of the Company on July 2009, the Company granted Pala the right to nominate two persons to the Board.
- Pala holds a significant shareholding in Dumas, which was the mining contractor, engaged by the Company at the Bucko Lake Mine.
- Pala submitted the Expression of Interest to the Company In January 2010.
- Pala participated in the private placement financing of the Company completed on February 19, 2010 pursuant to which Pala purchased 36,231,250 common shares at a price of \$0.16 per common share for an aggregate purchase price of \$5,797,000.
- The Company has entered into a service and administration agreement with Forbes & Manhattan, Inc., which is controlled by Stan Bharti, a former director of the Company. The Company pays Forbes & Manhattan, Inc. a monthly fee of \$5,000.

## **TRANSFER AGENTS AND REGISTRARS**

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The Company's transfer agent is Equity Transfer and Trust Company, located in Toronto, Ontario.

## **MATERIAL CONTRACTS**

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During the year ended December 31, 2010, the Company did not enter into any material agreements, other than those entered into in the ordinary course of business and the convertible debentures notes with King Place to raise \$23,050,000 through private placement financing.

## **INTERESTS OF EXPERTS**

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J. Gregory Collins and Paul D. Keller (both of whom were officers of the Company at the time of the Technical Report), Martin Drennan of Python Mining Consultants Inc. and Eugene J. Puritch of P&E Mining Consulting Inc., were the authors of the Technical Report.

To the knowledge of the Company, none of the aforementioned individuals had an interest in any securities or other properties of the Company, its associates or affiliates as at the date the individual prepared the applicable report and as at the date hereof, other than Mr. Collins who holds 40,000 common shares and 875,000 stock options, and Mr. Keller who holds 1,500,000 stock options. In 2009, Mr. Keller resigned as the Chief Operating Officer of the Company. In 2010, Mr. Collins resigned as the Vice President, Exploration.

The Auditors are independent of the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

## **ADDITIONAL INFORMATION**

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Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under the Company's stock option plan is contained in the management Information Circular of the Company.

Additional financial information is provided in the Company's annual financial statements and management discussion and analysis for the year ended December 31, 2010. These documents and other information about the Company can be found on SEDAR under the Company's profile at [www.sedar.com](http://www.sedar.com).

## SCHEDULE A

### CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

#### I. PURPOSE

The Audit Committee shall provide assistance to the Board of Directors of Crowflight Minerals Inc. (the “Company”) in fulfilling its financial reporting and control responsibilities to the shareholders of the Company and the investment community. The external auditors will report directly to the Audit Committee. The Audit Committee’s primary duties and responsibilities are to:

- Oversee the accounting and financial reporting processes of the Company, and the audit of its financial statements, including: (i) the integrity of the Company’s financial statements; (ii) the Company’s compliance with legal and regulatory requirements; and (iii) the independent auditors’ qualifications and independence.
- Serve as an independent and objective party to monitor the Company’s financial reporting processes and internal control systems.
- Review and appraise the audit activities of the Company’s independent auditors.
- Provide open lines of communication among the independent auditors, financial and senior management, and the Board of Directors for financial reporting and control matters, and meet periodically with management and with the independent auditors.

#### II. COMPOSITION

The Audit Committee shall be comprised of at least three directors. Each Committee member shall be an “independent director” within the meaning of National Instrument 52-110 – *Audit Committees* (“NI 52-110”), as may be amended from time to time. Pursuant to NI 52-110, a member will be considered “independent” if he has no direct or indirect, material relationship with the Company. NI 52-110 sets forth certain relationships which deem one not to be independent. In addition, the composition of the Audit Committee shall comply with the rules and regulations of the Toronto Stock Exchange and any other stock exchange on which the shares of the Company are listed, subject to any waivers or exceptions granted by such stock exchange.

In addition, a director shall not be qualified to be a member of the Audit Committee if such director (i) is an “affiliated person” or (ii) receives (or his/her immediate family member or the entity for which such director is a director, member, partner or principal and which provides consulting, legal, investment banking, financial or other similar services to the Company), directly or indirectly, any consulting, advisory, or other compensation from the Company other than compensation for serving in his or her capacity as member of the Board and as a member of Board committees. An “affiliated person” means a person who directly or indirectly controls the Company, or a director, executive officer, partner, member, principal or designee of an entity that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company.

All members shall, to the satisfaction of the Board of Directors, be financially literate in accordance with the requirements of the NI 52-110 (i.e. will have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the

Company’ s financial statements). At least one member shall have accounting or related financial management expertise to qualify as a “financial expert” . A person will qualify as “financial expert” if he or she possesses the following attributes:

1. an understanding of financial statements and generally accepted accounting principles used by the Company to prepare its financial statements;
2. an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
3. experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’ s financial statements, or experience actively supervising one or more persons engaged in such activities;
4. an understanding of internal controls and procedures for financial reporting; and
5. an understanding of audit committee functions.

The Committee members will be elected annually at the first meeting of the Board of Directors following the annual general meeting of shareholders.

Quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee or such greater number as the Committee shall be resolution determine.

### **III. RESPONSIBILITIES AND POWERS**

Responsibilities and powers of the Audit Committee include:

- Annual review and revision of this Charter as necessary with the approval of the Board of Directors provided that this Charter may be amended and restated from time to time without the approval of the Board of Directors to ensure that that the composition of the Audit Committee and the Responsibilities and Powers of the Audit Committee comply with applicable laws and stock exchange rules.
- Making recommendations to the Board of Directors regarding the selection, the appointment, evaluation, fees and compensation and, if necessary, the replacement of the independent auditors, and assisting in resolving any disagreements between management and the independent auditors regarding financial reporting.
- Approving the appropriate audit engagement fees and the funding for payment of the independent auditors’ compensation and any advisors retained by the Audit Committee.
- Ensuring that the auditor’ s report directly to the Audit Committee and are made accountable to the Board and the Audit Committee, as representatives of the shareholders to whom the auditors are ultimately responsible.
- Confirming the independence of the auditors, which will require receipt from the auditors of a formal written statement delineating all relationships between the auditors and the Company and any other factors that might affect the independence of the auditors and reviewing and discussing with the auditors any significant relationships and other factors identified in the statement. Reporting to the Board of Directors its conclusions on the independence of the auditors and the basis for these conclusions.

- Overseeing the work of the independent auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services.
- Ensuring that the independent auditors are prohibited from providing the following non-audit services and determining which other non-audit services the independent auditors are prohibited from providing:
  - bookkeeping or other services related to the accounting records or financial statements of the Company;
  - financial information systems design and implementation;
  - appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
  - actuarial services;
  - internal audit outsourcing services;
  - management functions or human resources;
  - broker or dealer, investment adviser or investment banking services;
  - legal services and expert services unrelated to the audit; and
  - any other services which the Public Company Accounting Oversight Board determines to be impermissible.
- Pre-approving all audit services, internal control related services and approving any permissible non-audit engagements of the independent auditors, in accordance with applicable legislation.
- Meeting with the auditors and financial management of the Company to review the scope of the proposed audit for the current year, and the audit procedures to be used.
- Meeting quarterly with auditors in “in camera” sessions to discuss reasonableness of the financial reporting process, system of internal control, significant comments and recommendations and management’ s performance.
- Reviewing with management and the independent auditors:
  - the Company’ s annual financial statements (and interim financial statements as applicable) and related footnotes, management’ s discussion and analysis and the annual information form, for the purpose of recommending approval by the Board of Directors prior to its release, and ensuring that:
    - management has reviewed the audited financial statements with the audit committee, including significant judgments affecting the financial statements
    - the members of the Committee have discussed among themselves, without management or the independent auditors present, the information disclosed to the Committee

- the Committee has received the assurance of both financial management and the independent auditors that the Company's financial statements are fairly presented in conformity with Canadian GAAP in all material respects
  - Any significant changes required in the independent auditors' audit plan and any serious issues with management regarding the audit.
  - the Company's internal controls report and the independent auditors' certification of the report, and review disclosures made to the Committee by the CEO and CFO about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.
  - Other matters related to the conduct of the audit that are to be communicated to the Committee under generally accepted auditing standards.
- Satisfying itself that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than the public disclosure described in the preceding paragraph, and assessing the adequacy of such procedures periodically.
  - Reviewing with the independent auditors and management the adequacy and effectiveness of the financial and accounting controls of the Company.
  - Establishing procedures: (i) for receiving, handling and retaining of complaints received by the Company regarding accounting, internal controls, or auditing matters, and (ii) for employees to submit confidential anonymous concerns regarding questionable accounting or auditing matters.
  - Reviewing with the independent auditors any audit problems or difficulties and management's response and resolving disagreements between management and the auditors and reviewing and discussing material written communications between management and the independent auditors, such as any management letter of schedule of unadjusted differences.
  - Making inquires of management and the independent auditors to identify significant business, political, financial and control risks and exposures and assess the steps management has taken to minimize such risk to the Company.
  - Making inquires of management and the independent auditors to identify significant business, political, financial, litigation and control risks and exposures and assess the steps management has taken to minimize such risk to the Company.
  - Assessing the overall process for identifying principal business, political, financial, litigation and control risks and providing its views on the effectiveness of this process to the Board.
  - Ensuring that the disclosure of the process followed by the Board of Directors and its committees, in the oversight of the Company's management of principal business risks, is complete and fairly presented.
  - Obtaining reports from management, the Company's independent auditors that the Company is in conformity with legal requirements and the Company's Code of Business Conduct and Ethics and reviewing reports and disclosures of insider and affiliated party transactions.

- Discussing any earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.
- Ensuring adequate procedures are in place for review of the Company's disclosure of financial information and assess the adequacy of these procedures at least once per year.
- Reviewing of confirmation of compliance with the Company's policies on internal controls, conflicts of interests, ethics, foreign corrupt practice, etc.
- Ensuring that the Company's Annual Information Form and the Company's Management Information Circular contains the disclosure as required by law, including that required by NI 52-110.
- Reviewing with financial management and the independent auditor's interim financial information, including interim financial statements, management discussion and analysis and financial press releases for the purpose of recommending approval by the Board of Directors prior to its release.
- At least annually obtaining and reviewing a report prepared by the independent auditors describing (i) the auditors' internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditors, or by any inquiry of investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditors, and any steps taken to deal with any such issues; and (iii) all relationships between the independent auditors and the Company (to assess auditors' independence).
- Reviewing and approving hiring policies for employees or former employees of the past and present independent auditors.
- Reviewing disclosure by management in the event that management deviates from existing approved policies and procedures which disclosure must also must be contained in financial reporting sub-certification forms.
- Engaging independent counsel and other advisors, without seeking approval of the Board of Directors or management, if the Committee determines such advisors are necessary to assist the Committee in carrying out its duties and setting and paying for any counsel or advisors employed by the Audit Committee for such purpose. The Committee shall advise the Board of Directors and management of such engagement.
- Discussing with the Company's legal counsel legal matters that may have a material impact on the financial statements or of the Company's compliance policies and internal controls.
- Conducting special investigations, independent of the Board of Directors or management, relating to financial and non-financial related matters concerning the Company and/or any one or more of its directors, officers, employees, consultants and/or independent contractors, if determined by the Committee to be in the best interests of the Company and its Shareholders. The Committee shall advise the Board of Directors with respect to the initiations of such investigations and shall periodically report any findings such investigation to the Board of Directors.
- Reporting annually to the shareholders in the Company's Annual Information Form on the carrying out of its responsibilities under this charter and on other matters as required by applicable securities regulatory authorities.

#### **IV. MEETINGS**

The Audit Committee will meet regularly at times necessary to perform the duties described above in a timely manner, but not less than four times a year and any time the Company proposes to issue a press release with its quarterly or annual earnings information. Meetings may be held at any time deemed appropriate by the Committee.

The Audit Committee shall meet periodically in separate executive sessions with management (including the Chief Financial Officer), the internal auditors and the independent auditor, and have such other direct and independent interaction with such persons from time to time as the members of the Audit Committee deem appropriate. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The independent auditors will have direct access to the Committee at their own initiative.

The Chairman of the Committee will report periodically the Committee's findings and recommendations to the Board of Directors.