

CROWFLIGHT MINERALS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Prepared by Management)

| | September 30, 2004 (Unaudited) | December 31, 2003 (Audited) |
|---|--------------------------------------|-----------------------------------|
| ASSETS | | |
| Current | | |
| Cash and short term investments | \$ 1,005,640 | \$ 6,924,080 |
| Accounts receivable | 365,428 | 110,276 |
| Prepaid expenses | <u>769,042</u> | <u>32,015</u> |
| | 2,140,110 | 7,066,371 |
| Long-term | | |
| Property, plant and equipment | 54,468 | 27,915 |
| Interest in mineral properties (Note 5) | <u>9,454,295</u> | <u>3,663,568</u> |
| | <u>9,508,763</u> | <u>3,691,483</u> |
| | <u>\$ 11,648,873</u> | <u>\$ 10,757,854</u> |

LIABILITIES

| | | |
|--|----------------------|----------------------|
| Current | | |
| Accounts payable and accrued liabilities | <u>\$ 824,811</u> | <u>\$ 458,604</u> |
| SHAREHOLDERS' EQUITY | | |
| Common Shares (Note 2) | 21,819,995 | 21,132,600 |
| Warrants (Note 2) | 1,510,559 | 910,808 |
| Contributed surplus (Note 6) | 2,573,687 | 1,808,655 |
| Deficit | <u>(15,080,179)</u> | <u>(13,552,813)</u> |
| | <u>10,824,062</u> | <u>10,299,250</u> |
| | <u>\$ 11,648,873</u> | <u>\$ 10,757,854</u> |

Responsibility for Financial Statements

The accompanying consolidated financial statements for Crowflight Minerals Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the December 31, 2003 audited consolidated financial statements. Only changes in accounting policies have been disclosed in these financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

CROWFLIGHT MINERALS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Prepared by Management - Unaudited)

| | Three months ended September 30, | | Nine months ended September 30, | |
|------------------------------------|-------------------------------------|------------------------|------------------------------------|------------------------|
| | 2004 | 2003 | 2004 | 2003 |
| Expenses | | | | |
| Professional and consulting | \$ 129,574 | \$ 53,674 | \$ 405,598 | \$ 169,675 |
| General and office expenses | 25,797 | 37,331 | 124,340 | 81,505 |
| Shareholder communications | 54,988 | 153,315 | 175,878 | 207,037 |
| Travel expenses | 15,011 | 10,305 | 59,538 | 12,716 |
| Stock option compensation (Note 6) | 552,060 | 41,400 | 775,172 | 45,400 |
| Interest expenses and bank charges | 34,534 | 8,009 | 35,872 | 44,623 |
| Amortization | 5,538 | 1,707 | 12,886 | 2,829 |
| | <u>817,502</u> | <u>305,741</u> | <u>1,589,284</u> | <u>563,785</u> |
| Loss before the undernoted | (817,502) | (305,741) | (1,589,284) | (563,785) |
| Interest earned | 11,781 | - | 60,547 | - |
| Recovery of expenses | - | 81,497 | 1,371 | 123,731 |
| Income/ (Loss) | (805,721) | (224,244) | (1,527,366) | (440,054) |
| DEFICIT, beginning of period | <u>(14,274,458)</u> | <u>(12,447,153)</u> | <u>(13,552,813)</u> | <u>(12,231,343)</u> |
| DEFICIT, end of period | <u>\$ (15,080,179)</u> | <u>\$ (12,671,397)</u> | <u>\$ (15,080,179)</u> | <u>\$ (12,671,397)</u> |

CROWLIGHT MINERALS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Prepared by Management - Unaudited)

| | Three months ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|----------------------------|------------------------------------|----------------------------|
| | 2004 | 2003 | 2004 | 2003 |
| CASH (USED IN) PROVIDED BY: | | | | |
| OPERATING ACTIVITIES: | | | | |
| Net loss for the period | \$ (805,721) | \$ (224,244) | \$ (1,527,366) | \$ (440,054) |
| Charges not affecting cash: | | | | |
| Amortization | 5,538 | 1,707 | 12,886 | 2,829 |
| Stock option compensation | 552,060 | 41,400 | 775,172 | 45,400 |
| Other non cash items | - | - | 12,839 | - |
| Net change in non-cash working capital: | | | | |
| Accounts receivable and Prepaid expenses | (807,952) | (18,338) | (992,179) | 3,826 |
| Accounts payable and accrued liabilities | (101,639) | (302,412) | 366,207 | (323,268) |
| | <u>(1,157,714)</u> | <u>(501,887)</u> | <u>(1,352,441)</u> | <u>(711,267)</u> |
| FINANCING ACTIVITIES: | | | | |
| Loans payable | - | (77,676) | - | (155,216) |
| Advances from related companies | - | - | - | (6,218) |
| Advances from shareholder | - | (60,495) | - | (65,671) |
| Common shares issued | - | 3,837,930 | 53,750 | 5,226,952 |
| Financing costs | 1,729 | - | (11,794) | - |
| | <u>1,729</u> | <u>3,699,759</u> | <u>41,956</u> | <u>4,999,847</u> |
| INVESTING ACTIVITIES: | | | | |
| Mining interest | (1,198,276) | (465,363) | (4,555,677) | (730,407) |
| Property, plant and equipment | - | (21,166) | (52,278) | (21,166) |
| | <u>(1,198,276)</u> | <u>(486,529)</u> | <u>(4,607,955)</u> | <u>(751,573)</u> |
| CHANGE IN CASH AND SHORT-TERM INVESTMENTS | (2,354,261) | 2,711,343 | (5,918,440) | 3,537,007 |
| CASH AND SHORT-TERM INVESTMENTS, beginning of period | <u>3,359,901</u> | <u>1,247,500</u> | <u>6,924,080</u> | <u>421,836</u> |
| CASH AND SHORT-TERM INVESTMENTS, end of period | <u>\$ 1,005,640</u> | <u>\$ 3,958,843</u> | <u>\$ 1,005,640</u> | <u>\$ 3,958,843</u> |

CROWFLIGHT MINERALS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Nine Months Ended September 30, 2004
 (Prepared by Management - Unaudited)

1. ACCOUNTING POLICIES

These interim consolidated financial statements are unaudited and are not reviewed by the Company's auditors.

The management of Crowflight Minerals Inc. (the "Company") has prepared these unaudited consolidated financial statements for the three and nine months ended September 30, 2004 in accordance with generally accepted accounting principles in Canada. These financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2003.

The disclosures in these interim financial statements do not include the full disclosure required under generally accepted accounting principles in Canada for annual financial reporting.

Operating results for the nine months ended September 30, 2004 are not indicative of the results that may be expected for the full year ending December 31, 2004.

The Company uses the same methods and accounting policies described in the December 31, 2003 audited consolidated financial statements.

2. CAPITAL STOCK

AUTHORIZED

- Unlimited common shares without par values
- Unlimited class A preference shares with a par value of \$10 each, issuable in series, cumulative dividends
- Unlimited class B preference shares with a par value of \$50 each, issuable in series, cumulative dividends

| COMMON SHARES ISSUED | No of Shares | Value |
|--|-------------------|----------------------|
| Balance, beginning of year (December 31, 2003) | 50,462,651 | \$ 21,132,600 |
| Adjustment | (110) | - |
| Shares issued in acquisition of property | 2,050,000 | 615,050 |
| Issue of warrants - warrant valuation | - | - |
| Exercise of warrants | 225,000 | 45,000 |
| Exercise of warrants - warrant valuation | - | 20,250 |
| Exercise of stock options | 25,000 | 8,750 |
| Exercise of options - option valuation | - | 10,140 |
| Recovery of issue costs | - | 21,728 |
| Cost of issue | - | (33,523) |
| Balance, end of period (September 30, 2004) | 52,762,541 | \$ 21,819,995 |

CROWFLIGHT MINERALS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Nine Months Ended September 30, 2004
 (Prepared by Management - Unaudited)

2. CAPITAL STOCK (continued)

WARRANTS

A summary of the outstanding warrants as of September 30, 2004 are as follows:

| Value (\$) | Number of Warrants | Exercise Price (\$) | Expiry Date |
|------------|--------------------|---------------------|-------------------|
| - | 570,000 | 0.30 | May 22, 2005 |
| 560,622 | 5,940,000 | 0.20 | June 4, 2005 |
| 196,968 | 2,380,950 | 0.60 | August 20, 2005 |
| 21,383 | 1,180,830 | 1.00 | November 28, 2004 |
| 84,796 | 1,486,667 | 1.25 | November 28, 2004 |
| 6,383 | 319,170 | 1.25 | December 10, 2004 |
| 17,114 | 159,051 | 0.49 | August 20, 2005 |
| 3,293 | 30,608 | 0.49 | September 3, 2005 |
| 377,500 | 2,500,000 | 0.35 | June 17, 2006 |
| 242,500 | 2,500,000 | 0.75 | June 17, 2006 |
| 1,510,559 | 17,067,276 | | |

| <u>Units</u> | Value (\$) | Number of Units | Exercise Price (\$) | Expiry Date |
|--------------|------------|-----------------|---------------------|-----------------------------|
| | 43,873 | 506,283 * | 0.42 - 0.80 | November 2004 - August 2005 |

* If the units in aggregate are exercised, the unit-holders will be entitled to 506,283 common shares and 253,141 common share purchase warrants with expiry dates ranging from November 2004 to August 2005.

3. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share is the same as basic loss per share. Stock options and warrants were not included in the fully diluted loss per share calculation since the calculation would have been anti-dilutive.

The following table sets out the computation for basic and diluted loss per share:

| | 2004 | 2003 |
|---|----------------|--------------|
| Numerator: | | |
| Loss for the period | \$ (1,527,366) | \$ (440,054) |
| Denominator: | | |
| Weighted average number of shares outstanding | 51,493,490 | 28,328,044 |
| Basic and diluted loss per share | \$ (0.03) | \$ (0.02) |

CROWLIGHT MINERALS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Nine Months Ended September 30, 2004
(Prepared by Management - Unaudited)

4. INCOME TAXES

The estimated taxable income for the period is nil. Based upon the level of historical taxable income, it cannot be reasonably estimated at this time, if it is more likely than not that the Company will realize the benefits from future income tax assets or the amounts owing from future income tax liabilities.

Consequently, the future recovery or loss arising from differences in tax values and accounting values have been reduced by a valuation allowance. The estimated valuation allowance will be adjusted in the period that it is determined that it is more likely than not that some portion of or all of the future tax assets or future tax liabilities will be realized.

For further information on the Company's actual losses for tax purposes, refer to the December 31, 2003 audited consolidated financial statements. The benefit of these losses and the estimated loss for the nine months ended September 30, 2004 has not been recognized in these unaudited consolidated financial statements.

5. INTEREST IN MINERAL PROPERTIES

Acquisition costs and deferred exploration expenditures are as follows:

Acquisition costs:

| | |
|--|-------------------------|
| Opening balance, December 31, 2003 (audited) | \$ 1,252,600 |
| Staking costs and option payments | <u>1,511,894</u> |
| Ending balance, September 30, 2004 | <u><u>2,764,494</u></u> |

Deferred exploration expenditures:

| | |
|--|--------------------------------|
| Opening balance, December 31, 2003 (audited) | 2,410,968 |
| Geological and geophysical | 1,211,456 |
| Site activities | 2,440,648 |
| Consulting and report writing | 601,372 |
| Travel and transportation | <u>25,357</u> |
| Ending balance, September 30, 2004 | <u><u>6,689,801</u></u> |
| | <u><u>9,454,295</u></u> |

Mining properties acquired during the period were as follows:

Thompson Nickel Belt Properties:

On June 16, 2004 the Company entered into a joint venture agreement with Falconbridge Limited to earn a 50% interest in Falconbridge's Bucko Deposit and a 25% interest in the Bowden Lake, Halfway Lake and Resting Lake Properties in the Thompson Nickel Belt region of Manitoba.

CROWFLIGHT MINERALS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Nine Months Ended September 30, 2004
(Prepared by Management - Unaudited)

5. INTEREST IN MINERAL PROPERTIES (continued)

Under the agreement, the Company is required to:

- spend \$18 million over 3 years in an initial earn-in period;
- issue 2 million common shares of the Company with a deemed value of \$600,000 and 5 million warrants with a deemed value of \$620,000 (issued); the fair value of each warrant was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions: dividend yield 0%; expected volatility of 100%; risk free interest rate of 4% and an expected average life of two years; 2.5 million warrants are exercisable for a 2 year period at \$0.35 and 2.5 million warrants are exercisable for a period of 2 years at a price of \$0.75;
- issue Falconbridge 1 million common shares of the Company in June of 2005 & 2006.

Crowflight may elect to increase its interest to 100% in the Bucko Deposit by making a production decision and by arranging for financing for the development of the reserves. As well, Crowflight can increase its interest to 50% in the Bowden Lake, Halfway Lake and Resting Lake properties by incurring an additional \$7 million in exploration expenditures. In order to increase its interest in these properties, the Company must issue 1,000,000 shares of the Company in June 2007 and in June 2008.

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

Mystery Offset Dyke Property:

On April 8, 2004 the Company entered into an agreement to acquire 100% of the "Mystery Offset Dyke Property" (MOD Property), along the Mystery Offset Dyke, located in Lorne Township of the South Range sector of the Sudbury Basin.

Under the agreement the Company could have acquired an initial 51% interest in the property as follows:

- paying a \$50,000 investigation and technical evaluation fee on the signing of a letter of intent (completed on April 8, 2004);
- issuing 1,000,000 transferable share purchase warrants on or before May 30, 2004. The 1,000,000 warrants will consist of 500,000 warrants exercisable into common shares of the Company at a price of \$0.75 per warrant, valid for a period of two years from the date of issue and 500,000 warrants exercisable into common shares of the Company at a price of \$1.25 per warrant also valid for a period of 2 years from the date of issue;
- making a payment of \$450,000 on or before May 30, 2004 on completion of due diligence;
- making a payment of \$250,000 on or before April 5, 2005; or the Company may elect, in its sole discretion, to issue 500,000 Units to the Vendor. Each unit will consist of one common share and one common share purchase warrant of the Company, with each warrant exercisable at a price of \$0.75 for a period of 2 years from the date of issuance.

CROWFLIGHT MINERALS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Nine Months Ended September 30, 2004
(Prepared by Management - Unaudited)

5. INTEREST IN MINERAL PROPERTIES (continued)

Upon earning a 51% interest in the MOD Property, the Company has the option to acquire the remaining 49% interest by:

- making payments of \$5,000 per month for a period of 24 months; and
- incurring exploration expenditures of \$2,000,000 prior to May 30, 2006.

The agreement has been amended such that the Company has until January 1, 2005 to indicate whether it will proceed with the agreement.

The Company has decided to pursue investigation on the property and has paid an additional \$100,000 in technical evaluation on the property.

If the Company decides to pursue the agreement it must pay \$250,000 by January 1, 2005 and issue 1,000,000 warrants, 500,000 at a price of \$0.75 and 500,000 at a price of \$1.25 valid for a period of two years.

Upon earning a 51% interest, the Company may acquire the remaining 49% interest by making payments of \$5,000 per month for a period of 24 months and incurring exploration expenditures of \$2,000,000 prior to September 1, 2006.

Additionally, at any time, the Company will have the option to acquire the surface rights of the north half of the MOD property for \$250,000. The final agreement and warrant issues are subject to regulatory approvals.

Copenhagen Property:

On February 19, 2004 the Company entered into an option agreement to acquire 100% interest in 624 hectares of the Copenhagen Property in the Sudbury Basin.

The total consideration is as follows:

- (i) Cash payments totaling \$230,000; \$9,000 paid on April 6, 2004; \$8,000 paid on April 20, 2004; \$8,000 paid on July 1, 2004; \$25,000 payable on February 19, 2005; \$30,000 payable on February 19, 2006 and \$150,000 payable on February 19, 2007.
- (ii) The issuance of 100,000 Common shares of which, 15,000 common shares were issued on April 6, 2004 with a deemed value of \$4,350; 15,000 common shares were issued on April 21, 2004 with a deemed value of \$5,100; 20,000 common shares were issued on June 30, 2004 with a deemed value of \$5,600; and 50,000 Common shares are to be issued by February 19, 2005.
- (iii) The Company is to maintain the property in good standing

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 the \$1,500,000 buyout amount on a dollar-for-dollar basis.

CROWLIGHT MINERALS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 Nine Months Ended September 30, 2004
 (Prepared by Management - Unaudited)

5. INTEREST IN MINERAL PROPERTIES (continued)

Peter's Roost Property:

The Company has acquired by staking the Peter's Roost Property, a major land package along the North Range of the Sudbury Basin. A total of 927 claim units covering some 14,830 hectares in Hutton, Kitchener, Tyrone, Leinster, Creelman, Roberts and Botha Townships were acquired during the first half of 2004.

The property extends along two predominantly east-west trending concentric corridors extending from the Company's Marble Mountain Option at the Parkins Offset Dyke in the east, to beyond the Foy Offset Dyke in the west, a distance of over 40 kilometres. The property encompasses the Company's recently acquired Copenhagen Property.

6. STOCK OPTIONS

The following are the stock option transactions during the period:

| | Number of Stock Options | Weighted Average Exercise Price |
|--|----------------------------|------------------------------------|
| Outstanding at the beginning of the year | 4,525,000 | \$ 0.41 |
| Granted during the period | 1,787,500 | 0.55 |
| Exercised during the period | (25,000) | 0.35 |
| Cancelled during the period | (2,287,500) | 0.53 |
| Outstanding at the end of the period | 4,000,000 | \$ 0.41 |

As of September 30, 2004, the following stock options were outstanding:

| NUMBER OF OPTIONS | EXERCISE PRICE \$ | EXPIRY DATE |
|----------------------|-------------------------|--------------------|
| 2,400,000 | 0.20 | June 5, 2008 |
| 300,000 | 0.35 | June 5, 2008 |
| 375,000 | 0.35 | July 18, 2008 |
| 100,000 | 0.56 | November 21, 2008 |
| 150,000 | 0.60 | September 18, 2006 |
| 187,500 | 0.62 | December 11, 2008 |
| 50,000 | 0.70 | November 17, 2008 |
| 200,000 | 0.56 | January 20, 2009 |
| 187,500 | 0.62 | June 17, 2009 |
| 50,000 | 0.35 | June 17, 2009 |
| 4,000,000 | | |

CROWFLIGHT MINERALS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Nine Months Ended September 30, 2004
(Prepared by Management - Unaudited)

6. STOCK OPTIONS (continued)

During the nine months ended September 30, 2004, 1,787,500 stock options were granted to directors, officers and consultants of the Company and 175,000 options vested. The fair value of each option was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions: dividend yield 0%; expected volatility of 100%; risk free interest rate of 4% and an expected average life of five years. This generated an expense to stock option compensation of \$775,172. Also during the six months ended June 30, 2004 1,325,000 options were cancelled generating a credit to stock option compensation of \$552,060. The credit to stock option compensation was reversed in the third quarter as the terms of the stock option agreements did not warrant reversal of the expense. Consequently an amount of \$552,060 has been expensed to stock option compensation during the third quarter (\$775,172 year to date) and credited to contributed surplus on the Balance Sheet.

7. RELATED PARTY TRANSACTIONS

The Company was charged \$165,000 by directors or companies controlled by directors for professional and consulting fees for the three quarters ended September 30, 2004.

The Company shares its premises with other companies that have common directors. The Company reimburses the related companies for their proportional share of the expenses.

8. SUBSEQUENT EVENTS

In October of 2004, the Company issued a total of 5,000,000 units of Company at a price of \$0.20 per unit for gross proceeds of \$1,000,000. Each unit consists of one common share and one common share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.30 for a period of two years.

In November, the Company issued 5,880,713 units at a price of \$0.35 per unit for gross proceeds of \$2,058,250. Each unit consists of one common share and one-half share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one common share at a price of \$0.50 for a period of two years. The Company also issued 7,335,000 flow-through units at a price of \$0.40 per unit for gross proceeds of \$2,934,000. Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$0.60 for a period of two years.

The Company also granted 1,580,000 options to officers, directors and consultants of the Company to purchase common shares at prices ranging from \$0.20 to \$0.35 per share, subject to regulatory approval.

9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current reporting period.

CROWFLIGHT MINERALS INC.

Management Discussion and Analysis of financial condition and results of operations for quarter ended September 30, 2004

The following Management Discussion and Analysis should be read in conjunction with the Company's Unaudited Consolidated Financial Statements for the nine months ended September 30, 2004, the Management Discussion and Analysis for the three months ended March 31, 2004 and the Company's Annual Audited Consolidated Financial Statements for the year ended December 31, 2003 together with the Management Discussion and Analysis filed with the annual report for the year ended December 31, 2003.

The statements for the nine months ended September 30, 2004 have not been reviewed by the Company's auditors.

References to the first, second and third quarters of 2004 and the first, second and third quarters of 2003, mean the three months ended March 31, June 30 and September 30, respectively.

SIGNIFICANT ACCOUNTING POLICIES:

A detailed summary of the Company's significant accounting policies is included in note 2 of the Company's Annual Audited Consolidated Financial Statements for the year ended December 31, 2003. The Company has used the same accounting policies as outlined in note 2 of the 2003 Annual Audited Financial Statements in the preparation of the financial statements for the three quarters ended September 30, 2004.

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, in the Thompson Nickel Belt, Manitoba, and Sudbury Basin area of Ontario, Canada. The Company's mining interests are situated in Thompson, Manitoba and Sudbury, Ontario, Canada.

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

Since June 2003, and through the date of this report in 2004, the Company has raised \$16.7 million in private placements and the exercise of warrants and options of which \$7.0 million related to flow-through shares. Prior to June 2003, exploration progress on the Sudbury Basin properties by the previous management had been slow due to lack of financial capacity. Since

June 2003 there has been major activity. The following commentary will include all material events and activities to the date of this report as well as a description of each active property and the cost commitments by the Company related to those properties.

EXPLORATION PROPERTIES:

THOMPSON NICKEL BELT PROPERTIES - MANITOBA

On June 16, 2004 The Company entered into a joint venture agreement with Falconbridge Limited to explore and develop certain properties in the Thompson Nickel Belt (“TNB”).

The properties cover more than 190 square kilometres of Mining Leases and claims located in the Wabowden segment of the TNB, located 100 kilometres south of Inco’s producing mines (Thompson and Birchtree) which yielded more than 100 million pounds of nickel in 2003 along the same mineralized belt. The TNB hosts nickel mineralization along a well established geological trend, extending for over 250 kilometres. The belt has yielded an estimated 4.5 billion pounds of Nickel in past production. Inco operates the Thompson and Birchtree Mines, which host reported reserves of 34 million tonnes 2.19% Nickel and 0.15% Copper. Falconbridge has been an active participant in the TNB since the early 1960’s and has produced an extensive technical database for the Wabowden segment of the Belt.

Crowflight - Falconbridge Agreement

Crowflight is required to spend \$18 million over 3 years in an initial earn-in period to acquire a 50% interest in the Bucko Deposit and a 25% interest in the Bowden Lake, Halfway Lake and Resting Lake claims. Crowflight is the operator with respect to the Bucko Deposit and Falconbridge will be the operator with respect to the Bowden Lake, Halfway Lake and Resting Lake claims.

Crowflight may elect to increase its interest to 100% in the Bucko Deposit by making a production decision and by arranging for financing for development. As well, Crowflight can increase its interest to 50% in the Bowden Lake, Halfway Lake and Resting Lake claims by incurring an additional \$7 million in exploration expenditures. In order to increase its interest these properties, the Company must issue 1,000,000 shares of the Company in each of, June 2007 and June 2008.

In addition to the expenditures, Crowflight issued Falconbridge 2 million common shares of the Company and 5 million warrants. The 5 million warrants consist of 2.5 million warrants exercisable at \$0.35 valid for a period of 2 years and 2.5 million warrants exercisable at \$0.75 valid for a period of 2 years. Crowflight will also issue Falconbridge an additional one million common shares of the Company in each of, June of 2005 and 2006. The agreement also provides Falconbridge a back-in right, property buy back right, Joint Venture bump-up option, Net Smelter Returns royalty and an off-take right.

Falconbridge retains a one-time back-in right to 50% on the Bucko Deposit, assuming Crowflight earns its 100% interest in Bucko; or a deposit is discovered within the Bucko Deposit that exceeds 10 million tonnes with metal grades that indicate potential economic viability; or Falconbridge incurs 2 times Crowflight’s expenditures on Bucko to that point in time.

If Crowflight does not put the Bucko Deposit in commercial production by year end 2010, and metal prices are at acceptable levels as defined in a bankable feasibility, Falconbridge may, at its sole option, purchase, for cash, all interest in the Bucko Deposit for fair market value.

If Crowflight earns either a 25% or 50% interest in the Bowden Lake or the Halfway Lake and Resting Lake properties, and an Inferred Resource is delineated and a scoping study completed, a new resource block will be created. Falconbridge will have the first right to bump-up its interest in each new resource block by an additional 20%, as long as it holds a 30% interest in the Bowden Lake property, by funding a bankable feasibility to a maximum of \$20 million within 3 years of the formation of the new resource block. Falconbridge will have 90 days to elect to bump-up; otherwise, Crowflight will have 90 days to make its election if the former does not elect to bump-up.

If Crowflight earns a 100% interest in the Bucko Deposit, Falconbridge will retain a 2.5% NSR royalty or if a 50/50 joint venture is formed, should either party dilute to less than 10% they will be entitled to a 1% NSR subject to full buy-out by the other party for \$1 million. At Bowden Lake, Halfway Lake and Resting Lake, should either party dilute to less the 10% they will be entitled to a 1% NSR royalty subject to the same buy-out clause as above.

Falconbridge will have the right to designate the facilities at which all concentrates will be smelted and refined, at market rates, or to purchase all of the concentrates produced from the properties.

On July 21, 2004 the Company also advanced Falconbridge \$1,250,000 for the first installment to be utilized for the third and fourth quarter 2004 exploration programs on the Bucko/Bowden Property and other Exploration Claims. Through September 30, 2004 Falconbridge has spent \$304,429 (\$861,987 by October 31, 2004) of the installment.

Bucko Deposit

According to a technical evaluation of the Bucko Deposit, titled “*43-101 Technical Evaluation Report of the Bucko Lake Property, Northern Manitoba*”, dated September 24, 2004, by A.-J. Beauregard (P. Geo.) and D. Gaudreault (P. Eng.) of GEOLOGICA inc., independent Qualified Persons under NI 43-101 standards, the Bucko mineralization shows sufficient continuity with potentially economic Nickel grades as detailed by the historical drilling such that a significant amount of the historical resources is deemed of high quality and can be included in the Indicated Resources category following the guidelines of NI 43-101.

The current Indicated and Inferred Mineral Resources are:

| BUCKO DEPOSIT - MINERAL RESOURCE SUMMARY | | |
|--|---------------|-----------------|
| | Tonnes | % Nickel |
| Undiluted Mineral Resource Summary* | | |
| Indicated Resources | 1,218,000 | 2.71 |
| Inferred Resources | 455,000 | 2.23 |
| * 6.2 metres average horizontal thickness | | |
| Diluted Mineral Resource Summary** | | |
| Indicated Resources | 1,461,000 | 2.36 |
| Inferred Resources | 547,000 | 1.99 |
| ** 7.4 metres average horizontal thickness, diluted 20% at the average wall rock grade | | |

According to A.-J. Beauregard and D. Gaudreault of GEOLOGICA inc., the Bucko Deposit may contain Platinum Group Elements (PGE's) based on recent core sampling completed by GEOLOGICA . A total of 11 intervals were re-sampled from the historical core from the Bucko Deposit to validate a number of historical mineralized intersections. Results showed concentrations of PGE's ranging from 0.21 to 2.77 g/t. In addition, GEOLOGICA indicated an excellent potential of increasing the mineral resource and converting Inferred Resources to the Indicated category. :

2004-2005 Exploration Programs

As Operator of the Bucko Deposit exploration and development programs, Crowflight undertook a compilation of the existing data and produced a 3D model of the known mineralization, from which the Company outlined a 15,000 meter surface and underground diamond drilling program to define the ultimate size and grade of the resources down to the 1,000 metre level to NI43-101 standards for Measured and Indicated Mineral Resources. Crowflight has acquired the necessary permits with regards to the development work for the underground diamond drilling, that would include installing a power supply and surface infrastructure to gain underground access, as well as dewatering and rehabilitating the workings. The main drilling program will be initiated in January 2005 and is to be completed in the second quarter 2005, at which time the Company will produce an updated mineral resource estimate compliant with NI 43-101.

Work also commenced in September 2004 on the Bowden Lake, Halfway Lake and Resting Lake properties by Operator Falconbridge. The first stage of the program comprised of data compilation, field mapping and sampling, core re-sampling and assaying, and surveying of drill hole collars, to verify and validate the historical database. Most of the compilation has been completed as of the reporting date.

A MegaTEM airborne geophysical survey was completed over the entire 190 km² Thompson Nickel Belt property package, that includes the Bucko Deposit. The objective of the deep penetrating Electromagnetic survey is to define potential Thompson-style massive and/or stringer sulphides. The survey was done late in the quarter. The kilometric long magnetic signatures occur in areas known for rocks belonging to the Pipe Formation, which hosts Inco's Thompson and Birchtree Nickel deposits further to the north. There are several discrete magnetic features, similar to those found over the Bowden and Bucko Deposits, consistent with ultramafic units. These features appear in association with the magnetic linears, consistent with Thompson/Birchtree-style signatures. A number of new Electromagnetic (EM) anomalies overlap segments of magnetic linears and discrete magnetic features suggesting sulphide development.

Falconbridge is planning a major surface diamond drill program for the Bowden Lake Property to explore for new high grade resources, as well as the Halfway Lake and Resting Lake properties, following up on historical and new Nickel targets.

Approximately 15,000 meters in drilling is planned at this time for the first quarter 2005, with about 10,000 meters exclusively for the Bowden .

AER-KIDD PROPERTY- SUDBURY ONTARIO

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 1.8 km 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 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.

A major drill program (Phase 1) commenced in December 2003 and was completed in August 2004. The program included 18,099 metres of diamond drilling in 27 holes from 12 different drill platforms to test a series of Magnetotelluric (" MT ") geophysical anomalies along a 1 kilometre segment of the Worthington Offset Dyke, roughly 1 kilometre northeast of Inco's Totten Deposit. The MT targets were interpreted to be conductive sulphide lenses, potentially similar to Totten-type sulphide lenses between 300 and 1,500 metre vertical depth from surface.

A total 11 of the 27 core drill holes completed intersected sulphide-bearing Quartz Diorite (QD) of the Offset (DDH-01, 03AW1, 03AW4, 04, 04W1, 05, 06, 07, 10, 11, and 12). Another 10 core drill holes did not intersect the QD (DDH-02A, 02AW1, 02AW2, 03A, 03AW2, 03AW3, 04W2, 07A, 08 and 09) due to the QD being cut-off by gabbro dykes, displaced by faults or oriented differently than predicted. A further 5 core drill holes had to be abandoned (DDH-02, 03, 07W1, 07AW1 and 12) due to excessive deviation prior to reaching the intended sulphide target.

Nickel, Copper and Platinum Group Elements (PGE's) mineralization was encountered in the Worthington Offset. Stringer and massive sulphides are present and are linked to MT geophysical anomaly (Anomaly " 1375 ") – DDH-3AW1 intersected 19.2 metres (9.8 metres true width) grading 0.80% Nickel, 0.48% Copper, 1.02 g/t PGE's and 3.28 g/t Silver, that included a higher grade core of 1.46% Nickel, 0.56% Copper, 1.31 g/t PGE's and 3.73 g/t Silver over a 8.3 metre (4.2 metres true width) interval. A unusually high

number of faults and dykes cut the Offset, masking and/or displacing key segments of the QD that could potentially host massive sulphide mineralization.

Deep drilling on the property below Perch Lake, targeting new and stronger MT responses, has identified a 30 to 50 metre wide segment of the Offset, with disseminated sulphides, the occasional sulphide stringers and pervasive mineral alteration, suggestive of a marginal or halo-type mineralization surrounding or capping potentially more massive sulphide mineralization at depth, as was seen in the DDH-3AW1 intersection. The nine MT anomalies outlined on the AER Kidd property are likely linked to a kilometric size MT anomaly that may extend well beyond the property boundaries suggesting a large sulphide bearing mineralized system over a 2 to 3 kilometer segment of the Worthington Offset Dyke.

Crowflight's exploration approach at the AER Kidd has been used by companies exploring for Offset, Sublayer or Contact ores in the Basin, and has been successful in the initial discovery and follow up exploration of Inco's Kelly Lake Deposit (10.5 million tonnes at 1.77% Nickel, 1.34% Copper and 3.6 g/t PGE's) and Falconbridge's Nickel Rim Deposit (13.2 million tonnes grading 1.7% Nickel, 3.5% Copper, 0.8 g/t gold and 4.1 g/t PGE's) valued between \$US 4 and 6 billion. The Company considers that it is still in the early exploration stages at AER Kidd - a 5 million tonne sulphide lens would measure 200 metres by 200 metres in its strike length and downdip extension, making it a very small drill target along the 40 metre wide Worthington Offset especially at a 1 kilometre depth.

A report summarizing the 2003-2004 drilling program at AER Kidd is being prepared and is slated for completion by year end 2004.

AIRPORT PROPERTY - SUDBURY ONTARIO

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. Phase I has been completed and phase II is required to be completed within 24 months of the completion of Phase I. 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. The Phase II program included an airborne MegaTEM geophysical survey. There were two significant, but weak conductors outlined by the survey that could potentially be indicative of massive sulphide targets. A follow up drill program (Phase 3) was initiated in the quarter by Millstream Mines and will test the conductive anomalies. Results are pending.

PETER'S ROOST - SUDBURY ONTARIO

The Company has acquired by staking the Peter's Roost Property, a major land package along the North Range of the Sudbury Basin, a total of 927 claim units covering 14,830 hectares in Hutton, Kitchener, Tyrone, Leinster, Creelman, Roberts and Botha Townships were acquired during the first quarter of 2004.

The property extends along two predominantly east-west trending concentric corridors extending from the Company's Marble Mountain Option at the Parkins Offset Dyke in the east, to beyond the Foy Offset Dyke in the west, a distance of over 40 kilometres. The property encompasses the Company's recently acquired Copenhagen Property.

Fugro Airborne Surveys of Ottawa, Ontario, completed an airborne MegaTEM II geophysical survey. The survey was performed under the supervision of Stephen Reford, P.Eng. and Karl Kwan, M.Sc., Consulting Geophysicists, from Paterson, Grant & Watson Limited. The MegaTEM survey could potentially identify conductive targets to greater depths than historic airborne surveys, with the likely targets being conductive stringer, semi-massive and/or massive sulphides in association with the Sudbury Offset Dykes. The MegaTEM system is ideal as a first pass survey over large prospective areas in order to identify sulphide bearing conductive targets.

Work during the quarter consisted of evaluating the airborne MegaTEM geophysical survey results. The airborne geophysical survey extended along two predominantly east-west trending concentric corridors staked in the first quarter of 2004, the 100% owned Peter's Roost Property, from the Company's Marble Mountain Option Property at the Parkins Offset Dyke in the east, to beyond the Foy Offset Dyke in the west, a distance of over 40 kilometres. The survey also encompassed the Company's Copenhagen Option Property. The survey was designated to identify conductive targets to greater depths than historic airborne surveys, with the likely targets being conductive stringer, semi-massive and/or massive sulphides in association with radial and concentric Offset Dykes related to the Sudbury Igneous Complex.

Several geophysical anomalies detected are considered, by the Company to exhibit the expected signature from massive sulphide lenses. Five of these anomalies have Electromagnetic (EM) response characteristics and coincident magnetic features typical of shallow massive sulphide bodies. , the dimensions of these anomalies are consistent with multi-million tonne massive sulphide deposits.

The Company has initiated a field program to corroborate the geophysical evidence. Follow up prospecting, geological mapping and a Transient EM detailed ground geophysical survey was initiated during the quarter to identify more precisely the most promising targets from the airborne survey. Results are pending.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2004, the Company had working capital of \$1,315,299 compared to working capital of \$6,607,767 as at December 31, 2003. The Company has completed 18,000 meters of drilling on the AER Kidd Property, and has used working capital to complete its staking of the Peter's Roost Property, to make the initial property payments on the Marble Mountain property and the Copenhagen Property, most recently to complete an airborne MegaTEM geophysical survey over the Sudbury Basin properties, to fund the Falconbridge agreement and to support corporate overheads.

In July 2004, the Company advanced Falconbridge \$1,250,000 for initial exploration on the Thompson properties. Through September 30, 2004, Falconbridge has spent \$522,614 (October 31, 2004 \$861,987) of the installment.

Subsequent to the end of the third quarter, the Company raised \$5,992,250 through private placements.

In October of 2004, the Company issued 5,000,000 units at a price of \$0.20 per unit for gross proceeds of \$1,000,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.30 for a period of two years.

In November, the Company issued 5,880,713 units at a price of \$0.35 per unit for gross proceeds of \$2,058,250. Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company at a price of \$0.50 for a period of two years. The Company also issued 7,335,000 flow-through units at a price of \$0.40 per unit for gross proceeds of \$2,934,000. Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$0.60 for a period of two years.

RESULTS OF OPERATIONS

The loss for the third quarter ended September 30, 2004 was \$805,721 compared to a loss of \$224,224 for the same period in 2003. Included in the loss for the third quarter of 2004 is a non cash expense of \$552,060 relating to the stock based compensation. The Company issued 1,787,500 stock options during the nine months ended September 30, 2004. A total of 1,350,000 options were cancelled during the second quarter of 2004, resulting in a recovery of stock compensation expense of \$552,060. The terms in the stock option agreements did not warrant a reversal to the stock option compensation and consequently the recovery was reversed in the third quarter of 2004. This resulted in a non cash expense of \$552,060 during the third quarter of 2004. During the third quarter of 2003, the Company recognized stock based compensation of \$41,400

Cash related expenses for corporate overheads for the third quarter of 2004 were \$248,123 compared to \$262,634 for the same period last year.

Quarterly information

The quarterly results have been as follows:

Tabular amounts in \$000 except for per share amounts

| | Q1 | Q2 | Q3 | Q4 |
|--|--------|--------|--------|--------|
| 2004 | | | | |
| Net Income (loss) | (793) | 71 | (805) | |
| Income (loss) per share basic and fully diluted | (0.02) | 0.00 | (0.03) | |
| Total assets | 10,604 | 10,811 | 11,649 | |
| Total Long term liabilities | 0 | 0 | 0 | |
| 2003 | | | | |
| Net Income (loss) | (59) | (157) | (224) | (881) |
| Income (loss) per share basic and fully diluted | 0 | (0.01) | (0.01) | (0.02) |
| Total assets | 2,569 | 3,732 | 6,946 | 10,758 |
| Total Long term liabilities | 0 | 0 | 0 | 0 |
| 2002 | | | | |
| Net Income (loss) | (30) | (35) | (18) | (302) |
| Income (loss) per share basic and fully diluted | 0 | 0 | 0 | (0.01) |
| Total assets | 2,373 | 2,391 | 2,393 | 2,664 |
| Total Long term liabilities | 0 | 0 | 0 | 0 |

Annual information

The annual results have been as follows:

Tabular amounts in \$000 except for per share amounts

| | 2003 | 2002 | 2001 |
|--|---------|--------|--------|
| Net Income (loss) | (1,321) | (385) | (422) |
| Income (loss) per share basic and fully diluted | (0.04) | (0.02) | (0.02) |
| Total assets | 10,758 | 2,664 | 2,356 |
| Total Long term liabilities | 0 | 0 | 0 |

CASH FLOWS

Cash (used in) Operating Activities was (\$1,157,714) during the third quarter of 2004, compared to (\$501,887) during the third quarter of 2003. The cash usage related to corporate overheads for the third quarter 2004 was (\$248,123) compared to (\$181,137) for the same period last year. Included in the (\$181,137) was a credit of \$81,497 related to recovery of expense during the restructuring. The cash advance to Falconbridge and payment of accounts payable were the primary reasons for the large changes in non cash

working capital of (\$909,591) during the third quarter of 2004. During the third quarter of 2003, the Company was negotiating to reduce accounts payable as it restructured, resulting in a change in non cash working capital of \$(320,750).

Cash from Financing Activities was \$1,729 for the third quarter 2004 compared to \$3,699,759 from Financing Activities during the same period for 2003. The Company completed a financing in the third quarter of 2003 which allowed it to start its repositioning.

Cash (used in) Investing Activities for the third quarter 2004 was (\$1,198,276) compared to (\$486,529) used in operating activities for the same period last year. During the third quarter 2004, the Company spent \$395,454 on the AER KIDD property, \$635 on the Airport Property, \$98,427 in the Sudbury Basin in general related to all projects, \$39,360 on Peter's Roost, \$11,514 on the Marble Mountain Property, \$8,692 on the Copenhagen property, \$50,000 on the Mystery Offset Dyke, \$594,194 on the Thompson Manitoba Properties and \$nil on fixed assets.

The Company has completed an 18,000 drill program on the AER Kidd Property and the current cash will be utilized to evaluate the data, support the commitments as outlined under the Exploration Properties section and support the corporate overheads.

TRANSACTIONS WITH RELATED PARTIES

Amounts paid to related parties for fees and consulting services provided in the normal course of business totaled \$ 165,000 for the nine months ended September 30, 2004. The Company shares its premises with other companies that have common directors, the Company reimburses the related companies for their proportional share of the expenses.

OUTSTANDING SHARE DATA

As at September 30, 2004, 52,762,541 common shares of the Company were outstanding. Of the options to purchase common shares issued to service providers under the share option plan of the Company, 4,000,000 remain outstanding with exercise prices ranging from \$0.20 to \$0.70, with expiry dates ranging between September 18, 2006 and June 17, 2009. If exercised, 4,000,000 common shares would be issued for proceeds of \$1,259,250.

As at September 30, 2004 17,067,276 share purchase warrants and 506,283 warrant units were outstanding with exercise prices ranging from \$0.20 to \$1.25, expiring between November 28, 2004 and June 17, 2006. If all warrants and units were exercised 17,796,700 common shares would be issued for proceeds of \$9,625,216.

RISKS AND UNCERTAINTIES

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

OUTLOOK

Crowflight's exploration strategy developed in the early part of 2004 was three-fold and focussed on adding shareholder value in the near term by finding, developing and mining a significant Nickel-Copper-Platinum Group Elements (PGE's) orebody within Crowflight's current and acquired portfolio of 100% owned and joint venture properties, and also establishing a partnership with a Major Producer that would insure an availability of quality projects in established base and precious metal Camps, where the best place to find deposits is adjacent other deposits, and processing facilities.

Crowflight is a Canadian junior mining exploration company listed on the TSX Venture Exchange focused on Nickel, Copper and Platinum Group Minerals exploration in the Thompson Nickel Belt and Sudbury Basin. The company currently owns and/or has under option more than 422 km² in Manitoba and Ontario. This includes the Bucko Deposit in Thompson, where the Company is conducting a feasibility study, and three highly prospective properties in a Joint Venture with Falconbridge Ltd around Bucko – the Bowden Lake, Resting Lake and Halfway Lake Properties. The Company also has several advanced projects in Sudbury, which include the AER Kidd Project adjacent to Inco's Totten Mine (10.1 million tonnes @ 1.5% Ni, 2% Cu, 4.8 g/t PGE's), Airport Property (a joint venture with Millstream Mines Ltd.) located 4 km on-strike with Falconbridge's Nickel Rim South Deposit (13.2 million tonnes @ 3.5% Cu, 1.7% Ni, 0.8 g/t Au, 4.1 g/t PGE's), Marble Mountain Option, Copenhagen Option, Mystery Offset Dyke Option and Peter's Roost.

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

FORWARD-LOOKING STATEMENTS

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

variety of reasons. Readers are therefore cautioned not to place undue reliance on any forward looking statement.

November 18, 2004