

CROWFLIGHT MINERALS INC.
(A Development Stage Company)

FINANCIAL STATEMENTS

DECEMBER 31, 2004



McGovern, Hurley, Cunningham, LLP
Chartered Accountants

AUDITORS' REPORT

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

We have audited the balance sheet of Crowflight Minerals Inc. as at December 31, 2004 and the statements of operations and deficit and cash flows for the year 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements for the year ended December 31, 2003 were audited by another firm of Chartered Accountants who expressed an opinion without reservation in their report dated March 27, 2004.

McGOVERN, HURLEY, CUNNINGHAM, LLP

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

Chartered Accountants

TORONTO, Canada
March 10, 2005
except for Note 10
which is dated April 11, 2005

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CROWFLIGHT MINERALS INC.

(A Development Stage Company)

BALANCE SHEETS**AS AT DECEMBER 31,**

	2004	2003
ASSETS		
Current		
Cash and equivalents	\$ 5,805,455	\$ 6,924,080
Amounts receivable	113,834	110,276
Prepaid expenses	<u>65,648</u>	<u>32,015</u>
	5,984,937	7,066,371
Property, plant and equipment (Note 4)	45,430	27,915
Interest in mineral properties (Note 5)	<u>10,845,424</u>	<u>3,663,568</u>
	<u>\$ 16,875,791</u>	<u>\$ 10,757,854</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	<u>\$ 898,458</u>	<u>\$ 458,604</u>
SHAREHOLDERS' EQUITY		
Common Shares (Note 6(a))	25,851,956	21,132,600
Warrants (Note 6(b))	3,159,359	910,808
Contributed surplus (Note 6(d))	3,049,199	1,808,655
Deficit	<u>(16,083,181)</u>	<u>(13,552,813)</u>
	<u>15,977,333</u>	<u>10,299,250</u>
	<u>\$ 16,875,791</u>	<u>\$ 10,757,854</u>

APPROVED ON BEHALF OF THE BOARD:

Signed "STAN BHARTI" _____, Director

Signed "PAUL CARROLL" _____, Director

See accompanying notes to the financial statements.

CROWLIGHT MINERALS INC.
(A Development Stage Company)
STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31,

	2004	2003
Expenses		
Professional and consulting	\$ 576,390	\$ 576,502
General and office expenses	169,286	97,950
Shareholder communications	241,693	728,199
Travel expenses	121,746	68,446
Stock option compensation (Note 6(c))	1,138,122	1,764,780
Interest expenses and bank charges	47,545	47,424
Amortization	<u>22,394</u>	<u>10,852</u>
	<u>2,317,176</u>	<u>3,294,153</u>
Loss before the undernoted	(2,317,176)	(3,294,153)
Interest income	72,798	31,704
Write-down of interest in mineral properties (Note 5)	(287,361)	(1)
Gain on settlement of accounts payable	<u>1,371</u>	<u>105,980</u>
Loss before income taxes	(2,530,368)	(3,156,470)
Future income tax recovery (Note 7)	<u>-</u>	<u>1,835,000</u>
NET LOSS FOR THE YEAR	(2,530,368)	(1,321,470)
DEFICIT, beginning of year	<u>(13,552,813)</u>	<u>(12,231,343)</u>
DEFICIT, end of year	<u>\$ (16,083,181)</u>	<u>\$ (13,552,813)</u>
Basic and diluted net loss per share	\$ (0.05)	\$ (0.04)
Weighted average number of shares outstanding	55,024,922	32,789,850

See accompanying notes to the financial statements.

CROWFLIGHT MINERALS INC.
(A Development Stage Company)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2004	2003
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES:		
Net loss for the year	\$ (2,530,368)	\$ (1,321,470)
Charges not affecting cash:		
Amortization	22,394	10,852
Stock option compensation (Note 6(c))	1,138,122	1,764,780
Write off of mineral properties (Note 5)	287,361	1
Future income tax recovery (Note 7)	-	(1,835,000)
Net change in non-cash working capital	<u>402,663</u>	<u>(202,899)</u>
	<u>(679,828)</u>	<u>(1,583,736)</u>
FINANCING ACTIVITIES:		
Loans payable	-	(233,743)
Exercise of options	8,750	317,500
Exercise of warrants	51,000	388,875
Common shares issued through private placements	4,527,111	9,065,491
Common share purchase warrants issued	1,765,139	910,808
Financing costs	<u>(516,721)</u>	<u>(898,672)</u>
	<u>5,835,279</u>	<u>9,550,259</u>
INVESTING ACTIVITIES:		
Mining interest	(6,234,167)	(1,426,633)
Property, plant and equipment	<u>(39,909)</u>	<u>(37,646)</u>
	<u>(6,274,076)</u>	<u>(1,464,279)</u>
CHANGE IN CASH AND EQUIVALENTS	(1,118,625)	6,502,244
CASH AND EQUIVALENTS, beginning of year	<u>6,924,080</u>	<u>421,836</u>
CASH AND EQUIVALENTS, end of year	<u>\$ 5,805,455</u>	<u>\$ 6,924,080</u>
SUPPLEMENTAL INFORMATION:		
Common shares issued for interest in mineral properties	\$ 615,050	\$ 28,500
Interest received	67,030	-
Interest paid	1,508	45,312
Warrants issued for interest in mineral property	620,000	-
Income taxes paid	-	-
CASH AND EQUIVALENTS CONSISTS OF THE FOLLOWING:		
Cash	\$ 2,845,284	\$ 769,226
Equivalents	<u>2,960,171</u>	<u>6,154,854</u>
	<u>\$ 5,805,455</u>	<u>\$ 6,924,080</u>

See accompanying notes to the financial statements.

CROWFLIGHT MINERALS INC.
(A Development Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

1. NATURE OF OPERATIONS AND GOING CONCERN

Crowflight Minerals Inc. (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 business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values.

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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

2. CHANGE IN ACCOUNTING POLICY

Asset Retirement Obligations

Effective January 1, 2004, the Company adopted the new CICA accounting standard on "Asset retirement obligations". Under the new standard the Company is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mining properties. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to mineral properties and deferred exploration costs and amortized over the useful life of the properties. As the Company does not currently have any legal obligations relating to the reclamation of its mineral properties, the adoption of this standard had no impact on the accounts of the Company.

Continued...

CROWFLIGHT MINERALS INC.
(A Development Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), which include the following significant accounting policies.

a) Mineral properties and deferred exploration expenditures

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 expensed to operations in the year of abandonment or sale.

Costs include the cash consideration and the fair market value of the shares issued for the acquisition of mineral properties. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company are recorded in the accounts at the time of payment.

The Company reviews capitalized costs on its mineral properties on a periodic basis and will recognize impairment in value based upon current exploration or production results, if any, and upon management's assessment of the future probability of profitable revenues from the property or from sale of the property. Management's assessment of the property's estimated current value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

b) Environmental expenditures

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 commercial production, at which time the costs incurred will be charged to operations on a unit-of-production basis over the estimated mine life.

c) Cash and equivalents

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

d) Property, plant and equipment

Property plant and equipment are recorded at cost less accumulated amortization and are amortized on a straight-line basis over their estimated useful lives of 2 years to 5 years.

e) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of stock-based compensation, warrants and brokers' options. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

Continued...

CROWFLIGHT MINERALS INC.
(A Development Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

g) Flow through financing

The Company finances a portion of its exploration activities through the issue of flow-through shares. Proceeds received on the issue of such shares have been credited to capital stock and the related exploration costs have been charged to mining and resource properties. Funds raised pursuant to exploration financing agreements must be expended on qualifying exploration expenditures. For income tax purposes, exploration expenses under flow-through financing agreements are renounced in favour of the investors and are not deductible by the Company. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce share capital.

h) Stock-based Compensation

Effective January 1, 2002, the Company adopted the recommendations of CICA Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. These recommendations require that compensation for all awards made to non-employees and certain awards made to employees be measured and recorded in the financial statements at fair value. This Section also sets out a fair value based method of accounting for stock options issued to employees and applies to awards granted on or after January 1, 2002. These financial statements do not reflect the effect of stock options granted before January 1, 2002.

Effective January 1, 2003, the Company prospectively adopted the revisions to CICA Handbook Section 3870, which require a fair value based method of accounting to be applied to all stock-based compensation arrangements. The fair value of each option is accounted for in operations, over the vesting period of the options, and the related credit is included in contributed surplus.

The Company's stock-based compensation plan is described in Note 6(c).

Continued...

CROWLIGHT MINERALS INC.
(A Development Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Loss per share

Basic loss per share is calculated using the weighted number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

j) Comparative figures

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

4. PROPERTY, PLANT AND EQUIPMENT

	2004		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
	\$	\$	\$
Computer	52,436	23,683	28,753
Furniture and fixtures	4,736	1,364	3,372
Field equipment	<u>18,144</u>	<u>4,839</u>	<u>13,305</u>
	<u>75,316</u>	<u>29,886</u>	<u>45,430</u>
	2003		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
	\$	\$	\$
Computer	25,888	10,969	14,919
Furniture and fixtures	4,149	829	3,320
Field equipment	<u>12,096</u>	<u>2,420</u>	<u>9,676</u>
	<u>42,133</u>	<u>14,218</u>	<u>27,915</u>

Continued...

CROWLIGHT MINERALS INC.
(A Development Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

5. INTEREST IN MINERAL PROPERTIES

	Bucko Bowden	AER Kidd	Airport	Mystery Offset Dyke	Marble Mountain	Copenhagen	Peter's Roost	Cassiera Diamond Syndicate	TOTAL
Acquisition costs									
Balance, December 31, 2003	-	836,575	326,403	-	39,622	-	50,000	-	1,252,600
Acquisition and property costs	1,381,615	55,283	30,000	-	12,272	40,864	52,887	-	1,572,921
Write off of property costs	-	-	-	-	(51,894)	(40,864)	-	-	(92,758)
Balance, December 31, 2004	1,381,615	891,858	356,403	-	-	-	102,887	-	2,732,763
Exploration expenditure									
Balance, December 31, 2003	-	1,924,605	480,910	-	691	-	4,762	-	2,410,968
Drilling	335,805	2,259,458	54,632	-	-	28	-	-	2,649,923
Line cutting	594	-	-	-	98	-	37,610	-	38,302
Analysis and laboratory	-	45,421	4,476	27	2,015	5	103	-	52,047
Geology and geological consulting	612,181	316,745	109,418	160,390	144,600	42,168	485,195	-	1,870,697
Travel and transportation	22,000	10,669	9,525	202	186	85	6,836	-	49,503
Geochemistry and geophysics	635,683	209,557	(6,233)	122	108	31	63,914	-	903,182
Environmental	30,494	-	-	-	-	-	-	-	30,494
Field and office support	17,590	103,398	19,005	3,127	3,920	668	16,841	-	164,549
Management fees	137,599	-	-	-	-	-	-	-	137,599
Write off of property costs	-	-	-	-	(151,618)	(42,985)	-	-	(194,603)
Balance, December 31, 2004	1,791,946	4,869,853	671,733	163,868	-	-	615,261	-	8,112,661
TOTAL DEFERRED COSTS									
December 31, 2004	3,173,561	5,761,711	1,028,136	163,868	-	-	718,148	-	10,845,424

	Bucko Bowden	AER Kidd	Airport	Mystery Offset Dyke	Marble Mountain	Copenhagen	Peter's Roost	Cassiera Diamond Syndicate	TOTAL
Acquisition costs									
Balance, December 31, 2002	-	687,197	214,403	-	-	-	-	-	901,600
Acquisition and property costs	-	149,378	112,000	-	39,622	-	50,000	-	351,000
Write off of property costs	-	-	-	-	-	-	-	-	-
Balance, December 31, 2003	-	836,575	326,403	-	39,622	-	50,000	-	1,252,600
Exploration expenditure									
Balance, December 31, 2002	-	1,193,076	113,758	-	-	-	-	1	1,306,835
Drilling	-	496,747	65,034	-	-	-	-	-	561,781
Line cutting	-	15,085	27,204	-	-	-	-	-	42,289
Analysis and laboratory	-	16,020	-	-	-	-	-	-	16,020
Geology and geological consulting	-	98,075	141,933	-	-	-	-	-	240,008
Travel and transportation	-	26,874	6,071	-	41	-	284	-	33,270
Geochemistry and geophysics	-	19,218	111,371	-	-	-	-	-	130,589
Environmental	-	-	-	-	-	-	-	-	-
Field and office support	-	59,510	15,539	-	650	-	4,478	-	80,177
Management fees	-	-	-	-	-	-	-	-	-
Write off of property costs	-	-	-	-	-	-	-	(1)	(1)
Balance, December 31, 2003	-	1,924,605	480,910	-	691	-	4,762	-	2,410,968
TOTAL DEFERRED COSTS									
December 31, 2003	-	2,761,180	807,313	-	40,313	-	54,762	-	3,663,568

Continued...

CROWFLIGHT MINERALS INC.
(A Development Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

5. INTEREST IN MINERAL PROPERTIES (Continued)

Bucko Bowden Properties, Thompson Nickel Belt, Manitoba:

On June 16, 2004 the Company entered into a joint venture agreement with Falconbridge Limited ("Falconbridge") to earn an initial 50% interest in Falconbridge's Bucko Deposit and an initial 25% interest in 190 square kilometres of mining leases and claims within the Bowden Lake, Halfway Lake and Resting Lake Properties in the Thompson Nickel Belt region of Manitoba.

Under the agreement, the Company is required to:

- Incur expenditures of \$7.5 million and complete a bankable feasibility study on the Bucko Deposit by December 31, 2006.
- Provide funding to Falconbridge as operator of \$10.5 million plus administrative charges of 10% of expenditures for exploration on the Bowden Lake, Halfway Lake and Resting Lake properties by December 31, 2006 as follows: \$1.25 million by December 31, 2004 (funding provided), an additional \$4 million by December 31, 2005 and an additional \$5.25 million by December 31, 2006.
- Issue 2 million common shares of the Company to Falconbridge upon execution of the agreement (issued). The fair value of the shares was determined to be \$600,000 using the market value of the Company's stock at the date of issuance.
- Issue 5 million warrants to purchase common shares of the company for a period of two years (issued) where 2.5 million warrants are exercisable at a price of \$0.35 per share and 2.5 million warrants are exercisable at a price of \$0.75 per share. The fair value of the warrants, determined to be \$620,000, was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 100%; risk free interest rate of 4%; and an expected life of two years.
- Issue Falconbridge 1 million common shares of the Company on or before June 1, 2005.
- Issue Falconbridge 1 million common shares of the Company on or before June 1, 2006.

The Company may increase its interest in the Bucko Deposit to 100% by making a decision within six-months of the completion of the bankable feasibility study to put the Bucko Deposit into commercial production and to complete a financing for and commence construction of the production facilities. The Company may elect to increase its interest in the Bowden Lake, Halfway Lake and Resting Lake properties to 50% by providing funding to Falconbridge as operator of \$7 million plus administrative charges of 10% of expenditures for exploration by December 31, 2008 as follows: \$4.5 million by December 31, 2007 and an additional \$2.5 million by December 31, 2008. In order to increase either or both interests, the Company must issue 1 million common shares of the Company to Falconbridge on each of June 1, 2007 and June 1, 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.

AER Kidd Property:

In a prior year, the Company acquired approximately 272 hectares covering approximately two kilometers of the Worthington Offset Dyke for \$150,000 cash, issue of 1,000,000 common shares, and 1,000,000 common share purchase warrants that expired unexercised and a 3% net smelter royalty. The Company may purchase up to 50% of this royalty for \$1.25 million up to the time when commercial production commences. A \$50,000 advance royalty payment payable semi-annually commenced January 31, 2001. All required advance royalty payments to date have been made.

Continued...

CROWFLIGHT MINERALS INC.
(A Development Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

5. INTEREST IN MINERAL PROPERTIES (Continued)

Airport property:

In 2003, the Company signed a Participation and Joint Venture Agreement with Millstream Mines Ltd. to earn an undivided 50% interest in certain Airport Property claim blocks in the Sudbury Mining Camp. Under the agreement, the Company is required to:

- Fund a mutually approved \$325,000 Phase I exploration expenditures (funded);
- Fund an additional \$600,000 for Phase II exploration expenditures subsequent to the completion of Phase I; and
- Make annual advance royalty payments of \$30,000 annually commencing November 1, 2003 (paid to date).

Mystery Offset Dyke Property:

Pursuant to agreements dated April 8, 2004, May 31, 2004, and January 1, 2005, the Company holds an option 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.

To earn an initial 51% interest in the property the Company is required to:

- complete due diligence on the acquisition of the property by July 1, 2005;
- make payments of \$10,000 per month during the due diligence period to July 1, 2005;
- make a payment of \$250,000 on or before July 1, 2005;
- issue on or before July 1, 2005 500,000 warrants at a price of \$0.75 for a period of two years;
- issue on or before July 1, 2005 500,000 warrants at a price of \$1.25 for a period of two years;

Upon earning a 51% interest, the Company may increase its interest to 100% by:

- making payments of \$5,000 per month for a period of 24 months commencing July 1, 2005;
- incurring exploration expenditures of \$2,000,000 prior to September 1, 2006.

Additionally, the Company holds an option to acquire the surface rights of the north half of the property for \$250,000.

The final agreement and warrant issues are subject to regulatory approvals.

Marble Mountain Property:

The Company had entered into an option agreement to earn a 100% interest in 73 claims in the Marble Mountain Property in Pankin Township, Sudbury.

During 2004, the Company has decided to no longer pursue the exploration of this property, and consequently, \$203,512 in exploration expenditures have been written off.

Continued...

CROWFLIGHT MINERALS INC.
(A Development Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

5. INTEREST IN MINERAL PROPERTIES (Continued)

Copenhagen Property:

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

The total consideration to be provided by the Company is as follows:

- (i) Cash payments totaling \$230,000 as follows: \$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 16, 2005; \$30,000 payable on February 19, 2006 and \$150,000 payable on February 19, 2007.
- (ii) The issuance of 100,000 Common shares as follows: 15,000 common shares issued on April 6, 2004 with a fair value of \$5,100; 15,000 common shares issued on April 21, 2004 with a fair value of \$4,350; 20,000 common shares issued on June 30, 2004 with a fair value of \$5,600; and 50,000 common shares to be issued by February 19, 2005. The fair value of the issued common shares is based on the market value of the Company's share on the date of grant.

The Company is also required to maintain the property in good standing. The vendor would retain 2.5% Net Smelter Royalty ("NSR") and would be paid semi annual royalty payments of \$10,000 commencing on August 19, 2007. The Company had 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.

The Company has decided to not to pursue this property. Consequently, the February 2005 payments of shares and cash were not made and, \$83,849 in expenditures was written off to the Statement of Operations and Deficit.

Peter's Roost Property:

In the first half of 2004, the Company 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 approximately 148.3 square kilometres. 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.

Continued...

CROWFLIGHT MINERALS INC.
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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

6. CAPITAL STOCK

AUTHORIZED

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

(a) Common Shares	<u>No. of Shares #</u>	<u>Value \$</u>
Balance, December 31, 2002	22,608,283	13,686,782
Private placement (v)	2,115,000	423,000
Private placement (vi)	7,500,000	856,152
Private placement (vii)	8,843,533	3,300,987
Private placement (viii)	5,334,995	3,494,292
Private placement (ix)	638,340	471,512
Shares issued on acquisition of property	50,000	28,500
Exercise of warrants	1,822,500	388,875
Exercise of options	1,550,000	317,500
Flow through share tax effect	-	<u>(1,835,000)</u>
 Balance, December 31, 2003	 50,462,651	 21,132,600
Adjustment	(110)	-
Private placement (i)	5,000,000	1,000,000
Private placement - non-flow-through (ii)	5,880,713	2,058,250
Private placement - flow-through (iii)	7,335,000	2,934,000
Private placement (iv)	750,000	300,000
Issue of warrants - warrant valuation (i, ii, iii, iv)	-	(1,765,139)
Shares issued in acquisition of properties (Note 5)	2,050,000	615,050
Exercise of warrants	255,000	51,000
Exercise of warrants - warrant valuation	-	24,026
Exercise of stock options	25,000	8,750
Exercise of stock options - option valuation	-	10,140
Costs of issue	-	<u>(516,721)</u>
 Balance, December 31, 2004	 <u>71,758,254</u>	 <u>25,851,956</u>

(i) In October of 2004, the Company completed a private placement issuing a total of 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 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. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: estimated dividend yield of 0%, risk-free interest rate of 3.1%, estimated volatility of 100% and estimated life of two years. The gross proceeds have been prorated to common shares and warrants based on the fair value of each component as follows: common shares - \$350,000; warrants - \$650,000.

Continued...

CROWFLIGHT MINERALS INC.
(A Development Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

6. CAPITAL STOCK (Continued)

- (ii) In November 2004, 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 fair value of these warrants was estimated using the Black-Scholes option pricing model under the same assumptions as described in Note 6(a)(i). The gross proceeds have been prorated to common shares and warrants based on the fair value of each component as follows: common shares - \$1,555,449; warrants - \$502,801.
- (iii) In November 2004, 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 fair value of these warrants was estimated using the Black-Scholes option pricing model under the same assumptions as described in Note 6(a)(i). The gross proceeds have been prorated to common shares and warrants based on the fair value of each component as follows: common shares - \$2,365,537; warrants - \$568,463.
- (iv) In December 2004, the Company completed an offering of 750,000 flow-through units at a price of \$0.40 per unit for gross proceeds of \$300,000. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company exercisable at a price of \$0.60 per share for a period of 2 years. Each of the common shares and shares issued upon the exercise of the warrants are subject to a hold period that will expire on April 30, 2005. The fair value of these warrants was estimated using the Black-Scholes option pricing model under the same assumptions as described in Note 6(a)(i). The gross proceeds have been prorated to common shares and warrants based on the fair value of each component as follows: common shares - \$256,125; warrants - \$43,875.
- (v) In May 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 entitles 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.
- (vi) In June 2003, the Company issued 7,500,000 units at a price of \$0.20 per unit for total gross proceeds of \$1,500,000. Each unit includes one common share or one flow-through common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of \$0.20 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.
- (vii) In August 2003, the Company issued 4,761,900 units at a price of \$0.42 per unit for total gross proceeds of \$2,000,000. 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 \$0.60 for a period of two years, until August 20, 2005.

In August 2003, the Company issued 4,081,633 of flow through units at a price of \$0.49 per unit for total gross proceeds of \$2,000,000. 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.

Continued...

CROWFLIGHT MINERALS INC.
(A Development Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

6. CAPITAL STOCK (Continued)

As a part of this placement the Company issued 159,059 warrants to purchase 159,059 common shares at a price of \$0.49 until August 20, 2005, 30,608 warrants to purchase 30,608 shares at a price of \$0.49 until September 3, 2005 and 204,408 compensation options to the underwriter. Each compensation option entitles the holder to purchase one compensation unit at a price of \$0.42 until August 20, 2005. Each compensation unit consists of one common share and one-half common share purchase unit. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.60 until August 20, 2005. The fair value of the compensation units and warrants was determined using the Black-Scholes option pricing model to be \$24,549 and \$20,407, has been recorded to contributed surplus and share issue costs.

- (viii) In November 2003, the Company issued 2,361,660 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 warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$1.25 until November 28, 2004.

In November 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 warrant entitles the holder to purchase an additional common share at a price of \$1.00 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 this placement the Company issued 257,191 compensation options to the underwriter. Each compensation option entitles the holder to purchase one compensation unit at a price of \$0.80 until November 28, 2004. Each compensation unit consists of one common share and one-half warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.80 or \$1.25 until November 28, 2004. The fair value of compensation options determined using the Black-Scholes option pricing model to be \$18,466, has been recorded to contributed surplus and share issue costs.

- (ix) In December 2003, the Company issued 638,340 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 warrant entitles the holder to purchase an additional common share at a price of \$1.25 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 this placement, the Company issued 44,684 compensation options to the underwriter. Each compensation option entitles the holder to purchase one compensation unit at a price of \$0.80 until December 10, 2004. Each compensation unit consists of one common share and one-half common share purchase unit. Each whole warrant entitles the holder to purchase an additional common share at a price of \$1.25 until December 10, 2004. The fair value of the compensation options determined using the Black-Scholes option pricing model to be \$858, has been recorded to contributed surplus and share issue costs.

Continued...

CROWFLIGHT MINERALS INC.
(A Development Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

6. **CAPITAL STOCK** (Continued)

b) **Warrants**

	2004		2003	
	Number of warrants	Weighted Average price	Number of warrants	Weighted Average price
Balance, beginning of year	12,292,276	0.52	-	\$ -
Granted, private placements	11,982,856	0.45	14,114,776	0.48
Granted, property acquisition	5,000,000	0.55	-	-
Exercised	(255,000)	0.20	(1,822,500)	0.21
Expired or cancelled	<u>(2,986,667)</u>	1.15	<u>-</u>	-
Balance, end of year	<u>26,033,465</u>	0.42	<u>12,292,276</u>	0.52

A summary of the outstanding warrants as of December 31, 2004 are as follows:

Fair Value (\$)	Number of Warrants	Exercise Price (\$)	Expiry Date
-	570,000	0.30	May 22, 2005
556,845	5,910,000	0.20	June 4, 2005
196,968	2,380,950	0.60	August 20, 2005
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
650,000	5,000,000	0.30	October 12, 2006
568,463	3,667,500	0.60	November 4, 2006
502,801	2,940,356	0.50	November 4, 2006
43,875	375,000	0.60	December 29, 2006
<u>3,159,359</u>	<u>26,033,465</u>		

Continued...

CROWFLIGHT MINERALS INC.
(A Development Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

6. **CAPITAL STOCK** (Continued)

c) **Stock Options**

The following are the stock option transactions during the period:

	Number of <u>stock options</u>	Weighted average <u>exercise price</u>	Number of <u>stock options</u>	Weighted average <u>exercise price</u>
Balance, beginning of period	4,525,000	0.41	2,000,000	0.20
Granted	3,542,500	0.41	5,225,000	0.35
Exercised	(25,000)	0.35	(1,550,000)	0.20
Cancelled/Expired	<u>(2,287,500)</u>	<u>0.54</u>	<u>(1,150,000)</u>	<u>0.46</u>
Balance, end of period	<u>5,755,000</u>	<u>0.36</u>	<u>4,525,000</u>	<u>0.41</u>

As at December 31, 2004, the following stock options were outstanding:

Fair <u>Value (\$)</u>	Outstanding <u>and Exercisable</u>	Options <u>Exercise Price (\$)</u>	<u>Expiry Date</u>
19,000	100,000	0.30	December 31, 2007
973,440	2,400,000	0.20	June 5, 2008
121,680	300,000	0.35	June 5, 2008
152,100	375,000	0.35	July 18, 2008
40,560	100,000	0.56	November 21, 2008
60,840	150,000	0.60	September 18, 2006
76,050	187,500	0.62	December 11, 2008
20,280	50,000	0.70	November 17, 2008
86,000	200,000	0.56	January 20, 2009
37,312	187,500	0.62	June 17, 2009
11,150	50,000	0.35	June 17, 2009
4,050	30,000	0.20	October 1, 2009
285,000	1,425,000	0.25	October 12, 2009
14,850	50,000	0.39	October 20, 2009
<u>40,050</u>	<u>150,000</u>	0.35	November 8, 2009
<u>1,942,362</u>	<u>5,755,000</u>		

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 was increased during the year to 7,105,825 from 4,900,000 at the close of 2003. The 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.

During the year ended December 31, 2004, 3,542,500 stock options were granted to directors, officers and consultants of the Company, and 175,000 options issued in 2003 vested during 2004. The weighted average grant date fair value of options granted during the year ended December 31, 2004 amounted to \$0.40 per option. 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 of 0% (2003 - 0%); expected volatility of 100% (2003 - 146%); risk free interest rate ranging between 3.5% and 4.0% (2003 - 2.0%); and an expected average life of three to five years (2003 - five years). This generated a stock option compensation expense of \$1,138,122 which was credited to contributed surplus.

Continued...

CROWFLIGHT MINERALS INC.
(A Development Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

6. **CAPITAL STOCK** (Continued)

d) **Contributed Surplus**

	<u>2004</u>	<u>2003</u>
Balance, beginning of year	\$ 1,808,655	\$ -
Stock options granted and/or vested during the year		
Employee	110,000	903,500
Non-employee	1,028,122	861,280
Compensation options granted during the year	-	43,875
Exercise of stock options, reallocation of valuation	(10,140)	-
Expiry of warrants, reallocation of valuation	<u>112,562</u>	<u>-</u>
Balance, end of year	<u>\$ 3,049,199</u>	<u>\$ 1,808,655</u>

Compensation Units and Outstanding

<u>Fair</u> <u>Value (\$)</u>	<u>Number of</u> <u>Units</u>	<u>Exercise</u> <u>Price (\$)</u>	<u>Expiry</u> <u>Date</u>
24,549	204,408*	0.42 - 0.60	August 20, 2005

During 2003, the Company completed a private placement, issuing 4,761,900 units and 4,081,633 flow-through units (see Note 6(a)(vii)). As part of these placements, the Company issued 204,408 compensation options to the underwriter. Each compensation option entitles the holder to purchase one compensation unit at 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 per share for a period of two years until August 20, 2005. A value of \$24,549 was recorded as cost of issue, with an offsetting entry to contributed surplus in 2003.

* If the units in aggregate are exercised, the unit-holders will be entitled to 204,408 common shares and 102,204 common share purchase warrants with an expiry date of August 20, 2005.

A total of 301,875 (fair value of \$19,326) compensation options expired in November and December 2004.

Continued...

CROWFLIGHT MINERALS INC.
(A Development Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

7. INCOME TAXES

a) Provision for income taxes

The major items causing the Company's income tax expense to differ from the combined Canadian federal and provincial statutory rate of 36% (2003 - 37%) were:

	<u>2004</u>	<u>2003</u>
Net loss for the period	\$ (2,530,368)	\$ (3,156,470)
Expected recoverable income taxes at statutory rates	(911,000)	(1,156,000)
Increase (decrease) resulting from:		
Write-down of mineral properties and deferred exploration expenditures	103,000	-
Share issue costs	(100,000)	(76,000)
Stock-based compensation	410,000	646,000
Other	15,000	-
Future tax assets not previously recognized	-	(1,249,000)
Valuation allowance	<u>483,000</u>	<u>-</u>
Provision for income taxes	<u>\$ -</u>	<u>\$ (1,835,000)</u>

b) Future tax balances

The tax effect of temporary differences that give rise to future income tax assets and liabilities in Canada at December 31, 2004 are as follows:

Future income tax assets (liabilities)	<u>2004</u>	<u>2003</u>
Non-capital losses	\$ 1,388,000	\$ 994,233
Resources properties	(202,000)	(1,457,233)
Share issue costs	287,000	266,000
Other assets	188,000	197,000
Valuation allowance	<u>(1,661,000)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company has approximately \$3,849,000 of non capital losses in Canada which under certain circumstances may be used to reduce the taxable income of future years.

Expiry Date	Amount
2005	\$ 42,000
2006	163,000
2007	290,000
2008	219,000
2009	216,000
2010	1,584,000
2014	<u>1,335,000</u>
	<u>\$ 3,849,000</u>

The Company has approximately \$10,602,000 of development and exploration expenditures as at December 31, 2004 which under certain circumstances may be utilized to reduce the taxable income of future years.

Continued...

CROWFLIGHT MINERALS INC.
(A Development Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

8. RELATED PARTY TRANSACTIONS

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

During 2004, the Company was charged \$372,500 (2003 - \$306,000) by directors or companies controlled by directors for professional and consulting fees.

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.

A director of the Company subscribed for 1,250,000 units of the private placement described in Note 6(a)(ii) for gross proceeds of \$437,500.

Included in amounts received at December 31, 2004 is approximately \$26,000 (2003 - \$Nil) owing from companies with common directors.

Included in accounts payable and accrued liabilities at December 31, 2004 is approximately \$95,000 (2003 - \$70,000) owing to companies with common directors.

9. FINANCIAL INSTRUMENTS

Fair Value

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for amounts receivables and accounts payable and accrued liabilities on the balance sheets approximate fair value because of the limited term of these instruments.

Commodity Price Risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals.

Continued...

CROWFLIGHT MINERALS INC.
(A Development Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

10. SUBSEQUENT EVENTS

a) In January 2005, the Company entered into an option agreement with Falconbridge Limited to earn an initial 50% interest in the Thompson Nickel Belt North Project ("TNB North"). The Company is required to spend \$5 million on or before April 30, 2008 in the following tranches:

- \$1,650,000 by April 30, 2005 (\$1,000,000 paid);
- \$1,000,000 by April 30, 2006;
- \$1,000,000 by April 30, 2007;
- \$1,350,000 by April 30, 2008.

In addition to the expenditure, the Company issued to Falconbridge 400,000 common shares and warrants to purchase 1,000,000 shares for a two-year period from the date of issue. The 1,000,000 warrants would consist of 500,000 warrants exercisable at \$0.35 and 500,000 warrants exercisable at \$0.70.

b) In February 2005, the Company renounced \$3,234,000 related to proceeds from flow through shares with an effective date of December 31, 2004. Consequently, a non-cash future tax recovery of \$1,164,200 will be recognized during the first quarter of 2005.

c) Subsequent to year end, the Company granted a total of 1,500,000 stock options to directors, officers and consultants with an exercise price ranging from \$0.285 to \$0.33 per share for five years.

d) Subsequent to year end, 2,500,000 common share purchase warrants were exercised for gross proceeds of \$500,000.

CROWFLIGHT MINERALS INC.

Management Discussion and Analysis of financial condition and results of operations for the year ended December 31, 2004.

The following Management Discussion and Analysis should be read in conjunction with the Company's audited Financial Statements for the year ended December 31, 2004.

SIGNIFICANT ACCOUNTING POLICIES:

A detailed summary of the Company's significant accounting policies is included in note 3 of the Company's Annual Audited Financial Statements for the year ended December 31, 2004.

OVERVIEW

Crowflight Minerals Inc. is a junior mineral exploration and development 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 mineral 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.

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.

MINERAL PROPERTIES:

THOMPSON NICKEL BELT PROPERTIES - MANITOBA

On June 16, 2004 the Company entered into a joint venture agreement with Falconbridge Limited ("Falconbridge") 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, approximately 100 kilometres south of Inco's producing Thompson and Birchtree mines. The TNB hosts nickel mineralization along a well established

geological trend, extending for over 250 kilometres. Inco produced more than 100 million pounds of nickel in 2003 along the same mineralized belt from its Thompson and Birchtree mines which host reported reserves of 34 million tonnes grading 2.19% nickel and 0.15% copper. The belt has yielded an estimated 4.5 billion pounds of nickel in past production. Crowflight's partner, 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.

Subsequent to December 31, 2004, the Company entered into a second joint venture agreement with Falconbridge to explore other properties in the Thompson Nickel Belt North ("TNB North").

Crowflight - Falconbridge Agreements

Bucko Resource Block, Bucko-Bowden Property and Exploration Claims, Thompson Nickel Belt, Manitoba

Crowflight is required to spend \$18 million over 3 years during an initial earn-in period to acquire a 50% interest in the Bucko Resource Block (or "Bucko Deposit") and a 25% interest in the Bowden Lake, Halfway Lake and Resting Lake claims (together the "Bucko-Bowden Properties"). Crowflight is the operator with respect to the Bucko Deposit and Falconbridge is the operator with respect to the Bucko-Bowden Properties.

Crowflight may elect to increase its interest to 100% in the Bucko Deposit by making a production decision and by arranging 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 prior to the end of 2008. In order to increase its interest in these properties, Crowflight 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 2005 and June 2006. The agreement also provides Falconbridge a back-in right, property buy back right, joint venture bump-up option, Net Smelter Return 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 the Bucko Deposit; 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 Deposit 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 Bucko-Bowden 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 Bucko-Bowden Properties, 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 Bucko-Bowden Properties, 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 advanced Falconbridge \$1,250,000 for the first installment to be utilized for the third and fourth quarter 2004 exploration programs on the Bucko Deposit and the Bucko-Bowden Properties. In November the Company advanced a further \$3,000,000 into a security account for Falconbridge expenditures. Through December 31, 2004 Falconbridge has spent \$1,513,588 (\$2,598,434 by February 28, 2005) on the projects.

Thompson Nickel Belt North (“TNB North”) Project

In January 2005, subsequent to the end of the year, the Company entered into another option agreement with Falconbridge to acquire a 50% interest in the TNB North Project. The Company is required to spend \$5 million on or before April 30, 2008 in the following tranches:

- \$1,650,000 by April 30, 2005;
- \$1,000,000 by April 30, 2006;
- \$1,000,000 by April 30, 2007;
- \$1,350,000 by April 30, 2008.

In addition to the expenditure, the Company issued Falconbridge, 400,000 common shares and warrants to purchase 1 million shares of the Company for a two year period from the date of issue. The 1 million warrants consist of 500,000 warrants exercisable at \$0.35 and 500,000 warrants exercisable at \$0.70. Also upon regulatory approval, the Company advanced \$1,000,000 to Falconbridge for spending on the project. Through February 28, 2005, Falconbridge has spent \$474,188.

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 Indicated and Inferred Mineral Resources as detailed in the GEOLOGICAL REPORT, September 2004 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 of 0.6% nickel

According to A.-J. Beaugard and D. Gaudreault of GEOLOGICA Inc., the Bucko Deposit may contain PGM'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 PGM's ranging from 0.21 to 2.77 g/t. In addition, GEOLOGICA is of the view that there is excellent potential to increase the mineral resource at the Bucko Deposit and convert a portion of the Inferred Resources to the Indicated category.

2004-2005 Exploration Programs

Following the signing of the agreement with Falconbridge on the Bucko Resource Block, Crowflight, as operator undertook a compilation of the existing data and created a three dimensional resource model of the known mineralization based on the results from previous work conducted on this Resource Block. As a result of this work, the Company considered an approximate 15,000 meter surface and underground diamond drilling program as a means by which to better 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 acquired the necessary permits with regards to the development work required to perform the underground diamond drilling, including installing a power supply and surface infrastructure to gain underground access, as well as dewatering and rehabilitating the workings. It was planned that this work would commence in January 2005 and would be completed by the second quarter 2005. Following this work, the Company would produce an updated mineral resource estimate compliant with NI 43-101.

In September 2004, work also commenced on the Bucko-Bowden Properties by operator Falconbridge. The first stage of the program consisted 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 Bucko-Bowden Properties package, including the Bucko Deposit. The objective of this deep penetrating airborne electromagnetic geophysical survey was to define potential Thompson-style massive and/or stringer sulphides. The survey was done late in the fourth quarter of 2004. As a result of this work, several discrete features, similar to those found over the Bowden and Bucko Deposits and consistent with potential nickel bearing ultramafic units were identified.

Falconbridge is planning a surface diamond drill program for the Bucko-Bowden Properties to explore for new high grade resources of nickel mineralization and to follow-up on previously identified historical nickel occurrences. Approximately 15,000 meters of diamond drilling is planned at this time for the first quarter 2005 on the Bucko-Bowden Properties.

AER-KIDD PROPERTY- SUDBURY ONTARIO

Crowflight holds a 100% interest in the AER-Kidd Property which consists of approximately 272 hectares. 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 located between the Totten and McIntyre deposits owned by Inco Limited ("Inco") on the Worthington Offset Dyke ("WOD"), a radial fracture at the southwestern margin of the mineral-rich Sudbury Igneous Complex (SIC) in Ontario. The Totten deposit 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.

FNX Mining Company Inc. ("FNX") holds the Victoria Project located 1.5 kilometres northeast of the AER-Kidd Property along the WOD at the contact with the 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 acquired the Victoria Project in the late 1990's.

Crowflight began a drill program (Phase 1) on the AER-Kidd Property in December 2003 and the program 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 one kilometre segment of the WOD, roughly one kilometre northeast of the Totten deposit. The MT targets were interpreted to be conductive sulphide lenses between 300 and 1,500 metre vertical depth from surface and potentially similar in character to nickel and copper mineralized sulphide lenses in the Totten deposit.

A total 27 diamond drill holes were completed in the 2003-2004 program. Eleven of the 27 core drill holes completed intersected sulphide-bearing Quartz Diorite ("QD") of the WOD. Another 10 drill holes did not intersect the QD as the QD appeared to be cut-off by an unusually high number of faults and dykes that masked and/or displaced key segments of the QD that could potentially host massive sulphide mineralization. A further 5 drill holes had to be abandoned due to excessive deviation prior to reaching the intended sulphide target.

Nickel, copper and PGM mineralization was encountered in the WOD. Stringer and massive sulphides were present and are linked to an MT geophysical anomaly. One hole, DDH-3AW1 intersected 19.2 metres (9.8 metres true width) grading 0.80% nickel, 0.48% copper, 1.02 g/t PGM's and 3.28 g/t silver, including a higher grade core measuring 8.3 metres intersection (4.2 metres true width) grading 1.46% nickel, 0.56% copper, 1.31 g/t PGM's and 3.73 g/t silver.

Deep drilling on the Property below Perch Lake, targeted new and stronger MT responses, identified a 30 to 50 metre wide segment of the WOD with disseminated sulphides, the occasional sulphide stringers and pervasive mineral alteration. This is interpreted as marginal or halo-type mineralization surrounding or capping potentially more massive sulphide mineralization at depth (similar to what was seen in the DDH-3AW1). The nine MT anomalies outlined on the AER-Kidd property are likely linked to a 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 WOD.

Crowflight's exploration approach at the AER-Kidd Property has been used by companies exploring for WOD, Sublayer or Contact ores in the Sudbury 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). The Company considers that it is still in the early exploration stages at AER-Kidd.

Crowflight is encouraged by the results to date at the AER-Kidd Property and expects to outline a follow-up exploration program in 2005. A report summarizing the 2003-2004 drilling program at AER-Kidd is being prepared and is slated for completion in 2005.

AIRPORT PROPERTY - SUDBURY ONTARIO

Crowflight has a 50% interest in the Airport Property with Millstream Mines. The Property consists of 25 claim blocks totaling 27.62 square kilometres located east of the southeast rim of the SIC. In order to maintain its 50% interest in the Airport J.V. Property, Crowflight has to fund a total of \$925,000 of exploration expenditures over a two-phase exploration program. The Phase I program, with Millstream as operator was completed in the final quarter of 2003. The Phase 2 program is required to be completed within 24 months of the completion of Phase I. Crowflight is the operator for the Phase 2 program.

The property contains several areas with anomalous values of nickel, copper and PGM mineralization within unusually wide thicknesses of Sudbury Breccia. The Phase 2 program which began in February 2004 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 fourth quarter of 2004 by Millstream with the objective of testing the anomalies identified by this geophysical survey. Results are pending.

PETER'S ROOST - SUDBURY ONTARIO

During the first quarter of 2004 the Company acquired a total of 927 claims covering approximately 15 square kilometers along an east-west direction for a distance of over 40 kilometres over the North Range of the SIC.

In May 2004 Fugro Airborne Surveys of Ottawa, Ontario, completed an airborne MegaTEM II geophysical survey over the Property. The survey was performed under the

supervision of 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 nickel, copper and PGM bearing conductive stringer, semi-massive and/or massive sulphides in association with Sudbury Offset Dykes.

Several geophysical anomalies were detected from this survey. Five of these anomalies have Electromagnetic (EM) response characteristics and coincident magnetic features typical of shallow massive sulphide bodies with dimensions consistent with multi-million tonne massive, predominantly copper and zinc mineralized 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 December 31, 2004, the Company had working capital of \$5,086,479 compared to working capital of \$6,607,767 as at December 31, 2003. The Company has used working capital to complete 18,000 meters of drilling on the AER Kidd Property, 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 (written off at the end of 2004) to complete an airborne MegaTEM geophysical survey over the Sudbury Basin properties, fund Mystery Offset Dyke, to fund the Falconbridge agreement and to support corporate overheads.

The Company raised \$5,835,279 net of issue costs of \$516,721 during the year as outlined in the Cash Flows section of this report.

The Company intends to do future private placements and encourage investors to exercise warrants to meet its spending commitments under the Falconbridge agreement as outlined in the exploration section of this report and to cover its overheads.

RESULTS OF OPERATIONS

The net loss for the year ended December 31, 2004 was \$2,530,368 compared to a net loss of \$1,321,470 for the year ended December 31, 2003. Included in the loss for the current year under review is a non cash expense of \$1,138,122 (2003 \$1,764,780) relating to stock based compensation. During the year ended December 31, 2004, 3,542,500 stock options were granted to directors, officers and consultants of the Company, and 175,000 options issued in 2003 vested during 2004. The weighted average grant date fair value of options granted during the year ended December 31, 2004

amounted to \$0.41 per option. 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 of 0% (2003 - 0%); expected volatility of 100% (2003 - 146%); risk free interest rate ranging between 3.5% and 4.0% (2003 - 2.0%); and an expected average life of three to five years (2003 - five years). This generated a stock option compensation expense of \$1,138,122 which was credited to contributed surplus.

Also included in the net loss for the year ended December 31, 2003 was 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 future tax liability of \$1,835,000 was recognized. Future tax assets not previously recognized were recorded to the extent of eliminating this future tax liability recorded. The future tax recovery was recorded in accordance with CICA HB 3465 and EIC 146.

During the last quarter of 2004, the Company decided not to pursue its options on the Copenhagen and Marble Mountain properties and consequently wrote off \$287,361 related to previously deferred costs. During 2003, the Company negotiated certain accounts payables and recovered expenses of \$105,980 compared to a recovery of \$1,371 during 2004.

Cash related expenses for corporate overheads for the year under review net of interest income were \$1,083,862 compared to \$1,486,817 for the same period last year. The decrease of \$402,955 was comprised of: a decrease in professional and consulting fees of \$112; an increase in general and office expense of \$71,336 as a result of setting up and outfitting a new office in Toronto; a decrease in shareholder communication of \$486,506 due primarily to an extensive communication effort in the latter part of 2003 which was not repeated in 2004; an increase travel expenses of \$53,300 resulting from corporate travel to the Thompson and Sudbury sites and investor communication travel during the year; and an increase in interest expense and bank charges of \$121 (interest expense in 2003 was a result of certain loans, where the interest expense in 2004 was due primarily to flow through penalty interest as a result of renouncing flow through funds prior to actual spending). Interest income increased \$41,094 as a result of investing cash balances.

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)	(1,003)
Income (loss) per share basic and fully diluted	(0.02)	0.00	(0.03)	(0.02)
Total assets	10,604	10,811	11,649	16,876
Total Long term liabilities	-	-	-	-
2003				
Net Income (loss)	(59)	(157)	(224)	(881)

Income (loss) per share basic and fully diluted	-	(0.01)	(0.01)	(0.02)
Total assets	2,569	3,732	6,946	10,758
<u>Total Long term liabilities</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Annual information

The annual results have been as follows:

Tabular amounts in \$000 except for per share amounts

	2004	2003	2002
Net Income (loss)	(2,530)	(1,321)	(385)
Income (loss) per share basic and fully diluted	(0.05)	(0.04)	(0.02)
Total assets	16,876	10,758	2,664
<u>Total Long term liabilities</u>	<u>-</u>	<u>-</u>	<u>-</u>

CASH FLOWS

Cash (used in) Operating Activities was (\$679,828) during the 2004, compared to (\$1,583,736) during 2003. The cash usage related to corporate overheads net of interest income for the year under review was (\$1,083,862) compared to (\$1,486,817) for the same period last year as described in the operating results section of this report. Settlement of accounts payable generated \$1,371 during 2004 compared to \$105,980 during 2003 and working capital and other generated \$402,663 compared to a usage of (\$202,899) during 2003.

Cash from Financing Activities generated \$5,835,279 net of issue costs of \$516,721 (2003 - \$9,550,259 net of issue costs of \$898,672).

In October of 2004, the Company completed a private placement issuing a total of 5,000,000 units at a price of \$0.20 per unit for gross proceeds of \$1,000,000. Each unit consisted 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 2004, the Company issued 5,880,713 units at a price of \$0.35 per unit for gross proceeds of \$2,058,250. Each unit consisted 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 consisted of one flow-through 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.

In December 2004, the Company completed an offering of 750,000 flow-through units at a price of \$0.40 per flow-through unit for gross proceeds of \$300,000. Each flow-through unit consisted of one flow through share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company exercisable at a price of \$0.60 per share for a period of 2 years.

The Company also issued shares related to the exercise of warrants and options during the year of \$59,750.

During the 2003 restructuring, the Company repaid loans of (\$233,473), there was not such debt in 2004.

Cash used in Investing Activities for the year was \$6,274,076 compared to \$1,464,279 used in investing activities for the same period last year. The Company invested \$39,909 in equipment during 2004, compared to \$37,646 during the prior year.

Cash spending on the various properties is summarized below and described in the exploration section of this report.

	<u>2004</u>								TOTAL
	Bucko Bowden	AER Kidd	Airport	Mystery Offset Dyke	Marble Mountain	Copenhagen	Peter Roost		
Acquisition and property costs	161,615	55,283	30,000	-	12,272	25,814	52,887		337,871
Drilling	335,805	2,259,458	54,632	-	-	28	-		2,649,923
Line cutting	594	-	-	-	98	-	37,610		38,302
Analysis and laboratory	-	45,421	4,476	27	2,015	5	103		52,047
Geology and geological consulting	612,181	316,745	109,4198	160,390	144,600	42,168	485,195		1,870,697
Travel and transportation	22,000	10,669	9,525	202	186	85	6,836		49,503
Geochemistry and geophysics	635,683	209,557	(6,233)	122	108	31	63,914		903,182
Environmental	30,494	-	-	-	-	-	-		30,494
Field and office support	17,590	103,398	19,005	3,127	3,920	668	16,841		164,549
Management fees	137,599	-	-	-	-	-	-		137,599
Spending December 31, 2004	1,953,561	3,000,531	220,823	163,868	163,199	68,799	663,386		6,234,167

	<u>2003</u>								TOTAL
	Bucko Bowden	AER Kidd	Airport	Mystery Offset Dyke	Marble Mountain	Copenhagen	Peter's Roost	Cassiera Diamond Syndicate	
Acquisition and property costs		149,378	112,000	-	11,121	-	50,000	-	322,499
Drilling		496,747	65,034	-	-	-	-	-	561,781
Line cutting		15,085	27,204	-	-	-	-	-	42,289
Analysis and laboratory		16,020	-	-	-	-	-	-	16,020
Geology and geological consulting		98,075	141,933	-	-	-	-	-	240,008
Travel and transportation		26,874	6,071	-	41	-	284	-	33,270
Geochemistry and geophysics		19,218	111,371	-	-	-	-	-	130,589
Environmental		-	-	-	-	-	-	-	-
Field and office support		59,510	15,539	-	650	-	4,478	-	80,177
Spending December 31, 2003		880,907	479,152	-	11,812	-	54,762	-	1,426,633

Tables includes cash expenditures

TRANSACTIONS WITH RELATED PARTIES

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

During 2004, the Company was charged \$372,500 (2003 - \$306,000) by directors or companies controlled by directors for professional and consulting fees.

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.

A director of the Company subscribed for 1,250,000 units of the November 2004 private for gross proceeds of \$437,500.

Included in amounts received at December 31, 2004 is approximately \$26,000 (2003 - \$Nil) owing from companies with common directors.

Included in accounts payable and accrued liabilities at December 31, 2004 is approximately \$95,000 (2003 - \$70,000) owing to companies with common directors.

OUTSTANDING SHARE DATA

As at December 31, 2004, 71,758,254 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, 5,755,000 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, 5,755,000 common shares would be issued for proceeds of \$1,716,375.

As at December 31, 2004, 26,033,465 share purchase warrants and 204,408 warrant units were outstanding with exercise prices ranging from \$0.20 to \$0.75, expiring between May 22, 2005 and December 29, 2006. If all warrants and units were exercised 26,340,077 common shares would be issued for proceeds of \$11,167,355.

SUBSEQUENT EVENTS

In January 2005, the Company entered into an option agreement with Falconbridge Limited to acquire an initial 50% interest in the Thompson Nickel Belt North Project (TNB North). The Company is required to spend \$5 million on or before April 30, 2008 in the following tranches:

- \$1,650,000 by April 30, 2005 (\$1,000,000 paid);
- \$1,000,000 by April 30, 2006;
- \$1,000,000 by April 30, 2007;
- \$1,350,000 by April 30, 2008.

In addition to the expenditure, the Company issued to Falconbridge 400,000 common shares and warrants to purchase 1,000,000 shares for a two year period from the date of issue. The 1,000,000 warrants would consist of 500,000 warrants exercisable at \$0.35 and 500,000 warrants exercisable at \$0.70.

In February 2005, the Company renounced \$3,234,000 related to proceeds from flow through shares with an effective date of December 31, 2004. Consequently, a non cash future tax recovery of \$1,164,200 will be recognized during the first quarter of 2005 in accordance with HB3465 and EIC 146.

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 PGM 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 and PGM mineralized 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 producing regions, where the best place to find deposits is adjacent other deposits, and processing facilities.

In Manitoba, these properties include: (1) the Bucko Deposit where the Company is conducting a feasibility study, and (2) an earn-in option on ten highly prospective properties with Falconbridge Limited, including four within 30 kilometres of the Bucko Deposit (Bowden Lake, Resting Lake, Halfway Lake and Gonlin Lake), and six located 100 kilometres to the north on the TNB Thompson North Project (Burntwood River, Birchtree South, Birchtree North, Airport, Moak Lake and Strong Lake).

In the Sudbury Basin, these properties include: (1) the 100% owned AER Kidd Project adjacent to Inco's Totten Deposit (10.1 million tonnes @ 1.5% Ni, 2% Cu, 4.8 g/t PGE's), (2) the Airport Property (a 50/50 joint venture with Millstream Mines Ltd.) located 4 km south, and 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), (3) the optioned (100% earn-in) Mystery Offset Dyke Property and (4) the 100% owned Peter's Roost Property.

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

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

April 11, 2005