



crowflight minerals inc.

2004 ANNUAL REPORT



crowflight minerals inc.

Dear Shareholders,

This past year has been a year of transition and considerable progress for your company. In 2003, the Company emerged as a new and key junior mineral exploration player in the Sudbury Basin focused on Nickel, Copper and Platinum Group Minerals. Armed with a new Board of Directors, new management team, exploration funds and no debt and liabilities, the Company has aggressively initiated exploration work programs from a pipeline of advanced, mid-stage and grassroots projects in the Sudbury area.

Crowflight's property portfolio includes the AER-Kidd, Airport Joint Venture and Marble Mountain Properties.

The more advanced AER-Kidd project straddles the Worthington Offset Dyke, adjacent and contiguous to Inco's Totten Deposit (10.1 million tonnes grading 1.5 % Ni, 2.0 % Cu and 4.8 g/t PGE's), to the southwest, and Inco's prospective McIntyre Project to the northeast.

During the year, Crowflight earned acquired a 50% interest in the Airport project from Millstream Mines Ltd. The Airport project is located southeast of the Basin about 4 km southeast of Falconbridge's recent Nickel Rim South high-grade Cu-Ni-Co-Au-PGE's discovery (13.2 million tonnes grading 1.7% Ni, 3.5 % Cu, 0.04% Co, 0.8 g/t Au and 4.1 g/t Pt+Pd).

At the Marble Mountain project, Crowflight acquired a 6.5 kilometre strike length of a previously unrecognized offset dyke, which appears to be the western extension of the Parkin Offset immediately to the west of the property.

As your new President, I am committed to maximizing shareholder value through (1) discovering and adding high quality metal resources in the Sudbury Basin, and other Nickel-Copper-PGM's environments, principally in Canada; (2) advancing projects using efficient exploration from a number of advanced, mid-stage and grassroots projects that show an excellent upside potential; and (3) responding to your needs and request for information.

I am looking forward to 2004 with great enthusiasm and positive growth in metal resources.

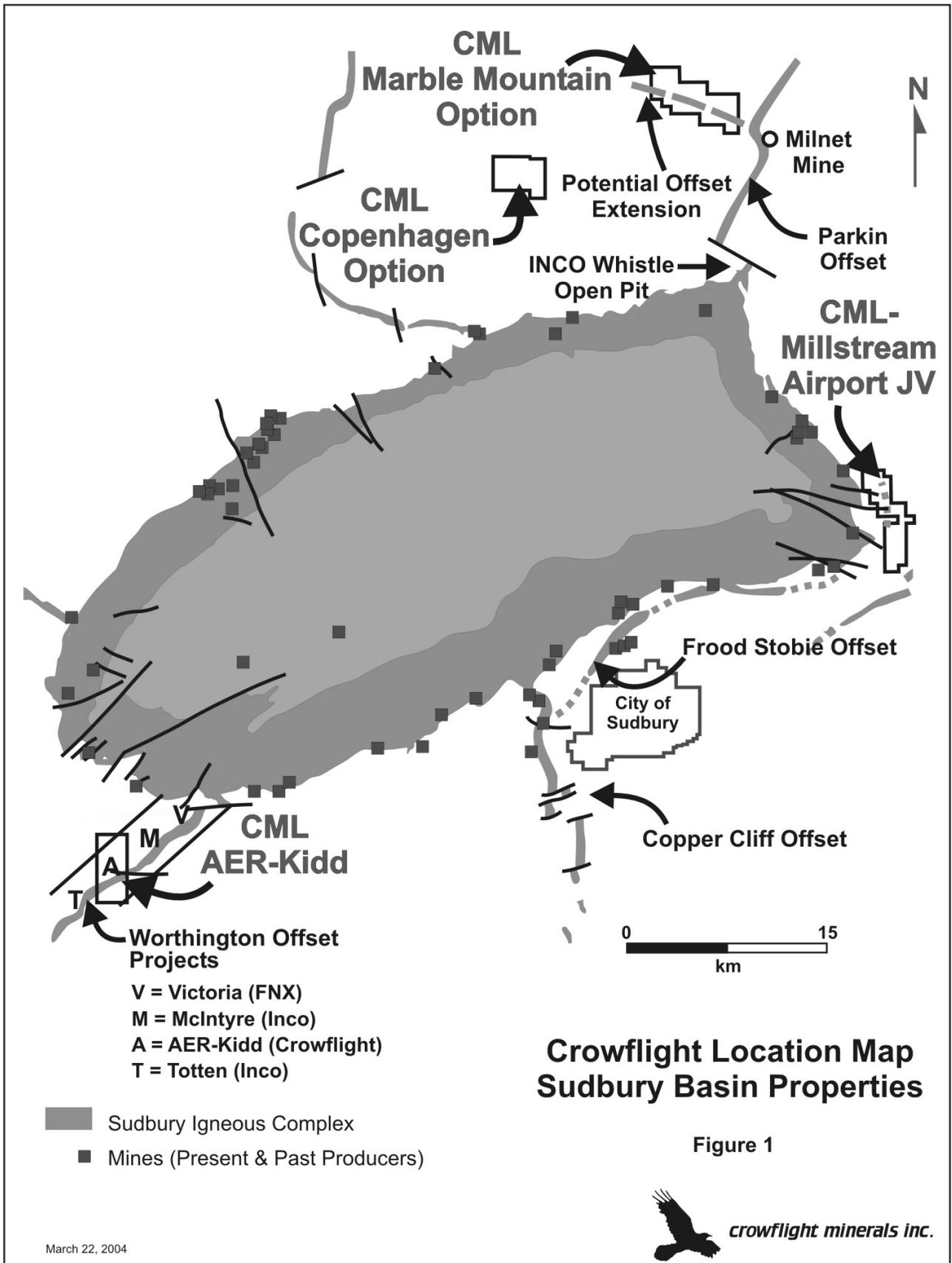
Thank you for your continuing support.

Yours sincerely,

Jean Lafleur, P.Geo.

President and C.E.O.

April 13, 2004



March 22, 2004

CROWFLIGHT MINERALS INC.

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

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting of the shareholders of Crowflight Minerals Inc. (the "Corporation") will be held at Suite 815, 65 Queen Street West, Toronto, Ontario M5H 2M5 on Tuesday, the 17th day of May, 2004, at 4:30 p.m. (Toronto time) for the following purposes:

1. to receive and consider the audited financial statements of the Corporation for the fiscal year ended December 31, 2003, together with the report of the auditors thereon;
2. to elect directors;
3. to appoint auditors and to authorize the directors to fix their remuneration;
4. to approve the Corporation's Stock Option Plan; and
5. to transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

This notice is accompanied by a form of proxy, a management information circular, the audited consolidated financial statements of the Corporation for the fiscal year ended December 31, 2003 and a supplemental mailing list form. Shareholders who are unable to attend the meeting in person are requested to complete, date, sign and return the enclosed form of proxy so that as large a representation as possible may be had at the meeting.

DATED at Toronto, Ontario as of the 13th day of April, 2004.

BY ORDER OF THE BOARD

(Signed)

Gerald McCarvill, Chairman

CROWFLIGHT MINERALS INC.

MANAGEMENT INFORMATION CIRCULAR AS AT AND DATED APRIL 13, 2004

Solicitation of Proxies

THIS INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF CROWFLIGHT MINERALS INC. (THE "CORPORATION") OF PROXIES TO BE USED AT THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS OF THE CORPORATION AND ANY ADJOURNMENT THEREOF (THE "MEETING") TO BE HELD AT THE TIME AND PLACE AND FOR THE PURPOSES SET FORTH IN THE ENCLOSED NOTICE OF MEETING. It is expected that the solicitation will be primarily by mail but proxies may also be solicited personally by regular employees of the Corporation at nominal cost. The cost of solicitation by management will be borne directly by the Corporation.

Appointment and Revocation of Proxies

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

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

Voting of Proxies

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

Non-Registered Holders

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

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

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

Voting Securities and Principal Holders Thereof

The authorized capital of the Corporation consists of an unlimited number of Common Shares. As of April 13, 2004, the Corporation had issued and outstanding 50,727,541 Common Shares.

The Corporation shall make a list of all persons who are registered holders of Common Shares on April 13, 2004 (the "Record Date") and the number of Common Shares registered in the name of each person on that date. Each shareholder is entitled to one vote for each Common Share registered in his name as it appears on the list except to the extent that such shareholder has transferred any of his shares after the Record Date and the transferee of those shares produces properly endorsed share certificates or otherwise establishes that he owns the shares and demands, not later than ten days before the Meeting, that his name be included in the list. In such case the transferee is entitled to vote his Common Shares at the Meeting.

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

Election of Directors

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

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

Name and Municipality of Residence	Principal Occupation	Director Since	Number of Shares Beneficially Owned or Over which Control is Exercised⁽¹⁾
Stan Bharti Toronto, Ontario	Business Consultant	June 26, 2003	1,449,333
Paul A. Carroll Toronto, Ontario	Independent Businessman	June 26, 2003	50,000
Bryson Farrill London, England	Independent Businessman	July 22, 2003	Nil
Gerald McCarvill Toronto, Ontario	Chairman of the Corporation	June 26, 2003	1,449,333
Keith Minty Toronto, Ontario	Mining Engineer	June 26, 2003	20,000
William Pearson Thornhill, Ontario	Professional Geoscientist	December 11, 2003	Nil

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

IF ANY OF THE FOREGOING NOMINEES IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR, PROXIES IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR ANOTHER NOMINEE IN

THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN THE ELECTION OF DIRECTORS.

Each of the Nominees has been principally engaged in the occupation set opposite his or her name for the past five years, with the following exceptions:

Bryson Farrill is a senior executive with extensive experience in the financial sector. From 1974 to 1979 Mr. Farrill held the position of President, McLeod Young Weir Ltd., a Toronto based investment bank. Between 1978 and 1989 he was Chairman of Scotia McLeod (USA) Inc. Most recently Mr. Farrill has been engaged as a senior partner at Belgravia Financial Ltd., a London based merchant bank.

William Pearson is an Economic geologist with over 28 years experience in the national and international mining industry. He received a B.Sc. in Geology Honours in 1974 from UBC and M.Sc. and Ph.D. degrees in 1977 and 1980, respectively from Queen's University. He has experience in all phases of mining from grassroots exploration through to advanced exploration, mine development and underground/open pit production in a wide variety of geological environments for precious metals, base metals and industrial minerals. Over his career he has been a consultant to, an officer of and a director of a number of junior mining companies and has authored numerous technical reports for financings, due diligence reviews, acquisitions and pre-feasibility and feasibility studies. Projects have been completed across Canada and in thirteen countries in South America, Europe, Australia and Africa.

Executive Compensation

(a) Compensation of Officers

The following table summarizes the compensation paid during the last three financial years ended December 31, 2003, 2002 and 2001 in respect of the individuals who were, at each year-end, carrying out the role of the Chief Executive Officer of the Corporation and/or those executive officers whose total salary and bonuses exceeded \$100,000 during the financial year ended December 31, 2003 (the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

Name and Principal Position	Annual Compensation				Long Term Compensation			
	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options SAR Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	All Other Compensation (\$)
Jean Lafleur, President & C.E.O. ⁽¹⁾	2003	Nil	Nil	25,000	125,000 ⁽²⁾	Nil	Nil	Nil
	2002	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2001	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Keith Minty Past President ⁽¹⁾	2003	Nil	Nil	55,000	200,000 ⁽³⁾	Nil	Nil	Nil
	2002	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2001	Nil	Nil	Nil	Nil	Nil	Nil	Nil
James M. Brady Past President ⁽¹⁾	2003	Nil	Nil	34,000	Nil	Nil	Nil	Nil
	2002	Nil	Nil	24,000	1,000,000	Nil	Nil	Nil
	2001	Nil	Nil	24,000	200,000	Nil	Nil	Nil

- Notes: (1) Mr. Minty replaced Mr. Brady as President of the Corporation on June 5, 2003. Mr. Lafleur became President of the Corporation on March 1, 2004.
(2) On December 11, 2003, Mr. Lafleur was granted 125,000 options at \$0.62 which expire on December 11, 2008.
(3) On June 5, 2003, Mr. Minty was granted 200,000 options at \$0.20 which expire on June 5, 2008.

(b) Stock Option Plan

Currently, the Corporation has a "fixed" stock option plan which permits the granting of up to 4,900,000 options. Shareholders will be asked to implement a new stock option plan whereby the number of options available for

grant will be a "rolling" plan based on 10% of the issued and outstanding common shares of the Corporation. Reference is made to the heading "Stock Option Plan - 2004".

(c) Option Grants in Fiscal Year Ended December 31, 2003

Stock options granted to the Named Executive Officers during the fiscal year ended December 31, 2003 are provided in the table below. Additionally, see Note (2) to the Chart in (a) above.

Name	Securities Under Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in Financial Year ⁽¹⁾	Exercise or Base Price (Cdn.\$/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (Cdn.\$/Security)	Expiration Date
Jean Lafleur President & C.E.O.	125,000	2.1%	\$0.62	\$0.62	Dec. 11/08
Keith Minty Past President	200,000	3.4%	\$0.20	\$0.20	June 5/08
James M. Brady Past President	0	0%	N/A	N/A	N/A

(1) Based on the total number of options granted to directors/officers/consultants of the Corporation pursuant to the stock option plan during the financial year ended December 31, 2003.

(d) Options Exercised and Aggregates Remaining at Year-End

The following table provides detailed information regarding options exercised by the Named Executive Officers during the fiscal year ended December 31, 2003 and options held by the Named Executive Officers as at December 31, 2003.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at December 31, 2003		Value of Unexercised In-the-money Options at December 31, 2003	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
Jean Lafleur President & C.E.O. ⁽¹⁾	Nil	N/A	125,000	Nil	Nil	Nil
Keith Minty Past President ⁽¹⁾	Nil	N/A	200,000	Nil	\$72,000 ⁽²⁾	Nil
James M. Brady Past President ⁽¹⁾	1,000,000	\$550,000 ⁽³⁾	Nil	Nil	Nil	Nil

(1) Mr. Minty replaced Mr. Brady as President of the Corporation on June 5, 2003. Mr. Lafleur became President of the Corporation on March 1, 2004.

(2) Based on the closing price on December 31, 2003 of \$0.56 and an exercise price of \$0.20

(3) Based on an exercise price of \$0.20 and a market value on the date of exercise of \$0.75

(e) Management Contracts

The Corporation entered into a contract with Jean Lafleur effective March 1, 2004 pursuant to which Mr. Lafleur agreed to provide, on a month to month basis, management services to the Corporation commencing on that day (the "Consulting Agreement"). Mr. Lafleur is entitled to compensation for the provision of such services of \$12,500 per month. The Consulting Agreement contains no provisions relating to termination or change of control payments. Other management services for the Corporation are not, to any material degree, performed by persons other than the senior officers of the Corporation.

(f) **Directors' and Officers' Liability Insurance**

The Corporation does not currently maintain any insurance coverage in respect of directors' and officers' liability.

(g) **Indebtedness of Directors and Senior Officers**

None of the directors or senior officers of the Corporation was indebted to the Corporation or its subsidiaries during the fiscal year ended December 31, 2003.

Compensation of Directors

Directors are not paid any fees in their capacity as directors of the Corporation, however members of the Audit Committee (Paul Carroll, Bryson Farrill and Stan Bharti) are paid. The Chair of the Audit Committee, Paul Carroll was paid \$1,000 per quarter and the other members were paid \$500 per quarter.

Directors are also entitled to participate in the Corporation's stock option plan. See "Executive Compensation – Stock Option Plan". Directors were granted the following options during the year ended December 31, 2003: Mr. Bharti was granted 1,000,000 options at \$0.20 which expire on June 5, 2008, Mr. Carroll was granted 250,000 options at \$0.20 which expire on June 5, 2008, Mr. Farrill was granted 100,000 options at \$0.35 which expire on July 18, 2008, Mr. McCarvill was granted 1,000,000 options at \$0.20 which expire on June 5, 2008, Mr. Minty was granted 200,000 options at \$0.20 which expire on June 5, 2008 and Mr. Pearson was granted 25,000 options at \$0.35 which expire on June 5, 2008 and 31,250 options at \$0.62 which expire on December 11, 2003.

Appointment of Auditors

Unless such authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the appointment of the firm of McGovern, Hurley, Cunningham, LLP, Chartered Accountants, of Toronto, Ontario as auditors of the Corporation until the close of the next annual meeting of shareholders and to authorize the directors to fix their remuneration. McGovern, Hurley, Cunningham, LLP, were first appointed as auditors of the Corporation on April 13, 2004.

The Corporation's determination to change auditors was not a result of any "Reportable Event" as such term is defined in National Instrument 51-102 ("NI 51-102").

Lee and Kim, Chartered Accountants LLP, were first appointed as the auditors of the Corporation on May 14, 2002. For the year ended December 31, 2003, Lee and Kim, Chartered Accountants LLP, accrued total fees of \$15,000. These fees comprised \$15,000 for audit-related services, and \$0 for services related to the information circular.

Enclosed with this information circular is a copy of the Reporting Package (as defined in NI 51-102) that has been filed with requisite securities regulatory authorities – the Reporting Package is annexed hereto as Schedule "A" and forms a part of this information circular.

Interest of Insiders in Material Transactions

No insider of the Corporation has had any interest in any material transactions involving the Corporation since January 1, 2003 other than as may be disclosed herein.

Stock Option Plan - 2004

The Corporation has established, subject to shareholder and TSX Venture Exchange (the "Exchange") approval, the stock option plan (the "Plan") to be administered by the directors of the Corporation to attract and motivate the directors, officers, employees and consultants of the Corporation (collectively, the "Optionees"). Options granted will be granted in order to provide Optionees with a form of remuneration and an incentive to act in the best interests of the Corporation. If and when shareholder approval is obtained, the implementation of the Plan will be at the sole discretion of the directors of the Corporation. Effective upon the implementation of the Plan, the Corporation's former stock option plan will be cancelled and stock options granted thereunder will form a part of and will be deemed to be granted under the Plan.

The following information is intended as a brief description of the Plan. The Plan in its entirety is annexed hereto as Schedule "B" and forms a part of this information circular.

The Plan provides that stock options may be granted to directors, senior officers, employees, consultants, or consultant companies of the Corporation or any of its affiliates.

The Plan provides for the issuance of stock options to acquire up to 10% of the Corporation's issued and outstanding capital as at the date of grant (the "Plan Ceiling"), subject to anti-dilution adjustment. This is a "rolling" plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Corporation's issued and outstanding share capital increases. All outstanding stock options granted prior to the implementation of the Plan will be included in the Plan, but at no time will more than 10% of the outstanding shares be subject to grant under the Plan. If a stock option expires, otherwise terminates or is exercised, the number of common shares in respect of that expired, terminated or exercised stock option shall again be available for the purpose of the Plan.

The Plan may be terminated by the Board at any time, but such termination will not alter the terms or conditions of any options granted prior to the date of such termination. Any stock option outstanding when the Plan is terminated will remain in effect until it is exercised, expires or voluntarily cancelled or otherwise terminated in accordance with the provisions of the Plan.

The Plan provides that other terms and conditions, including vesting schedules, may be attached to a particular stock option, such terms and conditions to be referred to in a schedule attached to the particular option agreement.

The Plan provides that it is solely within the discretion of the Board to determine who should receive stock options and in what amounts. The Board may issue a majority of the options to insiders of the Corporation. However, in no case will the issuance of common shares upon the exercise of stock options granted under the Plan result in:

- a) the number of options granted in a 12 month period to any one consultant exceeding 2% of the issued shares of the Corporation (calculated at the time of grant);
- b) the aggregate number of options granted in a 12 month period to any one individual exceeding 5% of the outstanding shares of the Corporation (calculated at the time of grant);
- c) the number of options granted in a 12 month period to employees or consultants undertaking investor relations activities exceeding in the aggregate 2% of the issued shares of the Corporation (calculated at the time of grant);
- d) the aggregate number of common shares reserved for issuance to any one individual upon the exercise of options granted under the Plan or any previously established and outstanding stock option plans or grants, exceeding 5% of the issued shares of the Corporation (calculated at the time of grant) in any 12 month period.

Options granted under the Plan will be for a term not to exceed five years from the date of their grant. In the case of a director, officer, employee or consultant, the option will terminate at the close of business on the date which is the earlier of: (a) 90 calendar days after which the optionee ceases to be an employee or consultant, or (b) such date as the board may determine at the time of grant. In the case of an employee or consultant who provides Investor Relations Activities on behalf of the Corporation, the option will terminate at the close of business on the date which is the earlier of: (a) 30 calendar days after which the optionee ceases to be an employee or consultant of the Corporation who provides Investor Relations Activities, or (b) such date as the board may determine at the time of grant.

The price at which an optionee may purchase a common share upon the exercise of a stock option will be as set out in the option agreement issued in respect of such option and in any event will not be less than the discounted market price of the Corporation's common shares as of the date of the grant of the stock option. Currently under the policies of the Exchange, the definition of the "discounted market price" of the Corporation's shares is the closing trading price on the day before the granting of the stock option less a maximum discount of 25% for a closing price per share of \$0.50 or less, 20% for a closing price of \$0.51 to \$2.00, and 15% above \$2.00. For stock options there is a minimum price of \$0.10.

A stock option will be non-assignable except that it will be exercisable by the personal representative of the optionee in the event of the optionee's death or incapacity.

The Plan is a “rolling” stock option plan as described in Exchange Policy 4.4. Under Exchange Policy 4.4, the Corporation is required to obtain the approval of its shareholders to any stock option plan that is a “rolling” plan yearly at the Corporation’s annual meeting. Accordingly, shareholders will be asked to approve the following resolution, which must be approved by a majority of the votes cast thereon in person or by proxy at the Meeting:

“BE IT RESOLVED THAT:

1. the Corporation’s stock option plan (the “Plan”) as set forth in the information circular dated April 13, 2004 be and it is hereby adopted and approved including reserving for issuance under the Plan at any time of a maximum of 10% of the issued and outstanding shares of the Corporation;
2. the Corporation be authorized to grant stock options pursuant to and subject to the terms and conditions of the Plan;
3. the outstanding stock options that have been granted prior to the implementation of the Plan shall, for the purpose of calculating the number of stock options that may be granted under the Plan, be treated as options granted under the Plan; and
4. any director or officer of the Corporation is hereby authorized to execute (whether under the corporate seal of the Corporation or otherwise) and deliver all such documents and to do all such other acts and things as such director or officer may determine to be necessary or advisable to give effect to the true intent of these resolutions.”

OTHER MATTERS

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

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

BY ORDER OF THE BOARD OF DIRECTORS

(signed)

Gerald McCarvill, Chairman

LEE & KIM, Chartered Accountants LLP

137 Sheppard Avenue East
Toronto, Ontario, Canada M2N 3A6

Tel: (416) 223-5111
Fax: (416) 223-5359
E-mail: info@leeandkim.ca

April 13, 2004

Ontario Securities Commission
British Columbia Securities Commission
Alberta Securities Commission
Autorité des marchés financiers (Formerly Commission des valeurs mobilières du Québec)

Dear Sirs,

RE: Crowflight Minerals Inc. (the “Company”)

Pursuant to Section 4.11, Paragraph (5)(a)(ii)(B) of National Instrument 51-102, we hereby confirm our agreement with the information contained in the Change of Auditor Notice sent to us by the above-noted company dated April 13, 2004. This confirmation is based on our knowledge of the information at this date.

Yours very truly,

SIGNED: “LEE AND KIM LLP”

Lee and Kim
Chartered Accountants LLP



McGovern, Hurley, Cunningham, LLP
Chartered Accountants

April 13, 2004

Ontario Securities Commission
British Columbia Securities Commission
Alberta Securities Commission
Autorité des marchés financiers (Formerly Commission des valeurs mobilières du Québec)

Dear Sirs:

Re: Crowflight Minerals Inc. (the "Corporation")

We have read the Change of Auditor Notice of the Corporation dated April 13, 2004 and are in agreement with the statements contained in such Notice.

Yours very truly,

McGOVERN, HURLEY, CUNNINGHAM, LLP

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

Chartered Accountants

SCHEDULE "B"

CROWFLIGHT MINERALS INC. (the "Company")

2004 STOCK OPTION PLAN

1. STATEMENT OF PURPOSE

1.1 **Principal Purposes** – The principal purposes of the Plan are to provide the Company with the advantages of the incentive inherent in share ownership on the part of employees, officers, directors and consultants responsible for the continued success of the Company; to create in such individuals a proprietary interest in, and a greater concern for, the welfare and success of the Company; to encourage such individuals to remain with the Company; and to attract new employees, officers, directors and consultants to the Company.

1.2 **Benefit to Shareholders** – The Plan is expected to benefit shareholders by enabling the Company to attract and retain skilled and motivated personnel by offering such personnel an opportunity to share in any increase in value of the Shares resulting from their efforts.

2. INTERPRETATION

2.1 **Defined Terms** – For the purposes of this Plan, the following terms shall have the following meanings:

- (a) "Act" means the *Securities Act* (Ontario), as amended from time to time;
- (b) "Associate" shall have the meaning ascribed to such term in the Act;
- (c) "Board" means the Board of Directors of the Company;
- (d) "Change in Control" means:
 - (i) a takeover bid (as defined in the Act), which is successful in acquiring Shares,
 - (ii) the change of control of the Board resulting from the election by the shareholders of the Company of less than a majority of the persons nominated for election by management of the Company,
 - (iii) the sale of all or substantially all the assets of the Company,
 - (iv) the sale, exchange or other disposition of a majority of the outstanding Shares in a single transaction or series of related transactions,
 - (v) the dissolution of the Company's business or the liquidation of its assets,
 - (vi) a merger, amalgamation or arrangement of the Company in a transaction or series of transactions in which the Company's shareholders receive less than 51% of the outstanding shares of the new or continuing corporation, or
 - (vii) the acquisition, directly or indirectly, through one transaction or a series of transactions, by any Person, of an aggregate of more than 50% of the outstanding Shares;
- (e) "Committee" means a committee of the Board appointed in accordance with this Plan, or if no such committee is appointed, the Board itself;
- (f) "Company" means Crowflight Minerals Inc., a company incorporated under the laws of Ontario;
- (g) "Consultant" means an individual, other than an Employee, senior officer or director of the Company or a Subsidiary Company, or a Consultant Company, who;

- (i) provides ongoing consulting, technical, management or other services to the Company or a Subsidiary Company, other than services provided in relation to a distribution of the Company's securities,
 - (ii) provides the services under a written contract between the Company or a Subsidiary Company and the individual or Consultant Company,
 - (iii) in the reasonable opinion of the Company spends or will spend a significant amount of time and attention on the affairs and business of the Company or a Subsidiary Company, and
 - (iv) has a relationship with the Company or a Subsidiary Company that enables the individual or Consultant Company to be knowledgeable about the business and affairs of the Company;
- (h) **"Consultant Company"** means, for an individual Consultant, a company of which the individual is an employee or shareholder, or a partnership of which the individual is an employee or partner;
- (i) **"Date of Grant"** means the date specified in the Option Agreement as the date on which the Option is effectively granted;
- (j) **"Disability"** means any disability with respect to an Optionee which the Board, in its sole and unfettered discretion, considers likely to prevent permanently the Optionee from:
- (i) being employed or engaged by the Company, a Subsidiary Company or another employer, in a position the same as or similar to that in which he was last employed or engaged by the Company or a Subsidiary Company; or
 - (ii) acting as a director or officer of the Company or a Subsidiary Company;
- (k) **"Disinterested Shareholder Approval"** means an ordinary resolution approved by a majority of the votes cast by shareholders of the Company at a shareholders' meeting, excluding votes attaching to Shares beneficially owned by Insiders to whom Options may be granted and Associates of those persons;
- (l) **"Effective Date"** means the effective date of this Plan, which is the later of the day of its approval by the shareholders of the Company and the day of its acceptance for filing by the Exchange if such acceptance for filing is required under the rules or policies of the Exchange;
- (m) **"Eligible Person"** means:
- (i) an Employee, senior officer or director of the Company or any Subsidiary Company,
 - (ii) a Consultant,
 - (iii) an individual providing Investor Relations Activities for the Company;
 - (iv) a company, all of the voting securities of which are beneficially owned by one or more of the persons referred to in (i), (ii) or (iii) above
- (n) **"Employee"** means:
- (i) an individual who is considered an employee under the *Income Tax Act* (Canada) (i.e. for whom income tax, employment insurance and CPP deductions must be made at source),
 - (ii) an individual who works full-time for the Company or a Subsidiary Company providing services normally provided by an employee and who is subject to the same control and direction by the Company or a Subsidiary Company over the details and methods of work as an employee of the Company or a Subsidiary Company, but for whom income tax deductions are not made at source,

- (iii) an individual who works for the Company or a Subsidiary Company, on a continuing and regular basis for a minimum amount of time per week, providing services normally provided by an employee and who is subject to the same control and direction by the Company or a Subsidiary Company over the details and methods of work as an employee of the Company or a Subsidiary Company, but for whom income tax deductions are not made at source;
- (o) “**Exchange**” means the stock exchange or over the counter market on which the Shares are listed;
- (p) “**Exchange Act**” means the United States *Securities Exchange Act* of 1934, as amended;
- (q) “**Fair Market Value**” means, where the Shares are listed for trading on an Exchange, the last closing price of the Shares before the Date of Grant on the Exchange which is the principal trading market for the Shares, as may be determined for such purpose by the Committee, provided that, so long as the Shares are listed only on the TSXVE, the “Fair Market Value” shall not be lower than the last closing price of the Shares before the Date of Grant less the maximum discount permitted under the policies of the TSXVE;
- (r) “**Guardian**” means the guardian, if any, appointed for an Optionee;
- (s) “**Insider**” shall have the meaning ascribed to such term in the Act;
- (t) “**Investor Relations Activities**” means any activities or oral or written communications, by or on behalf of the Company or a shareholder of the Company that promote or reasonably could be expected to promote the purchase or sale of securities of the Company, but does not include:
 - (i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Company
 - (A) to promote the sale of products or services of the Company, or
 - (B) to raise public awareness of the Company,that cannot reasonably be considered to promote the purchase or sale of securities of the Company,
 - (ii) activities or communications necessary to comply with the requirements of
 - (A) applicable securities laws,
 - (B) the rules and policies of the TSXVE, if the Shares are listed only on the TSXVE, or the by-laws, rules or other regulatory instruments of any other self-regulatory body or exchange having jurisdiction over the Company,
 - (iii) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if
 - (A) the communication is only through the newspaper, magazine or publication and
 - (B) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer, or
 - (iv) activities or communications that may be otherwise specified by the TSXVE, if the Shares are listed only on the TSXVE;
- (u) “**Option**” means an option to purchase unissued Shares granted pursuant to the terms of this Plan;
- (v) “**Option Agreement**” means a written agreement between the Company and an Optionee specifying the terms of the Option being granted to the Optionee under the Plan;

- (w) “**Option Price**” means the exercise price per Share specified in an Option Agreement, adjusted from time to time in accordance with the provisions of Sections 6.3 and 10;
- (x) “**Optionee**” means an Eligible Person to whom an Option has been granted;
- (y) “**Person**” means a natural person, company, government or political subdivision or agency of a government; and where two or more Persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of an issuer, such syndicate or group shall be deemed to be a Person;
- (z) “**Plan**” means this 2004 Stock Option Plan of the Company;
- (aa) “**Qualified Successor**” means a person who is entitled to ownership of an Option upon the death of an Optionee, pursuant to a will or the applicable laws of descent and distribution upon death;
- (bb) “**Shares**” means the common shares in the capital of the Company as constituted on the Date of Grant, adjusted from time to time in accordance with the provisions of Section 10;
- (cc) “**Subsidiary Company**” shall mean a company which is a subsidiary of the Company;
- (dd) “**Term**” means the period of time during which an Option may be exercised; and
- (ee) “**TSXVE**” means the TSX Venture Exchange.

3. **ADMINISTRATION**

3.1 **Board or Committee** – The Plan shall be administered by the Board or by a Committee appointed in accordance with Section 3.2.

3.2 **Appointment of Committee** – The Board may at any time appoint a Committee, consisting of not less than three of its members, to administer the Plan on behalf of the Board in accordance with such terms and conditions as the Board may prescribe, consistent with this Plan. Once appointed, the Committee shall continue to serve until otherwise directed by the Board. From time to time, the Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and appoint new members in their place, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer the Plan. In the absence of the appointment of a Committee by the Board, the Board shall administer the Plan.

3.3 **Quorum and Voting** – A majority of the members of the Committee shall constitute a quorum, and, subject to the limitations in this Section 3, all actions of the Committee shall require the affirmative vote of members who constitute a majority of such quorum. No member of the Committee who is a director to whom an Option may be granted may participate in the decision to grant such Option (but any such member may be counted in determining the existence of a quorum at any meeting of the Committee in which action is to be taken with respect to the granting of an Option to him).

3.4 **Powers of Board and Committee** – The Board shall from time to time authorize and approve the grant by the Company of Options under this Plan, and any Committee appointed under Section 3.2 shall have the authority to review the following matters in relation to the Plan and to make recommendations thereon to the Board;

- (a) administration of the Plan in accordance with its terms,
- (b) determination of all questions arising in connection with the administration, interpretation and application of the Plan, including all questions relating to the value of the Shares,
- (c) correction of any defect, supply of any information or reconciliation of any inconsistency in the Plan in such manner and to such extent as shall be deemed necessary or advisable to carry out the purposes of the Plan,
- (d) prescription, amendment and rescission of the rules and regulations relating to the administration of the Plan;

- (e) determination of the duration and purpose of leaves of absence from employment which may be granted to Optionees without constituting a termination of employment for purposes of the Plan,
- (f) with respect to the granting of Options:
 - (i) determination of the employees, officers, directors or consultants to whom Options will be granted, based on the eligibility criteria set out in this Plan,
 - (ii) determination of the terms and provisions of the Option Agreement which shall be entered into with each Optionee (which need not be identical with the terms of any other Option Agreement) and which shall not be inconsistent with the terms of this Plan,
 - (iii) amendment of the terms and provisions of an Option Agreement, provided the Board obtains:
 - (A) the consent of the Optionee, and
 - (B) if required, the approval of any stock exchange on which the Shares are listed,
 - (iv) determination of when Options will be granted,
 - (v) determination of the number of Shares subject to each Option,
 - (vi) determination of the vesting schedule, if any, for the exercise of each Option, and
- (g) other determinations necessary or advisable for administration of the Plan.

3.5 **Obtain Approvals** – The Board will seek to obtain any regulatory, Exchange or shareholder approvals which may be required pursuant to applicable securities laws or Exchange rules.

3.6 **Administration by Committee** – The Committee shall have all powers necessary or appropriate to accomplish its duties under this Plan. In addition, the Committee’s administration of the Plan shall in all respects be consistent with the Exchange policies and rules.

4. **ELIGIBILITY**

4.1 **Eligibility for Options** – Options may be granted to any Eligible Person.

4.2 **Insider Eligibility for Options** – Notwithstanding Section 4.1, if the Shares are listed only on the TSXVE, grants of Options to Insiders shall be subject to the policies of the TSXVE.

4.3 **No Violation of Securities Laws** – No Option shall be granted to any Optionee unless the Committee has determined that the grant of such Option and the exercise thereof by the Optionee will not violate the securities law of the jurisdiction in which the Optionee resides.

5. **SHARES SUBJECT TO THE PLAN**

5.1 **Number of Shares** – The maximum number of Shares issuable from time to time under the Plan is that number of Shares as is equal to 10% of the number of issued Shares at the Date of Grant of an Option. The maximum number of Shares issuable under the Plan shall be adjusted, where necessary, to take account of the events referred to in Section 10.

5.2 **Expiry of Option** – If an Option expires or terminates for any reason without having been exercised in full, the unpurchased Shares subject thereto shall again be available for the purposes of the Plan.

5.3 **Reservation of Shares** – The Company will at all times reserve for issuance and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

6. **OPTION TERMS**

6.1 **Option Agreement** – Each Option granted to an Optionee shall be confirmed by the execution and delivery of an Option Agreement and the Board shall specify the following terms in each such Option Agreement:

- (a) the number of Shares subject to option pursuant to such Option, subject to the following limitations if the Shares are listed only on the TSXVE:
 - (i) the number of Shares reserved for issuance pursuant to Options to any one Optionee shall not exceed 5% of the issued Shares in any 12-month period (unless the Company is designated as a “Tier 1” listed company by the TSXVE and has obtained Disinterested Shareholder Approval to exceed this number),
 - (ii) the number of Shares reserved for issuance pursuant to Options to any one Consultant shall not exceed 2% of the issued Shares in any 12-month period, and
 - (iii) the aggregate number of Shares reserved for issuance pursuant to Options to Employees and those individuals conducting Investor Relations Activities shall not exceed 2% of the issued Shares in any 12-month period;
- (b) the Date of Grant;
- (c) the Term, provided that, if the Shares are listed only on the TSXVE, the length of the Term shall in no event be greater than five years following the Date of Grant, except, if the Company is designated as “Tier 1” listed company by the TSXVE, then the Term shall be no greater than ten years following the Date of Grant, for all Optionees;
- (d) the Option Price, provided that the Option Price shall not be less than the Fair Market Value of the Shares on the Date of Grant;
- (e) subject to Section 6.2 below, any vesting schedule upon which the exercise of an Option is contingent;
- (f) if the Optionee is an Employee, Consultant or an individual providing Investor Relations Activities for the Company, a representation by the Company and the Optionee that the Optionee is a bona fide Employee, Consultant or an individual providing Investor Relations Activities for the Company, as the case may be, of the Company or a Subsidiary Company; and
- (g) such other terms and conditions as the Board deems advisable and are consistent with the purposes of this Plan.

6.2 **Vesting Schedule** – The Board, as applicable, shall have complete discretion to set the terms of any vesting schedule of each Option granted, including, without limitation, discretion to:

- (a) permit partial vesting in stated percentage amounts based on the Term of such Option; and
- (b) permit full vesting after a stated period of time has passed from the Date of Grant.

6.3 **Amendments to Options** – Amendments to the terms of previously granted Options are subject to regulatory approval, if required. If required by the Exchange, Disinterested Shareholder Approval shall be required for any reduction in the Option Price of a previously granted Option if the Optionee is an Insider of the Company at the time of the proposed reduction in the Option Price.

6.4 **Uniformity** – Except as expressly provided herein, nothing contained in this Plan shall require that the terms and conditions of Options granted under the Plan be uniform.

7. **EXERCISE OF OPTION**

7.1 **Method of Exercise** – Subject to any limitations or conditions imposed upon an Optionee pursuant to the Option Agreement or Section 6 hereof, an Optionee may exercise an Option by giving written notice thereof, specifying the number of Shares in respect of which the Option is exercised, to the Company at its principal place of business at any time after the Date of Grant until 4:00 p.m. (Toronto time) on the last day of the Term, such notice to be

accompanied by full payment of the aggregate Option Price to the extent the Option is so exercised. Such payment shall be in lawful money (Canadian funds) by cash, cheque, bank draft or wire transfer. Payment by cheque made payable to the Company in the amount of the aggregate Option Price shall constitute payment of such Option Price unless the cheque is not honoured upon presentation, in which case the Option shall not have been validly exercised.

7.2 **Issuance of Certificates** – Not later than the third business day after exercise of an Option in accordance with Section 7.1, the Company shall issue and deliver to the Optionee a certificate or certificates evidencing the Shares with respect to which the Option has been exercised. Until the issuance of such certificate or certificates, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to such Shares, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the certificate is issued, except as provided by Section 10 hereof.

7.3 **Compliance with U.S. Securities Laws** – As a condition to the exercise of an Option, the Board may require the Optionee to represent and warrant in writing at the time of such exercise that the Shares are being purchased only for investment and without any then-present intention to sell or distribute such Shares. At the option of the Board, a stop-transfer order against such Shares may be placed on the stock books and records of the Company and a legend, indicating that the stock may not be pledged, sold or otherwise transferred unless an opinion of counsel is provided stating that such transfer is not in violation of any applicable law or regulation, may be stamped on the certificates representing such Shares in order to assure an exemption from registration. The Board may also require such other documentation as may from time to time be necessary to comply with United States' federal and state securities laws. The Company has no obligation to undertake registration of Options or the Shares issuable upon the exercise of the Options.

8. TRANSFERABILITY OF OPTIONS

8.1 **Non-Transferable/Legending** – Except as permitted by applicable securities laws and the policies of the Exchange, and as provided otherwise in this Section 8, Options are non-assignable and non-transferable. If the Shares are listed only on the TSXVE, then, in addition to any resale restrictions under applicable securities laws, if the Company is, at the Date of Grant of an Option, designated as a “Tier 2” listed company by the TSXVE or, if the Company is not so designated but the Option Price is based on a discount from the last closing price of the Shares on the TSXVE, the Option Agreement and the certificates representing the Shares issued on the exercise of such Option shall bear the TSXVE legend with a four-month hold period commencing on the Date of Grant.

8.2 **Death of Optionee** – Subject to Section 8.3, if the employment of an Optionee as an Employee of, or the services of a Consultant providing services to, the Company or any Subsidiary Company, or the employment of an Optionee as an individual providing Investor Relations Activities, or the position of the Optionee as a director or senior officer of the Company or any Subsidiary Company, terminates as a result of such Optionee's death, any Options held by such Optionee shall pass to the Qualified Successor of the Optionee and shall be exercisable by such Qualified Successor until the earlier of a period of not more than one year following the date of such death and the expiry of the Term of the Option.

8.3 **Disability of Optionee** – If the employment of an Optionee as an Employee of, or the services of a Consultant providing services to, the Company or any Subsidiary Company, or the employment of an Optionee as an individual providing Investor Relations Activities for the Company, or the position of the Optionee as a director or senior officer of the Company or any Subsidiary Company, is terminated by reason of such Optionee's Disability, any Options held by such Optionee that could have been exercised immediately prior to such termination of employment or service shall be exercisable by such Optionee, or by his Guardian, for a period of 30 days following the termination of employment or service of such Optionee. If such Optionee dies within that 30-day period, any Option held by such Optionee that could have been exercised immediately prior to his or her death shall pass to the Qualified Successor of such Optionee, and shall be exercisable by the Qualified Successor until the earlier of a period of 30 days following the death of such Optionee and the expiry of the Term of the Option.

8.4 **Vesting** – Options held by a Qualified Successor or exercisable by a Guardian shall, during the period prior to their termination, continue to vest in accordance with any vesting schedule to which such Options are subject.

8.5 **Deemed Non-Interruption of Employment** – Employment shall be deemed to continue intact during any military or sick leave or other bona fide leave of absence if the period of such leave does not exceed 90 days or, if longer, for so long as the Optionee's right to reemployment with the Company or any Subsidiary Company is guaranteed either by statute or by contract. If the period of such leave exceeds 90 days and the Optionee's

reemployment is not so guaranteed, then the Optionee's employment shall be deemed to have terminated on the ninety-first day of such leave.

9. TERMINATION OF OPTIONS

9.1 **Termination of Options** – To the extent not earlier exercised or terminated in accordance with Section 8, an Option shall terminate at the earliest of the following dates:

- (a) the termination date specified for such Option in the Option Agreement;
- (b) where the Optionee's position as an Employee, a Consultant, a director or a senior officer of the Company or any Subsidiary Company, or an individual providing Investor Relations Activities for the Company, is terminated for cause, the date of such termination for cause;
- (c) where the Optionee's position as an Employee, a Consultant, a director or a senior officer of the Company or any Subsidiary Company or an individual providing Investor Relations Activities for the Company terminates for a reason other than the Optionee's Disability or death or for cause, not more than 90 days after such date of termination or, if the Shares are listed only on the TSXVE and if the Company is designated as a "Tier 2" listed company by the TSXVE, then in the case of a person employed to provide Investor Relations Activities, not more than 30 days after such person ceases to be employed to provide Investor Relations Activities; PROVIDED that if an Optionee's position changes from one of the said categories to another category, such change shall not constitute termination or cessation for the purpose of this Subsection 9.1(c); and
- (d) the date of any sale, transfer, assignment or hypothecation, or any attempted sale, transfer, assignment or hypothecation, of such Option in violation of Section 8.1.

9.2 **Lapsed Options** – If Options are surrendered, terminate or expire without being exercised in whole or in part, new Options may be granted covering the Shares not purchased under such lapsed Options. If an Option has been surrendered in connection with the regranting of a new Option to the same Optionee on different terms than the original Option granted to such Optionee, then, if required, the new Option is subject to approval of the Exchange.

9.3 **Exclusion From Severance Allowance, Retirement Allowance or Termination Settlement** – If the Optionee retires, resigns or is terminated from employment or engagement with the Company or any Subsidiary Company, the loss or limitation, if any, pursuant to the Option Agreement with respect to the right to purchase Option Shares which were not vested at that time or which, if vested, were cancelled, shall not give rise to any right to damages and shall not be included in the calculation of nor form any part of any severance allowance, retiring allowance or termination settlement of any kind whatsoever in respect of such Optionee.

10. ADJUSTMENTS TO OPTIONS

10.1 **Alteration in Capital Structure** – If there is any change in the Shares through or by means of a declaration of stock dividends of the Shares or consolidations, subdivisions or reclassifications of the Shares, or otherwise, the number of Shares available under the Plan, the Shares subject to any Option and the Option Price therefor shall be adjusted proportionately by the Board and, if required, approved by the Exchange, and such adjustment shall be effective and binding for all purposes of the Plan.

10.2 **Effect of Amalgamation, Merger or Arrangement** – If the Company amalgamates, merges or enters into a plan of arrangement with or into another corporation, any Shares receivable on the exercise of an Option shall be converted into the securities, property or cash which the Optionee would have received upon such amalgamation, merger or arrangement if the Optionee had exercised the Option immediately prior to the record date applicable to such amalgamation, merger or arrangement, and the exercise price shall be adjusted proportionately by the Board and such adjustment shall be binding for all purposes of the Plan.

10.3 **Acceleration on Change in Control** – Upon a Change in Control, all Options shall become immediately exercisable, notwithstanding any contingent vesting provisions to which such Options may have otherwise been subject.

10.4 **Acceleration of Date of Exercise** – Subject to the approval of the Exchange, if required, the Board shall have the right to accelerate the date of vesting of any portion of any Option which remains unvested.

10.5 **Determinations to be Binding** – If any questions arise at any time with respect to the Option Price or exercise price or number of Option Shares or other property deliverable upon exercise of an Option following an event referred to in this Section 10, such questions shall be conclusively determined by the Board, whose decisions shall be final and binding.

10.6 **Effect of a Take-Over** – If a *bona fide* offer (the “Offer”) for Shares is made to an Optionee or to shareholders generally or to a class of shareholders which includes the Optionee, which Offer constitutes a take-over bid within the meaning of the Act, the Company shall, immediately upon receipt of notice of the Offer, notify each Optionee of full particulars of the Offer, whereupon any Option held by an Optionee may be exercised in whole or in part, notwithstanding any contingent vesting provisions to which such Options may have otherwise been subject, by the Optionee so as to permit the Optionee to tender the Shares received upon such exercise (the “Optioned Shares”) to the Offer. If:

- (a) the Offer is not completed within the time specified therein; or
- (b) all of the Optioned Shares tendered by the Optionee pursuant to the Offer are not taken up and paid for by the offeror pursuant thereto;

the Optioned Shares or, in the case of clause (b) above, the Optioned Shares that are not taken up and paid for, may be returned by the Optionee to the Company and reinstated as authorized but unissued Shares and with respect to such returned Optioned Shares, the Option shall be reinstated as if it had not been exercised. If any Optioned Shares are returned to the Company under this Section, the Company shall refund to the Optionee any Option Price paid for such Optioned Shares.

11. **APPROVAL, TERMINATION AND AMENDMENT OF PLAN**

11.1 **Shareholder Approval** – This Plan, if the Shares are listed only on the TSXVE, is subject to Disinterested Shareholder Approval on a yearly basis at the Company’s next ensuing annual meeting.

11.2 **Power of Board to Terminate or Amend Plan** – Subject to the approval of the Exchange, if required, the Board may terminate, suspend or discontinue the Plan at any time or amend or revise the terms of the Plan; provided, however, that, except as provided in Section 10, the Board may not do any of the following without obtaining, within 12 months either before or after the Board’s adoption of a resolution authorizing such action, approval by the Company’s shareholders at a meeting duly held in accordance with the applicable corporate laws:

- (a) increase the maximum number of Shares which may be issued under the Plan;
- (b) materially modify the requirements as to eligibility for participation in the Plan; or
- (c) materially increase the benefits accruing to participants under the Plan;

however, the Board may amend the terms of the Plan to comply with the requirements of any applicable regulatory authority, or as a result of changes in the policies of the Exchange relating to director, officer and employee stock options, without obtaining the approval of the Company’s shareholders.

11.3 **No Grant During Suspension of Plan** – No Option may be granted during any suspension, or after termination, of the Plan. Amendment, suspension or termination of the Plan shall not, without the consent of the Optionee, alter or impair any rights or obligations under any Option previously granted.

12. **CONDITIONS PRECEDENT TO ISSUANCE OF SHARES**

12.1 **Compliance with Laws** – Shares shall not be issued with respect to an Option unless the exercise of such Option and the issuance and delivery of such shares shall comply with all relevant provisions of law, including, without limitation, any applicable United States’ state securities laws, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations thereunder and the requirements of any Exchange or automated interdealer quotation system of a registered national securities association upon which such Shares may then be listed or quoted, and such issuance shall be further subject to the approval of counsel for the Company with respect to such compliance, including the availability of an exemption from registration for the issuance and sale of such Shares. The inability of the Company to obtain from any regulatory body the authority deemed by the Company to be necessary for the lawful issuance and sale of any Shares under this Plan, or the unavailability of an exemption from registration for the issuance

and sale of any Shares under this Plan, shall relieve the Company of any liability with respect to the non-issuance or sale of such Shares other than with respect to a refund of any Option Price paid.

13. **USE OF PROCEEDS**

13.1 **Use of Proceeds** – Proceeds from the sale of Shares pursuant to the Options granted and exercised under the Plan shall constitute general funds of the Company and shall be used for general corporate purposes, or as the Board otherwise determines.

14. **NOTICES**

14.1 **Notices** – All notices, requests, demands and other communications required or permitted to be given under this Plan and the Options granted under this Plan shall be in writing and shall be either delivered personally to the party to whom notice is to be given, in which case notice shall be deemed to have been duly given on the date of such personal delivery; telecopied, in which case notice shall be deemed to have been duly given on the date the telecopy is sent; or mailed to the party to whom notice is to be given, by first class mail, registered or certified, return receipt requested, postage prepaid, and addressed to the party at his or its most recent known address, in which case such notice shall be deemed to have been duly given on the tenth postal delivery day following the date of such mailing.

15. **MISCELLANEOUS PROVISIONS**

15.1 **No Obligations to Exercise** – Optionees shall be under no obligation to exercise Options granted under this Plan.

15.2 **No Obligation to Retain Optionee** – Nothing contained in this Plan shall obligate the Company or any Subsidiary Company to retain an Optionee as an employee, officer, director or consultant for any period, nor shall this Plan interfere in any way with the right of the Company or any Subsidiary Company to reduce such Optionee's compensation.

15.3 **Binding Agreement** – The provisions of this Plan and of each Option Agreement with an Optionee shall be binding upon such Optionee and the Qualified Successor or Guardian of such Optionee.

15.4 **Use of Terms** – Where the context so requires, references herein to the singular shall include the plural, and vice versa, and references to a particular gender shall include either or both genders.

15.5 **Headings** – The headings used in this Plan are for convenience of reference only and shall not in any way affect or be used in interpreting any of the provisions of this Plan.

15.6 **No Representation or Warranty** – The Company makes no representation or warranty as to the future value of any Shares issued in accordance with the provisions of this Plan.

15.7 **Income Taxes** – As a condition of and prior to participation in the Plan any Optionee shall on request authorize the Company in writing to withhold from any remuneration otherwise payable to such Optionee any amounts required by any taxing authority to be withheld for taxes of any kind as a consequence of such Optionee's participation in the Plan.

15.8 **Compliance with Applicable Law** – If any provision of the Plan or any Option Agreement contravenes any law or any order, policy, by-law or regulation of any regulatory body or stock exchange or over the counter market having authority over the Company or the Plan, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

15.9 **Conflict** – In the event of any conflict between the provisions of this Plan and an Option Agreement, the provisions of this Plan shall govern.

15.10 **Governing Law** – This Plan and each Option Agreement issued pursuant to this Plan shall be governed by the laws of the Province of Ontario.

15.11 **Time of Essence** – Time is of the essence of this Plan and of each Option Agreement. No extension of time will be deemed to be, or to operate as, a waiver of the essentiality of time.

15.12 **Entire Agreement** – This Plan and the Option Agreement sets out the entire agreement between the Company and the Optionees relative to the subject matter hereof and supersedes all prior agreements, undertakings and understandings, whether oral or written.

16. **EFFECTIVE DATE OF PLAN**

16.1 **Effective Date of Plan** – This Plan shall be effective on the later of the day of its approval by the shareholders of the Company given by way of ordinary resolution and the day of its acceptance for filing by the Exchange.

CROWFLIGHT MINERALS INC.
MANAGEMENT'S DISCUSSION and ANALYSIS

For the year ended December 31, 2003

The following discussion should be read in conjunction with the Company's Annual Audited Financial Statements for the year ended December 31, 2003.

OVERVIEW

Crowflight Minerals Inc. is a junior mining company exploring for Copper, Nickel and Platinum Group Metals ("PGM's") on several properties of high potential, near the Sudbury Basin area of Ontario, Canada. Encouraging results have been reported from neighboring properties owned by Inco and Falconbridge.

During the year the Company raised \$10.0 million in private placements of which \$4.5 million related to flow-through shares. On June 5, 2003 the Company closed a \$1.5 million private placement. A condition thereof resulted in a complete change of management and of the Board of Directors. The proceeds of the issue were used over the subsequent months to resolve the Company's distressed financial condition, to negotiate and settle outstanding claims against Crowflight and to generally clean up the affairs of the Company. This process is to date substantially complete.

On August 20, 2003 the Company closed a \$4.0 million private placement, the proceeds of which will be used to finance a major exploration core-drilling program among other exploration programs that started in October 2003 at the AER-Kidd property. Also, funds are being used to permit the Company to maintain its' 50% ownership position in the Airport Project with Millstream Mines Ltd. Ownership of 50% in this project will be maintained after a total expenditure of \$1,000,000 over a two phase program. During the final quarter of the year the Company completed further private placements for total proceeds of \$4.5 million.

Prior to June 2003, exploration progress on AER-Kidd and other projects by the previous management had been slow due to lack of financial capacity. Since June 2003 there has been major activity, the majority of which has taken place in Crowflight's third and fourth quarters. The following commentary will include all material events and activities both in the third quarter and up to the date of this report.

EXPLORATION PROPERTIES:

AER-Kidd PROPERTY

The property has been mined several times since its discovery in the 1880's. The last mining endeavor occurred in the mid 1960's when an estimated 250,000 tonnes of ore was mined, processed and shipped to local smelters for further treatment. The AER-Kidd property is a 1.8km strike length located between Inco's Totten and McIntyre projects on the Worthington Offset Dyke, a radial fracture at the southwestern margin of the Sudbury Igneous Complex (SIC) in Ontario.

Inco's Totten property, adjacent to the west of the AER-Kidd project along the Worthington Offset Dyke, was mined from the 1880's until the mid 1970's. No production figures are available. During the mid 1990's, Inco commenced an exploration program on the property and has reported an estimated resource of 10.1 million tonnes grading 2.0% copper, 1.5% nickel and 4.8 g/t PGM's.

The FNX Victoria Project is located 1.5 km's northeast of the AER-kidd property along the Worthington Offset at the contact with the Sudbury Igneous Complex (SIC). Inco operated the Victoria project from 1900 to 1978, where a reported 1.5 million tonnes grading 2.26% copper and 1.57% nickel were reportedly processed. FNX Mining acquired the Victoria Project in the late 1990's.

FNX recently discovered the Powerline Zone, which is immediately adjacent to the Victoria property but hosted by the radial Worthington Quartz Diorite Offset Dyke. This discovery was made following a geophysical survey in 2002. It has been reported from exploration core drilling, that intersections grading 7.7% copper, 1.5% nickel and 15.5 g/t PGM's have been encountered. FNX continues its exploration on the Powerline Zone.

A technical report on the AER-Kidd property was prepared by John Buckle P.Geo., and is filed on SEDAR to which the reader is directed. In general, potential polymetallic Ni-bearing sulphide ore deposits are found in two prominent settings. The embayment situated deposits, essentially mined and controlled by Inco and Falconbridge, are located along the footwall contact of the SIC.

The second setting, situated in the country rocks, occurs in association with radial offset dykes of quartz diorite composition (example Inco's Copper Cliff offset which has yielded approximately 60 billion (US) in 2001 dollars) and concentric Sudbury Breccias/Quartz Diorite (example, Inco's Frood Stobie which has yielded approximately 160 billion (US) in 2001 dollars). Both these Inco operations were discovered prior to 1900 and are still large contributors to Inco's financial success.

Crowflight's program of data compilation on the AER-Kidd project began anew on June 5, 2003. Drill core data from previous mining operations, past explorations programs, and geophysics data from previous Crowflight exploration programs was assembled and reviewed. A new Sudbury office was established where all previous drill core was re-logged and re-sampled where deemed necessary.

A number of continuous channel sample traverses were initiated following detail geological mapping and verification of relevant geological structures along the Worthington Quartz Diorite Offset Dyke.

A 10,000-meter drilling program commenced in October 2003 and is still ongoing at the time of this report. Ten targets have been identified from the data compilation process located at depths from 400 to 1,000 meters from surface.

AIRPORT PROPERTY

Crowflight has a 50% interest in the Airport project with Millstream Mines on this eight-claim property located east of the southeast rim of the Sudbury Basin, in Falconbridge Township. The property contains several anomalous nickel-copper-PGM showings within unusually wide thicknesses of Sudbury Breccia. In order to maintain its 50% interest in the Airport J.V. Property, Crowflight has to fund a total of \$1,000,000 of exploration expenditures over a two-phase exploration program which is expected to be completed by the forth quarter of 2004. Millstream was the operator for Phase I. For Phase II Crowflight is the operator.

Significantly, the Crowflight-Millstream Sudbury Breccias appear to be inadequately studied and evaluated despite representing the east to north extension of the Kirkwood-Frood Stobie Sudbury Breccias – Quartz Diorite bearing ores.

An exploration plan employing an integration of geological mapping, trenching, sampling and geophysics programs is underway. A small core-drilling program has been included in the Phase 1 budget to allow core drilling of three classes of geophysical anomalies, identified by geophysical techniques at depth.

MARBLE MOUNTAIN

In December 2003, the Company acquired 100 % of the Marble Mountain Prospect located 10 km northeast of the Sudbury Igneous Complex (SIC) in Parkin Township. The property covers a 6.5 km strike length of an apparently previously unrecognized concentric offset dyke which appears to be the western extension of the Parkin offset immediately to the west of property. The Milnet Mine, a former Ni-Cu-PGM producer, is located on the Parkin offset. The 2,000 hectare land package consists of 60 mining claims (comprising 73 claim units).

Under the agreement the Company can acquire a 100% interest in the property by providing the Vendors with:

- (1) \$20,000 and 50,000 common shares on or before January 4, 2004;
- (2) \$25,000 and 50,000 common shares on or before December 1, 2004;
- (3) \$30,000 on or before December 1, 2005; and
- (4) \$150,000 on or before December 1, 2006.

The Vendors will retain a 2.5% net smelter royalty (the "NSR") and will be paid a semi-annual royalty payment of \$10,000 commencing on June 1, 2007. The Company has the option to purchase 1.5% of this NSR for \$1,500,000, with all advance and regular royalty payments reducing the \$1,500,000 buyout amount on a dollar for dollar basis. In addition, the Company is required to carry out a minimum work commitment of \$600 per unit each year (\$43,800 annually) to maintain the property in good standing.

COPENHAGEN PROPERTY

Subsequent to year end, and subject to regulatory approval, the Company entered into an option agreement to acquire 100 % of the Copenhagen Property located in the Kitchener and Hutton Townships of the North Range sector of the

Sudbury Basin. The property consists of 39 claim units totaling 624 hectares. The property hosts similar type mineralization to the Marble Mountain Project.

Exploration activities on the property commenced in the early 1900's with the development of the Copenhagen shaft. Limited production of Copper and Nickel was reported from the shaft area and surface trenches as reported in an Ontario Department of Mines report, 1932. .

Under the agreement the Company can acquire a 100% interest in the property by providing the vendors with

- (1) \$9,000 and 15,000 common shares on the completion of due diligence;
- (2) \$8,000 and 15,000 common shares on or before May 1, 2004;
- (3) \$8,000 and 20,000 common shares on or before July 1, 2004;
- (4) \$25,000 and 50,000 common shares on or before February 19, 2005;
- (5) \$30,000 on or before February 19, 2006; and
- (6) \$150,000 on or before February 19, 2007.

The vendor will retain a 2.5% net smelter royalty (the "NSR") and will be paid a semi-annual royalty payment of \$10,000 commencing on August 19, 2007. The Company has the option to re-purchase 60% of this NSR (or the equivalent of a 1.5% NSR) for \$1,500,000, with all advance and regular royalty payments reducing the \$1,500,000 buyout amount on a dollar for dollar basis. In addition, the Company is required to carry out a minimum work commitment of \$600 per unit each year (\$33,000 annually) to maintain the property in good standing. The Company's agreement with the vendor is subject to approval from the appropriate regulatory authorities.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2003, the Company had working capital of \$6,607,767 compared to a working capital deficit of \$331,118 as at December 31, 2002. The improvement resulted from the completion of several private placements. A \$1.5 million private placement was completed on June 5, 2003 consisting of 6,420,000 common shares, 1,080,000 flow through shares and 7,500,000 warrants at a unit price of \$0.20 (a unit consisted of either one common share or one flow through share plus one common share purchase warrant). On August 20, 2003 the Company completed a second private placement of \$4.0 million consisting of 4,761,900 units of one common share and one-half of one common share purchase warrant at a price of \$0.42 and 4,081,633 flow-through shares at a price of \$0.49. During the fourth quarter, the Company completed further private placements for proceeds of \$2.25 million and \$2.23 million. The \$2.25 million private placement was comprised of 3,000,000 units consisting of one flow-through share and one half common share purchase warrant at a price of \$0.75. Each whole warrant entitles the holder to acquire one common share of the Company at a price of \$1.25 for one year from the purchase. The Company also issued 2,973,335 units for proceeds of \$2.23 million consisting of one common share and one half common share purchase warrant at a price of \$0.75 Each whole warrant entitles the holder to acquire one common share of the Company at a price of \$1.00 for one year from the issue date. The proceeds will be used for exploration and working capital.

The Company has sufficient capital resources to complete the exploration programs described above, and to carry the corporate burn rate through December 31, 2005.

RESULTS OF OPERATIONS

The loss for the year ended December 31, 2003 was \$1,321,470 compared to \$385,326 for the year ended December 31, 2002. Included in the loss for the year ended December 31, 2003 is a non cash expense of \$1,764,780 related to the application of the fair value based method of accounting for stock based compensation. The Company has adopted the new requirements of CICA HB 3870 prospectively. In calculating the stock based compensation the Company applies the fair value method of accounting for all stock based compensations using the Black-Scholes option pricing model with the following assumptions: dividend yield 0, expected volatility 146%, risk free interest 2% and an expected life of 5 years.

Also included in the loss for the year ended December 31, 2003 is a non cash future income tax recovery of \$1,835,000. The Company renounced \$5,010,875 related to proceeds from flow-through shares and consequently a non cash future income tax recovery of \$1,835,000 has been recognized during the year ended December 31, 2003. The future tax recovery was recorded in accordance with the CICA HB 3465 and EIC Drafts 39 and 146.

As a resource company, Crowflight Minerals has future income tax assets (loss carry-forwards) that it did not recognize in previous years as a result of applying the "more likely than not" test (i.e. the Company has made a 100% valuation

allowance). In the period, the Company undertook issuances of flow-through shares that gave rise to taxable temporary differences. The taxable temporary differences are expected to reverse during the loss carry-forward period, so that part of the unrecognized future income tax assets can be applied against the full taxable temporary difference. The Company recognized that portion of its unrecognized future tax asset, by reversing a portion of the previously recorded valuation allowance. The recognition of a portion of previously unrecognized future income tax assets results in a credit to income.

After removing these two large non cash items, the other expenses were \$1,391,690 for the year ended December 31, 2003 compared to \$385,326 for the year ended December 31, 2002

Crowflight repositioned itself during 2003 which is reflected in the increased spending levels. After June 5, 2003 there were costs related to restarting operations, putting a professional consulting team for exploration and management in place and opening the Sudbury exploration office which were not present during 2002 due to the Company's distressed financial condition at that time. The Company also negotiated settlement of certain payables during 2003 and recognized a gain of \$105,980.

CASH FLOWS

Cash Flows (to) Operating Activities for the twelve months ended December 31, 2003 were (\$1,583,736) compared to \$32,141 from operating activities for the same period last year.

Cash Flows (to) Operating Activities reflect the higher level of expenses addressed earlier and the clean up of accounts payable of prior periods.

Cash Flows from Financing Activities were \$9,550,259 for the twelve months ended December 31, 2003 compared to \$535,768 during 2002. The cash inflow from financing activities was addressed in the liquidity section of this report.

Cash Flows (to) Investing Activities for the twelve months ended December 31, 2003 were (\$1,464,279) compared to (\$145,139) for the same period last year. During the year ended December 31, 2003, the Company spent \$1,426,633 in the Sudbury basin, \$705,752 on site activities, \$266,497 on geology and geophysics and \$131,885 on consulting and report writing and \$322,500 on staking and royalty payments. The Company is nearing completion of its 10,000-meter program and the current cash will be utilized to complete this program, support the commitments as outlined under the Exploration Properties section and support the corporate burn rate.

RISKS AND UNCERTAINTIES

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

OUTLOOK

The Company looks forward to the next year as it attempts to prove out the high degree of the development potential of the AER-Kidd project and in the Sudbury basin. The Company is adequately funded to complete the Aer-Kidd 10,000 meter drilling program and to complete the two phase exploration program on the Airport property.

These projects are located within the Sudbury Basin which is a world class mining centre. We are excited by the potential opportunities in the projects.

FORWARD-LOOKING STATEMENTS

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

March 31, 2003

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AUDITORS' REPORT

To the Shareholders of Crowflight Minerals Inc.

We have audited the consolidated balance sheets of Crowflight Minerals Inc. as at December 31, 2003 and 2002 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

LEE & KIM, LLP

SIGNED: "LEE & KIM, LLP"

CHARTERED ACCOUNTANTS

TORONTO, Canada
March 27, 2004

CROWFLIGHT MINERALS INC.
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31

	2003	2002
	\$	\$
ASSETS		
CURRENT		
Cash and equivalents	6,924,080	421,836
Sundry receivables	110,276	2,974
Prepaid expenses	<u>32,015</u>	<u>30,057</u>
	7,066,371	454,867
CAPITAL ASSET (Note 3)	27,915	1,122
INTEREST IN MINERAL PROPERTIES (Note 4)	<u>3,663,568</u>	<u>2,208,435</u>
	<u>10,757,854</u>	<u>2,664,424</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	458,604	463,792
Advances from shareholder	-	82,232
Advances from related corporation	-	6,218
Loans payable	<u>-</u>	<u>233,743</u>
	458,604	785,985
CONTINGENT LIABILITIES (Note 12)		
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 5(a))	21,132,600	13,686,782
COMMON SHARE PURCHASE WARRANTS (Note 5(d))	910,808	-
COMMON SHARES TO BE ISSUED (Note 5(a) (1))	-	423,000
CONTRIBUTED SURPLUS (Notes 5(a) and (c))	1,808,655	-
DEFICIT	<u>(13,552,813)</u>	<u>(12,231,343)</u>
	<u>10,299,250</u>	<u>1,878,439</u>
	<u>10,757,854</u>	<u>2,664,424</u>
APPROVED ON BEHALF OF THE BOARD		
Signed _____, Director		
Signed _____, Director		

See Accompanying Notes to Consolidated Financial Statements

CROWFLIGHT MINERALS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED DECEMBER 31

	2003	2002
	\$	\$
EXPENSES		
Salaries and benefits	8,240	40,372
Office and general	99,489	77,289
Shareholders' expenses	176,705	4,296
Investor communications	514,126	20,756
Promotion	55,660	9,403
Professional fees	102,857	5,505
Interest and bank charges	47,425	18,979
Travel	49,918	115
Consulting and management fees	343,405	24,000
Stock based compensation (Note 5(c))	1,764,780	-
Amortization	10,852	1,346
(Gain) on foreign exchange	<u>(304)</u>	<u>(603)</u>
	<u>3,294,153</u>	<u>201,458</u>
Loss before the undernoted	(3,294,153)	(201,458)
Interest	31,704	-
Write-down of interest in mineral properties	(1)	(183,868)
Gain on settlement of accounts payable	<u>105,980</u>	<u>-</u>
Net loss for the year	(3,156,470)	(385,326)
Future income tax recovery (Note 8)	<u>1,835,000</u>	<u>-</u>
NET (LOSS) FOR THE YEAR	(1,321,470)	(385,326)
DEFICIT , beginning of year	<u>(12,231,343)</u>	<u>(11,846,017)</u>
DEFICIT , end of year	<u>(13,552,813)</u>	<u>(12,231,343)</u>
(Loss) per share – Basic (Note 7)	<u>(0.040)</u>	<u>(0.017)</u>

See Accompanying Notes to Consolidated Financial Statements

CROWFLIGHT MINERALS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31

	2003	2002
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) for the year	(1,321,470)	(385,326)
Charges to income not involving cash:		
Amortization	10,852	1,346
Stock based compensation	1,764,780	-
Future income tax recovery	(1,835,000)	-
Write-down of exploration expenditures	<u>1</u>	<u>183,868</u>
	<u>(1,380,837)</u>	<u>(200,112)</u>
Changes in non-cash working capital balances:		
Decrease (increase) in sundry receivables	(107,301)	21,608
(Decrease) increase in accounts payable	(5,188)	76,723
(Decrease) increase in advances from related corporation	(6,218)	86,896
Increase in prepaid expenses	(1,960)	(29,417)
(Decrease) increase in advances from shareholder	<u>(82,232)</u>	<u>76,443</u>
	<u>(202,899)</u>	<u>232,253</u>
Net cash flows in operating activities	<u>(1,583,736)</u>	<u>32,141</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Decrease) increase in loans payable	(233,743)	112,768
Exercise of warrants	388,875	-
Exercise of options	317,500	-
Issuance of units pursuant to private placement	9,976,299	-
Share issue costs	(898,672)	-
Common shares to be issued	<u>-</u>	<u>423,000</u>
Net cash flows from financing activities	<u>9,550,259</u>	<u>535,768</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest in mineral properties	(1,426,633)	(145,139)
Purchase of capital assets	<u>(37,646)</u>	<u>-</u>
	<u>(1,464,279)</u>	<u>(145,139)</u>
Increase (decrease) in cash	6,502,244	(422,770)
CASH (BANK INDEBTEDNESS), beginning of year	<u>421,836</u>	<u>(934)</u>
CASH AND EQUIVALENTS, end of year	<u>6,924,080</u>	<u>421,836</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common shares issued for interest in mineral Properties	<u>28,500</u>	<u>-</u>

See Accompanying Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mining claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition thereof. The ability of the Company to continue as a going concern is dependent on the Company's ability to obtain future financing. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are in accordance with generally accepted accounting principles in Canada and their basis of application is consistent with that of the previous year. Outlined below are those policies considered particularly significant:

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its 100% owned subsidiary, Crowflight Minerals Ireland Limited.

Mineral Properties and Deferred Exploration Expenditures

Mineral properties are carried at cost until they are brought into production, at which time they are depleted on a unit-of-production method based on proven and probable reserves. If a property is subsequently determined not to be economic, the property and related deferred costs are written down to net realizable value.

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

Costs include the cash consideration and the fair market value of the shares issued for the acquisition of mineral properties. The carrying value is reduced by option proceeds received until such time as the property cost and deferred expenditures are reduced to nominal amounts. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

The Company reviews its mineral properties on an annual basis to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the mineral properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. In reviewing its mineral properties, the Company estimates the potential future cash flows expected to result from each asset and its eventual disposition. If the sum of the undiscounted, expected future cash flow is less than the carrying value of the asset, an impairment loss is recognized. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near-term could require a change in the determination of the need for and amount of any write down.

Environmental Expenditures and Land Reclamation Costs

During the course of acquiring and exploring potential mining properties, the Company must comply with government regulated environmental evaluation, updating and reclamation requirements. The costs of complying with these requirements are capitalized as incurred, as deferred costs, until such time as the properties are put into

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Environmental Expenditures and Land Reclamation Costs (cont'd)

commercial production, at which time the costs incurred will be charged to operations on a unit-of-production basis over the estimated mine life. Upon abandonment or sale of a property, all deferred costs relating to the property will be expended in the year of such abandonment or sale. The cost and extent of future site cleanup, reclamation or remediation cannot be determined at this time and no amount has been recorded in these financial statements.

Cash and Equivalents

Cash and equivalents comprise cash on hand and short-term investments generally which mature within 90 days from the date of acquisition. The investments are held in a Canadian chartered bank or a financial institution controlled by a Canadian chartered bank.

Income Taxes

The Company uses the liability method of accounting for income taxes. Under the liability method of tax allocation, future income taxes are determined based on the differences between the financial reporting and tax bases of assets and liabilities. These income tax assets and liabilities are measured using the substantially enacted tax rates in which the income tax assets or liabilities are expected to be settled or realized. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

Stock-Based Compensation

The Company has a stock-based compensation plan which is described in Note 5(b). Effective January 1, 2003 the Company adopted, on a prospective basis, the fair value based method of accounting for stock option awards granted to employees and directors, as prescribed by CICA 3870 "Stock-based Compensation and Other Stock-based Payments". Under this method, the fair value of the stock options at the date of grant is amortized over the vesting period, with the offsetting credit to contributed surplus. If the stock options are exercised, the proceeds are credited to share capital. Prior to January 1, 2003 the Company had elected to recognize no stock compensation expense for grants to employees and directors where the stock option awards had no cash settlement features and the exercise price was equal to the stock price on the date of grant.

Earnings (loss) Per Share

Basic per share amounts are calculated using the weighted number of shares outstanding during the year. Under this standard, the treasury method is used to determine the dilutive effect of stock options and other dilutive instruments.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003

3. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2003</u>	<u>Net 2002</u>
	\$	\$	\$	\$
Computer equipment	25,888	10,969	14,919	1,122
Furniture & fixtures	4,149	829	3,320	-
Storage containers	<u>12,096</u>	<u>2,420</u>	<u>9,676</u>	<u>-</u>
	<u>42,133</u>	<u>14,218</u>	<u>27,915</u>	<u>1,122</u>

4. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

The Company has acquired mineral properties and conducted mineral exploration within certain portions of the properties in Sudbury, Ontario area during 2002 and 2003. The acquisition costs and deferred exploration expenditures are as follows:

	<u>2003</u>	<u>2002</u>
	\$	\$
Acquisition costs:		
Opening balance	901,600	875,480
Staking costs and option payments	<u>351,000</u>	<u>100,000</u>
	1,252,600	975,480
Less: Write down during the year	<u>-</u>	<u>73,880</u>
Ending balance	<u>1,252,600</u>	<u>901,600</u>
Deferred Exploration Expenditures:		
Opening balance	1,306,835	1,371,684
Geological and geophysical	266,497	-
Site activities	705,752	45,139
Consulting and report writing	<u>131,885</u>	<u>-</u>
2,410,969	1,416,823	-
Less: Write down during the year	<u>1</u>	<u>109,988</u>
	<u>2,410,968</u>	<u>1,306,835</u>
	<u>3,663,568</u>	<u>2,208,435</u>

(a) AER-Kidd Property

The property covers approximately two kilometers of the Worthington Off Dyke and consists of about 272 hectares. The Company acquired the property for \$150,000 cash, issue of 1,000,000 common shares, and 1,000,000 common share purchase warrants for a two year period exercisable at \$0.45 per share in the first year and \$0.55 per share if exercised in the second year and a 3% net smelter royalty. The Company can purchase up to 50% of this royalty for \$1.25 million up to the time when commercial production commences and there is a \$50,000 advance royalty payments payable semi-annually, beginning January 31, 2001 (total of \$300,000 was paid to December 31, 2003).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003

4. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (cont'd)

(b) Airport Property

The Company has signed a Participation and Joint Venture Agreement with Millstream Mines Ltd. to earn an undivided 50% interest in the 46 claim Airport Property in the Sudbury Mining Camp. During the year ended December 31, 2003 the Company made a \$60,000 property payment and funded a mutually approved \$325,000 for phase i exploration work. In order to maintain its 50% undivided interest the Company has to fund an additional \$600,000 for phase ii exploration work.

(c) Marble Mountain

The Company has entered into an option agreement to earn 100% interest in the 73 claims in Marble Mountain Property in Parkin Township, Sudbury. The total consideration is as follows:

- (i) Cash payments totaling \$225,000 of which \$10,000 was paid in 2003; \$10,000 payable by January 4, 2004 (paid); \$25,000 payable by December 1, 2004; \$30,000 payable by December 1, 2005 and \$150,000 payable by December 1, 2006.
- (ii) Issue of 100,000 Common shares of which 50,000 shares were issued in 2003 and 50,000 shares to be issued by December 1, 2004.
- (iii) Minimum exploration expenditure of \$43,800 per year.

The vendor will retain a 2.5% Net Smelter Royalty (NSR) and will be paid a semi-annual royalty payment of \$10,000 commencing on June 1, 2007. The Company has the option to purchase 1.5% of the NSR for \$1,500,000 with all advances and regular royalty payments reducing the \$1,500,000 buyout amount on a dollar-for-dollar basis.

(d) Casierra Diamond Syndicate

The Company acquired a 33.3% interest in the Casierra Diamond Syndicate by the issue of 3,754,505 trading shares and 1,897,194 escrow shares of the Company at \$0.76 per share in 1995. During the year ended December 31, 2003, the Company abandoned its interest in the property and \$1 in acquisition and exploration costs were written off.

5. SHARE CAPITAL

(a) Common Shares

Authorized:

Unlimited number of common shares without par value

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

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

Issued:

50,462,651 Common shares

\$21,132,600

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003

5. SHARE CAPITAL (CONT'D)

(a) Common Shares (cont'd)

	<u>Common Shares</u>	<u>Amount</u>
	#	\$
Transactions during the year are as follows:		
Balance, January 1, 2002 and December 31, 2002	22,608,283	13,686,782
Exercise of options	1,550,000	317,500
Exercise of warrants	1,822,500	388,875
Private placements – May 22, 2003	(1) 2,115,000	423,000
Private placements – June 5, 2003	(2) 7,500,000	856,152
Private placements – August 20, 2003	(3) 8,843,533	3,300,987
Private placements – November 28, 2003	(4) 5,334,995	3,494,292
Private placements – December 10, 2003	(5) 638,340	471,512
Issuance of shares for interest in mineral properties	50,000	28,500
Flow through share tax effect	<u>-</u>	<u>(1,835,000)</u>
Balance, December 31, 2003	<u>50,462,651</u>	<u>21,132,600</u>

- (1) On May 22, 2003, the Company issued 2,155,000 flow through units at a price of \$0.20 per unit, for total gross proceeds of \$423,000 (received in December, 2002). Each unit includes one common share and one-half of one common share purchase warrant. Each whole common share warrant entitle the holder to purchase an additional common share at a price of \$0.20 for a period of one year, until December 31, 2003 and at a price of \$0.30 until December 31, 2004 (975,000 units were exercised during the year).
- (2) On June 5, 2003, the Company issued 7,500,000 units at a price of \$0.20 per unit for total gross proceeds of 1.5 million. Each unit includes one common share or one flow-through common share and one common share purchase warrant. Each common share warrant entitle the holder to purchase an additional common share at a price of \$0.20 for a period of two years, until June 4, 2005. The gross proceeds, less issue costs have been prorated to common shares and warrants based on the fair value of each component, as follows: common shares - \$856,152; warrants - \$580,871.
- (3) On August 20, 2003, the Company issued 4,761,900 units at a price of \$0.42 per unit for total gross proceeds of \$2 million. Each unit includes one common share and one-half common share purchase warrant. Each whole share warrant entitles the holder to purchase an additional common share at a price of \$0.60 for a period of two years, until August 20, 2005.

On August 20, 2003, the Company issued 4,081,633 of flow through units at a price of \$0.49 per unit for a total gross proceeds of \$2 million.

The gross proceeds, less issue costs have been prorated to common shares and warrants based on the fair value of each component, as follows: common shares - \$3,300,987; warrants - \$196,968.

As a part of commission, the Company also issued 159,059 warrants to purchase 159,059 common shares at a price of \$0.49 until August 20, 2005; 30,608 warrants to acquire 30,608 shares at a price of \$0.49 until September 3, 2005 and 204,408 compensation units to the underwriter. Each compensation option entitle the holder to purchase one compensation unit as a price of \$0.42 per compensation unit for a period of two years until August 20, 2005. Each compensation unit consists of one common share and one-half common share purchase unit. Each whole share warrant entitles the holder to purchase an additional common share at a price of \$0.60 for the period of two years until August 20, 2005.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003

5. SHARE CAPITAL (CONT'D)

(a) Common Shares (cont'd)

The fair value of compensation units and warrants determined using the Black-Scholes option pricing model to be \$24,549 and \$20,407, have been recorded to contributed surplus and share issue costs respectively. As at December 31, 2003, 204,408 compensation units were outstanding.

- (4) On November 28, 2003, the Company issued 2,361,660 of flow through units at a price of \$0.75 per unit for total gross proceeds of \$1,771,245. Each unit includes one flow through common share and one-half common share purchase warrant. Each whole share warrant entitles the holder to purchase an additional common share at a price of \$1.25 for a period of one year, until November 28, 2004.

On November 28, 2003, the Company issued 2,973,335 units at a price of \$0.75 per unit for total gross proceeds of \$2,230,000. Each unit includes one common share and one-half common share purchase warrant. Each whole share warrant entitles the holder to purchase an additional common share at a price of \$1.00 for a period of one year, until November 28, 2004.

The gross proceeds, less issue costs, have been prorated to common shares and warrants based on the fair value of each component, as follows: common shares - \$3,494,292; warrants - \$106,179.

As a part of commission, the Company also issued 257,191 compensation units to the underwriter. Each compensation option entitle the holder to purchase one compensation unit as a price of \$0.80 per compensation unit for a period of one year, until November 28, 2004. Each compensation unit consists of one common share and one-half common share purchase unit. 139,125 share warrants entitle the holder to purchase 69,562 common shares at a price of \$1.00 until November 28, 2004. 118,066 share warrants entitle the holder to purchase 59,033 common shares at a price of \$1.25 until November 28, 2004.

The fair value of compensation units, determined using the Black-Scholes option pricing model, to be \$18,466, has been recorded to contributed surplus. As at December 31, 2003, 139,125 compensation units were outstanding.

- (5) On December 10, 2003, the Company issued 638,340 of flow through units at a price of \$0.75 per unit for total gross proceeds of \$478,755. Each unit includes one flow through common share and one-half common share purchase warrant. Each whole share warrant entitle the holder to purchase an additional common share at a price of \$1.25 for a period of one year, until December 10, 2004.

The gross proceeds, less issue costs have been prorated to common shares and warrants based on the fair value of each component, as follows: common shares - \$471,512; warrants - \$6,383.

As a part of commission, the Company also issued 44,684 compensation units to the underwriter. Each compensation option entitle the holder to purchase one compensation unit at a price of \$0.80 per compensation unit, for a period of one year, until December 10, 2004. Each compensation unit consists of one common share and one-half common share purchase unit. Each whole share warrant entitles the holder to purchase an additional common share at a price of \$1.25 until December 10, 2004.

The fair value of commission units, determined using the Black-Scholes option pricing model, to be \$858, has been recorded to contributed surplus. As at December 31, 2003, 44,684 compensation units were outstanding.

(b) Stock Option Plan

The Company has granted options for the purchase of common shares to its directors, officers and certain consultants. The aggregate number of stock options to be granted under the plan is fixed at 4,900,000. The

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003

5. SHARE CAPITAL (CONT'D)

(b) Stock Option Plan (cont'd)

options are non-transferable and non-assignable and may be granted for a term not exceeding five years. The exercise price of the options is fixed by the board of directors of the Company at the time of grant at the market price of the common shares, subject to all applicable regulatory requirements.

A summary of changes in stock options during the year is as follows:

	<u>Stock Options</u> #	<u>Weighted Average</u> <u>Exercise Price</u> \$
Balance, December 31, 2001	803,883	0.40
Cancelled	(803,883)	(0.40)
Granted	<u>2,000,000</u>	<u>0.20</u>
Balance, December 31, 2002	2,000,000	0.20
Exercised	(1,550,000)	0.20
Granted	5,225,000	0.35
Cancelled	<u>(1,150,000)</u>	<u>(0.46)</u>
Balance, December 31, 2003	<u>4,525,000</u>	<u>0.41</u>

As at December 31, 2003 the Company had incentive stock options, issued to directors, officers, and key consultants of the Company outstanding as follows:

<u>Date of Grant</u>	<u>Options</u> #	<u>Exercisable</u> <u>Options</u>	<u>Exercise</u> <u>Price</u>	<u>Expiry Date</u>
June 5, 2003	2,550,000	2,550,000	0.20	June 5, 2008
June 18, 2003	325,000	325,000	0.35	June 5, 2008
July 18, 2003	375,000	375,000	0.35	July 18, 2008
Nov 21, 2003	700,000	700,000	0.56	Nov 21, 2008
Sep 18, 2003	150,000	75,000	0.60	Sep 18, 2006
Dec 11, 2003	375,000	275,000	0.62	Dec 11, 2008
Nov 17, 2003	<u>50,000</u>	<u>50,000</u>	0.70	Nov 17, 2008
	<u>4,525,000</u>	<u>4,350,000</u>		

(c) Stock-based Compensation

The Company has elected for the early adoption of the CICA released amendments to Section 3870, "Stock Based Compensation and Other Stock-based Payments", which require an expense to be recognized in the financial statements for all forms of employee stock-based compensation, including stock options. Prior to the adoption, the Company disclosed the effects of accounting for stock-based compensation to directors and employees as compensation expense, using the fair-value based method, as pro-forma information in the share capital note. The fair value of the options was \$1,764,780 which was charged to the statement of operations and deficit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003

5. SHARE CAPITAL (cont'd)**(c) Stock-based Compensation (cont'd)**

The fair value of each option was estimated on the date of the grant using a Black-Scholes option pricing model with the following weighted average assumptions: dividend yield of 0%, expected volatility of 146%, a risk free rate of 2% and an expected life of five years.

75,000 stock options exercisable at \$0.60 expiring September 18, 2003 and 100,000 stock options exercisable at \$0.62 expiring December 11, 2008, are not vested at December 31, 2003. The value assigned

to the 175,000 stock option is \$52,860 using the Black-Scholes option pricing model and will be expensed in the statement of operations and deficit when they vest.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

(d) Warrants

A summary of the warrants is as follows:

	Number of Warrants #	Weighted Average Exercise Price \$
Balance, January 1, 2001 and December 31, 2002	-	-
Issued	14,114,776	0.48
Exercised	<u>1,822,500</u>	0.21
Balance, December 31, 2003	<u>12,292,276</u>	0.52

5. SHARE CAPITAL (cont'd)**(d) Warrants (cont'd)**

A summary of the outstanding warrants is as follows:

Number of Warrants	Exercise Price	Expiry Date	Amount \$
570,000	\$0.25	May 22, 2005	-
6,165,000	\$0.20	June 4, 2004	580,871
2,380,950	\$0.60	August 20, 2005	196,968
1,180,830	\$1.25	November 28, 2004	21,383
1,486,667	\$1.00	November 28, 2004	84,796
319,170	\$1.25	December 10, 2004	6,383
159,051	\$0.49	August, 20, 2005	17,114
<u>30,608</u>	\$0.49	September 3, 2005	<u>3,293</u>
<u>12,292,276</u>			<u>910,808</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003

6. FLOW-THROUGH FINANCING

The Company finances a portion of its exploration activities through the issue of flow-through shares. Funds raised pursuant to exploration financing agreements must be expended on qualifying exploration expenditures. For income tax purposes, exploration expenses under flow-through agreements are renounced in favour of the investors and are not deductible by the Company.

7. LOSS PER SHARE

The loss per share has been calculated using the weighted average number of shares outstanding at the end of each fiscal period. The existence of warrants and stock options affects the calculation of loss per share on a fully diluted basis. As the effect of the dilution is to reduce the loss per share, the fully diluted loss per share has not been presented.

8. INCOME TAXES**(a) Provision for Income Taxes**

Major items causing the Company's income tax rate to differ from the federal statutory rate of 36.62% (2002 – 39%) were as follows:

	<u>2003</u>	<u>2002</u>
	\$	\$
Loss before taxes:	<u>(3,156,470)</u>	<u>(385,326)</u>
Expected income tax (benefit) based on statutory rate	(1,156,000)	(150,000)
Increase (decrease) resulting from:		
Writedown of mineral properties and deferred exploration expenditures	-	72,000
Share issue costs	(76,000)	(7,000)
Stock based compensation	646,000	-
Future tax assets not previously recognized	<u>(1,249,000)</u>	<u>85,000</u>
Provision for income taxes	<u>(1,835,000)</u>	<u>-</u>

During the year, the Company issued \$5,010,875 in flow-through shares, consequently a non-cash future income tax recovery of \$1,835,000 has been recognized during the year ended December 31, 2003. The future income tax recovery was recorded in accordance with CICA HB 3465 and EIC Drafts 39.

As a resource company, Crowflight has future income tax assets that it did not recognize in previous years as a result of applying the "more likely than not" test. During the year, the Company undertook an issuance of flow-through shares that gave rise to taxable temporary differences. The taxable temporary differences are expected to reverse during the loss carry-forward period, so that part of the unrecognized future income tax assets can be applied against the full taxable temporary difference. The Company recognized that portion of its unrecognized future tax assets, by reversing a portion of the previously recorded valuation allowance. The recognition of a portion of previously unrecognized future income tax assets results in a credit to income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003

8. INCOME TAXES (cont'd)**(b) Future Tax Balances**

The tax effects of temporary differences that give rise to future income tax assets in Canada at December 31, 2003 are as follows:

	<u>2003</u>	<u>2002</u>
	\$	\$
Future income tax assets:		
Non-capital losses	994,233	530,000
Resource properties	(1,457,233)	808,000
Share issue costs	266,000	9,300
Other assets	<u>197,000</u>	<u>226,000</u>
	-	1,573,300
Valuation allowance	<u>-</u>	<u>(1,573,300)</u>
	<u>-</u>	<u>-</u>

The Company has approximately \$2,715,000 of non-capital losses in Canada which under certain circumstances can be used to reduce taxable income of future years. The potential income tax benefit of these losses has not been recognized in the accounts.

The Company has approximately \$8,329,700 of development and exploration expenditures as at December 31, 2003 which, under certain circumstances, may be utilized to reduce taxable income of future years. The potential income tax benefit of these losses has not been recognized in the accounts.

9. FINANCIAL INSTRUMENTS

The carrying amounts for cash and sundry receivables, accounts payable and accrued liabilities and advances from related parties on the balance sheets approximate fair value because of the limited term of these instruments.

Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgement, and therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

10. COMMITMENT

The Company is committed to annual minimum rental payments of \$42,000 under a lease for premises in Sudbury, Ontario, expiring on June 30, 2004 and January 31, 2005.

Pursuant to the terms of management & consulting agreements with its directors, officers and certain consultants, the Company is committed to minimum payments of \$50,000 per month. Many of the agreements can be terminated upon 90 days written notice or upon a different period of time as mutually agreed upon.

Pursuant to the terms of a management contract with a director and an officer, the Company is committed to severance pay of \$37,500, when the Company terminated the agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003

11. RELATED PARTY TRANSACTIONS

- (a) Consulting and management fees include \$28,000 (2002 - \$24,000) for management fees paid to the former president of the Company.
- (b) During the year ended December 31, 2003, a total of \$90,000 (2002 - NIL) for professional consulting fees and deferred exploration expenditures was paid or accrued to three directors and officers of the Company. The consulting fees are subject to the agreement. The related parties are also reimbursed for out-of-pocket expenses related to the business of the Company.
- (c) During the year ended December 31, 2003, a total of \$216,000 (2002 - NIL) for bonuses was paid or accrued to various directors and officers. Included in accounts payable and accrued liabilities at December 31, 2003 is \$70,000 (2002 - NIL) owing to certain directors and officers. The Company also paid \$25,000 bonus to a company of which one of the directors is an officer.
- (d) The Company shares its premises with other companies that have common directors and pays for its proportional share of the expenses.

All of the above transactions are in the normal course of operations and are measured at the exchange amount (the amount of consideration established and agreed to by the related parties), which does not exceed the arm's length equivalent value for these services.

12. CONTINGENCIES

The Company is the defendant in a law suit filed in the Ontario Superior Court of Justice. The plaintiff is claiming damages of 3,370,000 shares of the Company and 3% net smelter royalties on 13 properties acquired by the Company in Sudbury, Ontario. The Company is unable to ascertain the amount of liability, if any, of the above matter.

13. COMPARATIVE FIGURES

The 2002 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2003.

14. SUBSEQUENT EVENTS

On February 4, 2004 the Company entered into an option agreement to acquire 100% interest in 624 hectares (39 units) of the Copenhagen Property in Sudbury Basin.

The total consideration is as follows:

- (i) Cash payments totaling \$230,000; \$90,000 payable on April 2004; \$8,000 payable on May 1, 2004; \$8,000 payable on July 1, 2004; \$25,000 payable on February 19, 2005; \$30,000 payable on February 16, 2006 and \$150,000 payable on February 19, 2007.
- (ii) Issue of 100,000 Common shares of which 15,000 Common shares are to be issued by April, 2004; 15,000 Common shares to be issued by May 1, 2004; 20,000 Common shares by July 1, 2004 and 50,000 Common shares by February 19, 2005.
- (iii) Minimum exploration expenditures of \$33,000 per year.

The vendor will retain 2.5% Net Smelter Royalty (NSR) and will be paid semi-annual royalty payments of \$10,000 commencing on August 19, 2007. The Company has the option to repurchase 60% of NSR for \$1,500,000, with all advances and regular royalty payments reducing \$1,500,000 buyout amount on a dollar-for-dollar basis.

CORPORATE INFORMATION

Directors

Stan Bharti

Business Consultant
Toronto, Ontario

Paul A. Carroll

Independent Businessman
Toronto, Ontario

Bryson Farrill

Independent Businessman
London, England

Gerald McCarvill

Chairman of the Board
Toronto, Ontario

Keith C. Minty, P. Eng.

Mining Engineer
Toronto, Ontario

William Pearson

Professional Geoscientist
Thornhill, Ontario

Annual and Special Meeting

The annual and special meeting of shareholders will be held at 4:30 p.m., Monday, May 17th, 2004 at Suite 815, 65 Queen Street West, Toronto, Ontario, M5H 2M5

Legal Counsel

Cassels Brock & Blackwell LLP
Barristers and Solicitors
Toronto, Ontario

Shareholders' Information

Stock Exchange Listing

Toronto Venture Exchange
(TSX)
Symbol: CML

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Auditors

Lee & Kim, Chartered
Accountants LLP
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