crowflight minerals inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three and nine months ended September 30, 2009

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of financial condition and results of operations

for the three and nine months ended September 30, 2009

The following Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Crowflight Minerals Inc. ("we", "our", "us", "Crowflight", or the "Company") for the three and nine months ended September 30, 2009 and should be read in conjunction with our unaudited interim consolidated financial statements for the three and nine months ended September 30, 2009 in addition to our annual audited consolidated financial statements and notes for the year ended December 31, 2008. The financial statements and related notes of Crowflight have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information, including our press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online under our profile at www.sedar.com.

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

This MD&A reports our activities through October 29, 2009 unless otherwise indicated. All figures are in Canadian dollars unless otherwise indicated.

References to the first, second and third quarters of 2009 or Q1-2009, Q2-2009 and Q3-2009 and the first, second and third quarters of 2008 or Q1-2008, Q2-2008 and Q3-2008 mean the three months ended March 31, June 30 and September 30, 2009 and 2008 respectively.

FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR THE THIRD QUARTER OF 2009

- For the quarter ended September 30, 2009, there was 384,327 pounds of nickel produced, and 276,918 pounds of commercial production nickel sold as compared to nil in the third quarter of last year as the mine was not yet in production.
- Total metal revenue for the quarter ended September 30, 2009 was $2.3 million compared to nil for the third quarter last year.
- Operating cash flow for the quarter ended September 30, 2009 was $389,211 compared to operating cash flow of negative $634,800 in the third quarter last year.
- Loss for the quarter ended September 30, 2009 was $2.9 million or ($0.01) per share compared to net income of $9.9 million or $0.04 per share in the third quarter last year (due to a gain on derivative instruments in 2008.)
- Commercial nickel sales settled during the quarter ended September 30, 2009 were realized at an average price of US$7.41 per pound.
- Net working capital[1] as at September 30, 2009 was $15.2 million (including cash and cash equivalents of $13.7 million) compared to $7.7 million as at December 31, 2008.

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

2009 Quarterly Bucko Mine Operations Production and Financial Data

	Q1-2009	Q2-2009		Q3-2009
	Pre-production	Pre-production	Production	Production
Operating Statistics:				
Tonnes ore mined	31,091	42,224	18,377	27,634
Average Nickel head grade (%Ni)	0.95%	1.25%	0.93%	1.05%
Tonnes ore milled	29,303	35,490	18,390	23,493
Average Recovery	31.97%	61.40%	62.62%	69.70%
Nickel pounds:				
Produced	138,956	441,200	234,920	384,327
Payable sold[1]	65,498	268,636	254,139	276,918
Pre-production Metal Sales Revenue:				
Average Ni price (US$/lb)	$ 4.46	$ 5.73		
CAD/US exchange rate	1.26	1.15		
Nickel revenue[1]	$ 368,318	$ 1,939,400		
Other metals revenue[2]	$ 5,935	86,700		
Total metal revenue	$ 374,253	$ 2,026,100		
Commercial Production Metal Sales Revenue:				
Average Ni price (US$/lb)			$ 6.79	$ 7.41
CAD/US exchange rate			1.16	1.09
Nickel revenue			2,007,450	2,231,683
Pricing adjustments[3]			-	52,810
Total metal revenue			2,007,450	2,284,493
Cost of sales			2,445,213	2,546,116
Accretion			-	-
Temporary shutdown costs			-	2,381,083
Depreciation, depletion, and amortization			336,093	605,141
Gross profit (loss)			(773,856)	(3,247,847)
Net earnings (loss)			(3,193,607)	(5,214,837)
Basic and diluted earnings (loss per share)			$ (0.01)	$ (0.01)
Cash flow from operating activities			1,509,159	109,511
USD Cash Cost of sales per pound sold[1,4]			$ 8.28	$ 8.45

1. Includes settlement of prior quarter sales
2. Other metal revenue is recorded as an offset to cost of sales in the Company's financial statements
3. Pricing adjustments reflect final pricing/volume adjustments on lots sold in prior quarters
4. Non-GAAP Measure

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- In July 2009, the Company announced a private placement financing with Pala Investments Holdings Ltd ("Pala"). The Company raised $15,000,000 through the issuance of 60,000,000 units of the Company at a price of $0.25 per unit. Each Unit consisted of one common share of the Company and one-half of one common share purchase warrant (each full warrant, a "Warrant"), each whole Warrant being exercisable to acquire one common share of the Company at a price of $0.30 until July 23, 2011. Net proceeds from the Offering were used to pay outstanding indebtedness, including $5.0 million to its mining contractor (an affiliate of Pala), and for capital development and general working capital purposes. The Offering also enabled the Bucko operation to complete an upgrade to its effluent treatment capabilities so that Crowflight continues to maintain strict compliance with all environmental guidelines.

- Mill operations were temporarily suspended during July due to a lack of available ore from the main production stope. Poor ground conditions in the stope entrance required the development of a new stope access drift so that mining operations could resume safely. The new access was successfully completed by the end of the month. During the month of July, a new water treatment facility was also installed and commissioned at the Bucko Mine due to water issues that were encountered at the end of June. Thirty mill employees were temporarily laid off for four weeks until the mill resumed operation on August 4, 2009.

- In September 2009, Crowflight announced a private placement financing with Kingplace Enterprises Limited ("Kingplace") for a $20 million private placement financing, pursuant to which Kingplace agreed to purchase an aggregate of 80,000,000 common shares of the Company at a price of $0.25 per share (the "Financing"). The primary purpose of the proceeds from the Financing will be for the continued development of the Bucko Lake Project and the balance for general corporate purposes. The first tranche closed on September 29, 2009 for gross proceeds of $11,183,305 million and the second tranche closed subsequent to the quarter's end on October 14, 2009 for gross proceeds of $8,816,695.

- During the first three quarters of 2009, 6,156,875 options expired unexercised, while 631,250 were forfeited.

- Mike Hoffman and Lewis MacKenzie resigned from the Company's Board of Directors, effective July 23, 2009. Pala nominated Michael Barton and Jan Castro to the Company's Board of Directors in their place.

- On August 21, 2009, Crowflight appointed Mark Trevisiol, P. Eng. as President and CEO of the Company. Mr. Trevisiol replaced Mike Kelly who resigned from the Company. The Company also announced the resignation of Mike Kelly from the Company's Board of Directors on November 16th, 2009. Mr. Kelly's resignation follows his departure from the Company as President and CEO.

DESCRIPTION OF BUSINESS

Crowflight is engaged in nickel mining and related activities, including exploration and the extraction and processing of nickel-containing ore. Crowflight's mineral exploration and development properties are in Canada and the Company is focusing its resources on the continued development and ramping up of full production at the Bucko Lake Nickel Mine and the exploration of the Thompson Nickel Belt ("TNB"), both in the province of Manitoba. Prior to June 1, 2009, the Company was a development stage company in accordance with Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11.

The profitability and operating cash flow of Crowflight are affected by various factors, including the amount of nickel produced, the market prices of nickel, operating costs, interest rates, regulatory and environmental compliance, the level of exploration and capital expenditures, general and administrative costs, and other discretionary costs. Crowflight is also exposed to fluctuations in currency exchange rates, interest rates, varying levels of taxation that can impact profitability and cash flow. The Company seeks to manage the risks associated with its business operations; however, many of the factors affecting these risks are beyond the Company's control.

OUTLOOK

The forward-looking information contained in this section is subject to the risk factors and assumptions contained in the Cautionary Statement on Forward-Looking Information included at the end of this MD&A.

The Company will be temporarily suspending all production mining and milling operations at the Bucko Lake Nickel Mine (Bucko) located in the Thompson Nickel Belt near Wabowden, Manitoba for three months, effective November 16, 2009 to complete ramp development, accelerate mine development and upgrade the backfill plant.

As a result, Crowflight has revised its production guidance for 2009 and now expects to produce 1.3 million pounds of nickel, generating approximately 1.2 million pounds of payable nickel. Average cash cost of sales per pound of nickel[1] for the full year 2009 is expected to be approximately US$7.50 - $8.50 per pound at an exchange rate of CDN$1.10 to US$1.00, primarily from costs incurred for the year-to-date and lower than expected production for the remainder of the year. Management expects that costs will decrease significantly as full capacity production is sustained at Bucko in 2010.

Capital expenditures for the remainder of 2009 are expected to be $6-7 million (consistent with the disclosure in the second quarter MD&A).

The Company also plans to spend $1.0 million dollars in exploration activity around the M11A deposit located 5 km from the Bucko mine site during the fourth quarter of 2009. This work will allow Crowflight to vest a 30% interest in the combined land package in the Thompson Nickel Belt held under option from Xstrata. Exploration drilling is expected to commence shortly with updates expected to be released over the coming weeks.

The Company plans to issue comprehensive guidance regarding 2010 production and costs in January 2010. It is anticipated that by the end of the first quarter 2010, the Bucko mine will be sufficiently developed and have adequate working places (stopes) available to sustain the full production rate of at least 1,000 tonnes per day.

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

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MINERAL PROPERTIES

THOMPSON NICKEL BELT PROPERTIES ("TNB") – MANITOBA

The Company owns or holds under option claims and leases totalling 720.7 square kilometers in the Province of Manitoba. These properties are situated in the TNB and Crowflight has interpreted the claims to host extensions of geology known to host, or capable of hosting, nickel sulphide deposits.

The TNB hosts nickel mineralization along a well-established geological trend that extends for over 250 kilometers. An estimated 4.5 billion pounds of nickel has been previously produced from the TNB. Crowflight's Joint Venture partner, Xstrata, through predecessor companies, has been an active participant in the TNB since the early 1960s and has produced an extensive technical database for this section of the TNB.

CROWFLIGHT - XSTRATA AGREEMENTS

Bucko Mining Lease, Offtake, and TNB Exploration Option Agreements

On January 31, 2007, Crowflight entered into an amended Agreement with Xstrata Nickel that provided Crowflight the right to: (1) earn a 100% interest in mining lease ML-031 which contains the Bucko Lake Nickel Deposit and a 5.5 kilometer area surrounding the Bucko Deposit; and (2) earn a 100% interest in all of the advanced-stage exploration ground previously the subject of the separate TNB South and TNB North Agreements. At the end of this reporting period, property maintained by Crowflight and covered by this Agreement remained 586.4 square kilometers.

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

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

Under the terms of the jointly signed Bucko Lake Deposit Lease Transfer Agreement, in Q2-2007, Crowflight earned a 100% interest in the Bucko Lake Nickel Deposit Mining Lease ML-031, subject to a 2.5% Net Smelter Return royalty ("NSR"), after having completed its expenditure commitments and having completed a Bankable Feasibility Study of a technical standard acceptable to a bank in the context of financing such a project's development. On the exercise of its rights, Crowflight issued 2,000,000 shares to Xstrata Nickel. The issuance of these shares was a condition dating back to the original and amended versions of the Agreement governing the Bucko Deposit and Mining Lease.

Crowflight's 100% interest in ML-031 is subject to a Back-in Right whereby should Crowflight outline a Threshold Deposit - a new Deposit (outside of the currently known Bucko Resources) exceeding 200,000,000 pounds of nickel in Measured and Indicated Resources - Xstrata Nickel has the right to Back-in for a 50% interest and to become the operator of the new Threshold Deposit by paying to Crowflight an amount equal to the aggregate of all direct expenditures which were incurred by Crowflight in carrying out Mining Operations on the Bucko Lake Lease outside of the Bucko Resource Block prior to the date of exercise of the Back-in Right. On June 10, 2009, Crowflight declared commercial production (commercial production being defined as throughput greater than 60% of mill nameplate capacity). As per the terms of the Bucko Lease transfer agreement, a royalty payment of $500,000 to Xstrata is payable.

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

Under the terms of a jointly signed Exploration Agreement, Crowflight has the right to earn a 100% interest in Xstrata's TNB Properties (formerly referred to as the TNB North and TNB South Exploration Properties), which includes approximately 580 square kilometers of advanced-stage exploration ground. Crowflight will earn an initial 35% interest upon its expenditure of $7.2 million in exploration activities on the combined TNB Exploration Properties (TNB North and/or TNB South at Crowflight's discretion) no later than December 31, 2009. At the end of Q3-2009, Crowflight has incurred gross exploration expenditures, which includes a 10% administration charge, of approximately $6.38 million of the required $7.2 million expenditure commitment. The Company will earn a 100% interest upon its expenditure of a further $6.0 million in exploration activities on the combined TNB Exploration Properties no later than December 31, 2013.

Crowflight's 100% interest in the Exploration Properties is subject to a Back-in Right whereby should Crowflight outline a Threshold Deposit or Deposits, each of which exceed 500,000,000 pounds of nickel in Measured and Indicated Resources, Xstrata Nickel has the right to Back-in for a 50% interest and become the operator of the Threshold Deposit or Deposits by incurring expenditures on the property in an amount equal to two times the aggregate of all expenditures which were incurred by Crowflight in carrying out mining operations on the property prior to the Back-in, provided that if Xstrata Nickel exercises more than one Back-in Right, then in calculating the required Back-in expenditures for each subsequent Back-in Right expenditures relating to any previously exercised Back-in Right are excluded from such expenditure calculation.

Definitive Offtake Agreement

Based on the results of a feasibility study concluded in December 2005 (refer to press release dated December 16, 2005), the Bucko Lake Nickel Deposit has the potential to produce on average approximately 33,000 tonnes of nickel concentrates annually with an annual average of 11.1 million pounds of payable nickel. Crowflight has entered into a life of mine contract with Xstrata Nickel for the purchase of 100 percent of the nickel concentrates at commercially competitive terms over the current approximate nine year life of the mine. These agreements replace former agreements with Falconbridge Ltd. (Xstrata Nickel) dated June 2004 and January 2005.

MANIBRIDGE JOINT VENTURE – MANITOBA

The Company holds an interest in 55 claims totalling approximately 145.3 square kilometers centered around the past-producing Manibridge Nickel Mine, located approximately 20 kilometers south of Wabowden, Manitoba. The property covers extensions of prospective geology interpreted to be associated with the Manibridge mine horizon and hosts several known occurrences of nickel sulphide mineralization. In August 2007, the Company acquired a 100% interest in the Owl Claim from Ferreira Ltd., subject to a 2% Net Smelter Return royalty (“NSR”).

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

Firstly, Crowflight entered into an option agreement with Hudson Bay Exploration and Development Ltd. (HBED) to acquire a 100% interest in two claims located close to the Manibridge mine. Under the terms of this option agreement, the Company will be required to make payments of $250,000 and fund a total of $750,000 in exploration expenditure by 2011 to earn a 100% interest in the property, subject to a back-in clause, right of offer for off-take and a 2% NSR.

Secondly, Crowflight entered into a 50-50 Joint Venture agreement with Pure Nickel Inc.(“Pure Nickel”) to explore and develop nickel deposits on properties controlled by both parties near the past producing Manibridge Nickel Mine (the “Pure Nickel Agreement”). Under the terms of the Pure Nickel Agreement, both parties have agreed to contribute property to the Joint Venture and make an aggregate contribution of $6 million over a three year period to fund preliminary exploration activities within the joint venture area. Pure Nickel contributed two claims containing the Manibridge Deposit. Crowflight contributed 62 claims it owned, including claims held under option from HBED.

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

In August 2009, the Company allowed 5 claims totalling 1,100 Ha to expire as no work was planned on the properties in the upcoming season and the prospective potential of these 5 claims was not high enough to warrant their continued maintenance.

SUDBURY PROPERTIES – ONTARIO

In the Sudbury Basin, Crowflight maintains an interest in approximately 75.4 square kilometers of mining property which includes: (1) the AER Kidd Project adjacent to Inco Limited’s Totten Deposit (10.1 million tonnes grading 1.5% nickel, 2.0% copper and 4.8 g/t PGMs); and (2) the Peter’s Roost Property.

AER Kidd Property

There is currently no activity on this property. Crowflight maintains a 100% interest in the mining patents associated with this property. In 2008, the Company wrote down its value of $5,244,395. In Q2-2009, the Company recorded an additional amount of $50,000 to the statement of operations for payment made to maintain the property in good standing. The Company is actively seeing a partner to advance this project.

Peter's Roost Property

In June 2006, the Company reached a formal agreement with Wallbridge Mining Company Limited ("Wallbridge") to earn an initial and conditional 50% interest in the Company's interests in the Peter's Roost group of properties. Wallbridge was required to incur $700,000 in exploration expenditures on the properties by December 31, 2007 in order to earn an initial 50% interest. In January 2008, Wallbridge earned an initial 50% interest in the property and has submitted a proposal for additional work in 2009. Wallbridge retains the option to increase its ownership to a 70% vested interest in any or all of the four separate project areas by funding a further $1 million in exploration expenditures in each project area in which it selects to vest by December 31, 2010. Failure to vest in a specific project area will result in ownership reverting back to the Company. See Exploration Activities section below for current status.

For any new properties Wallbridge acquires within the joint venture area, the Company will have the right to acquire a 25% participating interest, at such time as an indicated resource is established, by reimbursing Wallbridge 50% of its exploration costs to that point.

EXPLORATION ACTIVITIES

Thompson Nickel Belt Properties

During the current reporting period, no exploration activities took place on the property.

Bucko Lake Nickel Mine

At Bucko, the programs of infill drilling continued on the 450' and 900' levels of the deposit. At the end of the third quarter of 2009, 95 holes for a total of 13,462 metres of underground drilling had been completed. Results from drilling during the quarter will be used to confirm proven reserves for 2010 and 2011.

Sudbury Properties

In 2008, Wallbridge focused its efforts on Area 4 of the joint venture (close to McGrindle Lake in Botha and Roberts Townships), conducting a high resolution airborne geophysical survey, mapping and the diamond drilling of completing three holes totalling 335 metres. Two holes intersected semi-massive sulphides containing anomalous nickel copper sulphide mineralization. Additional drilling to follow up geophysical anomalies associated with this mineralization was undertaken by Wallbridge during Q1-2009. No significant assay results were returned. In April, 2009 Wallbridge proposed a program of additional work and was granted an extended timeline for the completion of proposed work, in light of current economic conditions and current share prices. During the quarter, Wallbridge commissioned some geophysical modeling work on the discovery in Area 4. The report has highlighted additional target potential that Wallbridge has indicated that it intends to investigate in fourth quarter of this year.

OPERATIONAL AND DEVELOPMENT ACTIVITIES

Bucko Lake Nickel Mine

During the month of July, a new water treatment facility was installed and commissioned at the Bucko Mine to mitigate water issues that were identified at the end of June. Water discharge from site was suspended due to a failure of environmental sampling. The new water treatment plant was installed to filter contaminants from the water prior to discharge and resolve the situation. The treatment plant was operational on July 17th and all subsequent water samples passed all environmental criteria. The treatment plant operated at maximum capacity to lower water in the tailings basin to design levels. Surface ramp development was suspended over this duration as the ramp was used for additional water storage capacity for underground mine dewatering, which allowed underground operations to continue throughout July. Ramp development resumed in mid August when the water stored was pumped down.

Underground development focused on the second commercial high grade stoping area between the 1000 and 900 foot levels, 450 crown pillar stabilization for future mining and development of 450 to 500 level mining blocks. The mine developed 829 total meters in the quarter, 152 meters in ore and 677 meters of stope accesses, level development and ramps in waste. This compared to a planned total of 702 meters, 178 meters in ore and 524 meters in waste. The ore development variance is due to the year to date planned development advance being behind, thereby limiting access to stope blocks and reducing available ore to the mill versus plan for the quarter. During the quarter, the mine produced 27,634 tonnes of ore at 1.28% nickel, with 9,781 tonnes from development and 17,853 tonnes from two stopes versus a planned production of 50,340 tonnes grading 1.31% nickel. This variance was due to a failed stope access late in the second quarter that shut down stope mucking while a second access was driven in July and stope production resumed in August. Development advance into the second commercial mining zone on 900 and 1000 levels was completed giving access to the first stope in this zone for production mining. The stope produced 12,000 tonnes of 1.4% material in the quarter versus a plan grade of 1.6%. The stope mucking was stopped before all the broken material was removed as a large block sloughed from the upper wall and obstructed the access. The mine does not have the capability to reblast oversize when inside the stope and is looking into purchasing machinery to accomplish this.

The alimak raise from 900 to 500 level was completed in September after being temporarily suspended when the ramp was being used to store mine water. The underground equipment maintenance shop main construction was completed in the quarter with the exception of the roll up fire door installation and crane energizing.

The milling operation was suspended in July due to water levels in the tailings basin and pending the installation of the water treatment plant. The plant was installed by the end of July however the water in the tailings basin was above design and had to be lowered prior to adding tailings to the basin. The water was effectively lowered by the first week of August and milling resumed. Ore supply to the mill was limited in the quarter due to delayed access of the stope blocks, a stope access failure, and a large caved block closing a stope access. In general the ground conditions have been a limiting factor to ore production and alternate strategies to stope sizes and production mining are under review. Milling for the quarter was 23,493 tonnes with an average grade of 1.05% nickel versus a planned 43,700 tonnes grading 1.28%. Nickel recoveries in the quarter averaged 69.7% for the third quarter, as per the metallurgical design recovery curve.

RESULTS OF OPERATIONS

The Company declared on June 10, 2009 that commercial production commenced on June 1, 2009. Consequently the results of operations for the three months ended September 30, 2009 are not comparable to the same periods last year during which the Bucko mine was not in production.

Third quarter 2009 vs. Third quarter 2008

The Company reported a net loss of $2,905,867 ($0.01 per share – basic and diluted) for the quarter ended September 30, 2009 compared to income of $9,891,502 (income of $0.04 per share – basic and diluted) for the quarter ended September 30, 2008.

Operations

During the three months ended September 30, 2009, a total of 27,634 tonnes of ore were extracted from the Bucko underground.

During the three months ended September 30, 2009, the mill processed 23,493 tonnes of ore at an average grade of 1.05% nickel producing 384,327 pounds of nickel with an average recovery of 69.70%. The Company sold 276,918 pounds of payable nickel during the quarter including minor sales settlements from prior quarters. During the same period last year, there was no production.

Revenue

Revenue is affected by sales volumes, commodity prices and currency exchange rates. Approximately 75% of nickel concentrate sales are recognized in revenue at prevailing spot prices when concentrate is delivered to Xstrata for smelting and refining treatment, per the In-Process Working Capital Facility with Auramet (See Note 8 of the Q3-2009 financial statements). Final pricing and quantities are settled three months following delivery. At the end of each quarter, all outstanding sales contracts for the quarter are valued based on the three month forward price and offset against nickel sales. Final pricing results in additional revenues in a rising commodity price environment and reductions to revenue in a declining commodity price environment. Similarly, a weakening in the Canadian dollar relative to the US dollar will result in additional revenues and a strengthening in the Canadian dollar will result in reduced revenues. Sales of other metal are offset in cost of goods sold.

For the three months ended September 30, 2009, nickel revenue was $2.2 million compared to $nil in the same period last year, reflecting no production at the Bucko mine last year. The average realized price was US$7.41/lb at an average US/CAD exchange rate of $1.09. Pricing adjustments realized in the quarter were $52,810.

Operating Costs

The Company recorded cost of sales of $2,546,116 during the quarter ended September 30, 2009, compared to $nil in the same quarter last year. The USD operating cash cost per payable pound was $8.45/lb[1] for the quarter ended September 30, 2009. The higher cash cost reflects higher production cost per tonne from development ore, higher than expected mill input costs as well as lower than expected production due to the mill shut-down in July and beginning of August, 2009 as described in the Operating and Development Activities above.

The Company recorded non-cash amortization of $605,141 for Bucko related assets depreciated on a unit of production in Q3-2009, compared to $nil in the same period last year.

Other Items

The Company recorded a net loss of $339,371 based on the estimated fair market value of forward sales contracts for 105,822 pounds of nickel at a price of US$6.01. During the comparative quarter in the prior year the Company recorded a non-cash gain of $18,267,980 related to the change in value of forward sales contracts entered into in July 2008. These contracts provided for the sale of 20.5 million pounds of nickel over a period of 4 years at a price of US$8.49/pound.

General and administrative expenses increased by approximately $720,894 from the comparative quarter as a result of several variances. These include stock-based compensation expense, which decreased by $186,000; however, this was offset by increases in general and office expenses including foreign exchange gains and losses, legal fees, rent and building maintenance and interest expenses (not including interest on long term debt as discussed separately below). The Company accrued $175,000 for a severance owed to a former director and officer of the Company during the quarter for which no charge was recorded during the comparative period. The Company accrued for flow-through interest penalties during the quarter on unspent flow-through expenditures subject to the look-back rule. The Company had met all flow-through expenditure commitments during the comparative quarter and no such accrual was necessary.

The Company also incurred a non-cash accretion reversal on the asset retirement obligation of $nil for the quarter ended September 30, 2009. During the comparative quarter, the Company recorded a charge of $299,695.

Interest income earned during the current quarter totalled $3,161 compared to $66,605 during the quarter ended September 30, 2008. The Company did not hold large balances in investments during the quarter. As well, interest rates were lower this quarter than the same period last year. The Company incurred $nil in interest expense on long term debt during Q3-2009 compared to $482,309 incurred during Q3-2008 as a result of balances owed on the long-term debt facility. The cost of debt was lower during the quarter as result of lower interest rates and the long-term debt was retired during the first quarter of 2009.

During the quarter ended September 30, 2009, the Company recognized a future income tax recovery of $2,308,970 compared to an expense of $6,145,000 during the quarter ended September 30, 2008.

First nine months 2009 vs. First nine months 2008

The Company reported a net loss of $4,648,190 ($0.01 per share - diluted) for the nine months ended September 30, 2009 compared to a net gain of $5,521,168 ($0.02 per share) for the nine months ended September 30, 2009.

Operations

During the nine months ended September 30, 2009, a total of 119,326 tonnes of pre-production and production ore were extracted from the Bucko underground. During the same period last year, no ore was extracted.

During the nine months ended September 30, 2009, the mill processed 106,676 tonnes of pre-production and production ore producing a total of 865,191 pounds of payable sold nickel at an average nickel head grade of 1.06% per tonne of nickel with an average recovery of 53.33%. During the same period last year, there was no production.

Revenue

For the nine months ended September 30, 2009, nickel revenue was $4.2 million compared to $nil in the same period last year reflecting no production at the Bucko mine last year. The average realized price was US$7.12/lb at an average US/CAD exchange rate of $1.12.

Operating Costs

The Company recorded cost of sales of $4,991,329 during the nine months ended September 30, 2009, compared to $nil in the same period last year. The USD operating cash cost per pound sold was $8.38/lb[1] for the nine months ended September 30, 2009. The higher cash cost reflects higher production cost per tonne from pre-production ore, higher than expected mill input costs as well as lower than expected production due to the mill shut-down in July and August as described in the Operating and Development Activities above.

The Company recorded non-cash amortization of $941,234 for Bucko related assets depreciated on a unit of production during the nine months ended September 30, 2009, compared to $nil in the same period last year.

Other Items

The Company realized net gains of $2,090,556 in Q1-2009, as a result of the monetization of their forward nickel and currency contracts as discussed above. The nickel contracts increased in value as a result of declining nickel prices since entering into the contracts, while the currency contracts decreased in value as a result of a weaker Canadian dollar. The Company recorded a net losses of $688,456 based on the estimated fair market value of a new forward sales contract, entered into in the current quarter, for 317,465 pounds of nickel at a price of US$6.01, bringing the total net gain for the nine months ended September 30, 2009 to $1,402,100.

General and administrative expenses increased by approximately $735,665 from the comparative nine month period as a result of several variances. These include stock-based compensation expense, which decreased by $1,020,000; however, this was offset by increases in consulting and professional fees, general and office expenses, foreign exchange losses and interest expenses (not including interest on long term debt as discussed separately below). The Company accrued for capital taxes during the first three quarters of the year for which no charge was recorded during the comparative period. The Company accrued for flow-through interest penalties during the first three quarters of 2009 on unspent flow-through expenditures subject to the look-back rule. The Company had met all flow-through expenditure commitments during the comparative period in 2008 and no such accrual was necessary.

The Company also incurred a non-cash accretion reversal on the asset retirement obligation of $57,416 for the nine months ended September 30, 2009. During the comparative period, the Company recorded a charge of $789,180.

Interest income earned during the nine months ended September 30, 2009 totalled $26,672 compared to $199,126 during the nine months ended September 30, 2008. The Company incurred $48,673 in interest expense on long term debt compared to $901,140 incurred during the comparative period for 2008 as a result of balances owed on the long-term debt facility. The cost of debt was lower during the nine months ended September 30, 2009 as result of lower interest rates and the long-term debt was retired during the first quarter of 2009. The Company incurred costs of $383,464 to secure an In-Process Working Capital Facility compared with $2,544,796 incurred in the nine months ended September 30, 2008 for a long-term debt facility.

The Company paid $50,000, which was recorded to statement of operations, to maintain the AER Kidd property in good standing during the nine months ended September 30, 2009 (Q3-2008 – $106,921). The Company recorded a recovery of $66,958 during Q1-2009 as a result of the reversal of stale-dated accruals.

During the nine months ended September 30, 2009, the Company recognized a future income tax recovery of $2,503,070 compared to an expense of $5,189,000 during the nine months ended September 30, 2008.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A detailed summary of the Company's significant accounting policies is included in Note 2 of the Company's Annual Audited Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2008; and Note 2 of the Q3-2009 financial statements.

RECENT ACCOUNTING CHANGES AND RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Please refer to Note 2 of the Company's Annual Audited Financial Statements for the year ended December 31, 2008 and Note 2 of the Q3-2009 financial statements.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2009, the Company had a working capital of $15,153,363 compared to working capital of $7,667,069 as at December 31, 2008. The cash balance as at September 30, 2009 was $13,675,834 (2008 – $10,607,543) and the restricted cash balance was $nil (2008 – $2,999,998).

In October 2008, the Company restructured its $55 million debt facility agreement with FirstRand Ireland Plc. As at December 31, 2008, the balance owing on this facility was $7,600,000, and the Company carried forward nickel and currency contracts as required by the terms of the agreement. In January 2009, the Company entered into additional forward nickel and currency contracts for the first and second quarters of 2009. In February 2009, the Company monetized its total hedge position of 2.97 million pounds of nickel, allowing Crowflight to repay its remaining $7,600,000 debt plus accrued interest. The restriction was released from the debt reserve account as a result.

Related to the debt facility agreement, a total of 17,324,786 warrants had been issued to RMB with an exercise price of $0.64 per share during 2008. With the restructuring of the debt facility, these warrants were cancelled in January 2009, and were replaced with 20,000,000 warrants at an exercise price of $0.21 expiring three years from the date of issuance.

On April 30, 2009, the Company closed two private placement financings. The Company raised $7,820,000 through the issuance of 46,000,000 units of the Company. Each Unit consists of one common share of Crowflight (a "Unit Share") and one-half of one common share purchase warrant (each full warrant, a "Warrant"), each full Warrant being exercisable to acquire one common share of Crowflight at a purchase price of $0.20 for a period of 24 months. As well, the Company issued 29,411,765 units for gross proceeds of $5,000,000. Each Unit consists of one common share of Crowflight (a "Unit Share") and one-half of one common share purchase warrant (each full warrant, a "Warrant"), each full Warrant being exercisable to acquire one common share of Crowflight at a purchase price of $0.21 for a period of 24 months.

In July 2009, the Company raised $15,000,000 through the issuance of 60,000,000 units of the Company through a private placement with Pala Investments Holdings Limited. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant (each full warrant, a "Warrant"), each whole

Warrant being exercisable to acquire one common share of the Company at a price of $0.30 until July 23, 2011.

On September 21, 2009, the Company announced it had entered into an agreement with Kingplace Enterprises Limited ("Kingplace") for a Cdn$20,000,000 private placement financing, pursuant to which Kingplace agreed to purchase an aggregate of 80,000,000 common shares of the Company at a price of $0.25 per share. The financing was expected to close in two tranches. The first tranche closed on September 29, 2009, through the issuance of 44,733,221 common shares of the Company at a price of $0.25 per share for gross proceeds of Cdn$11,183,305. The second tranche closed subsequent to the quarter end on October 14, 2009.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable, in-process working capital facility and equipment leases. The Company's risk management objectives include minimizing risk relating to cash and cash equivalents to preserve capital for strategic investing. The Company does not enter into or trade financial instruments for speculative purposes.

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

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. Cash equivalents consist of guaranteed investment certificates and bankers acceptance, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist of goods and services tax due from the Federal Government of Canada and receivables from related and unrelated companies. Receivables from operations are from its sole customer, as a result of the off-take agreement with Xstrata, and the Company is reliant on Xstrata's credit for continued operations. Management believes that the credit risk concentration with respect to these financial instruments included in amounts receivable is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2009, the Company had a cash and cash equivalents balance of $13,675,834 (December 31, 2008 - $10,607,543) to settle current liabilities of $12,108,324 (December 31, 2008 - $15,622,737). Most of the Company's financial liabilities have contractual maturities of between 30 – 60 days and are subject to normal trade terms.

Market risk

(a) Interest rate risk

The Company has cash and cash equivalent balances and an in-process working capital facility subject to fluctuations in interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company also monitors the working capital facility interest rate and balance advanced under the facility. Currently, the Company does not hedge against interest rate risk.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is exposed to foreign exchange risk as a result of sales transactions being denominated in US dollars. Amounts receivable as at September 30, 2009 include an amount of US$1,975,484. The Company monetized its derivative currency contracts during the first quarter, and currently does not hedge for foreign exchange risk.

(c) Commodity price risk

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

In June 2009, the Company entered into forward sale contracts for a total of 317,465 pounds of nickel. At September 30, 2009, 105,822 pounds of these forward contracts were outstanding. These were classified as held-for-trading and were not designated as hedges.

Sensitivity analysis

The Company has designated its cash and cash equivalents as held-for-trading, measured at fair value. Financial instruments included in amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, in-process working capital facility and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. Equipment leases are classified as held-to-maturity and measured at amortized cost. Derivative financial instruments are classified as held-for trading.

As at September 30, 2009, the carrying and fair value amounts of the Company's financial instruments are approximately the same due to the limited terms of these instruments. Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

The Company carries a short-term, in-process working capital facility at an interest rate of Libor + 6.75%. A 1% increase in interest rates based on the working capital balance at September 30, 2009 will generate an increase in interest expense of approximately $3,340 annually.

The Company holds certain cash equivalents that upon renewal will earn interest at the then market rate for such deposits. A 1% decrease in interest rates based on the cash and cash equivalents balance at September 30, 2009 will generate a decrease in interest income of approximately $137,000.

The Company currently carries receivables in foreign currencies that are exposed to foreign exchange risk. A change of 1% in the Canadian dollar compared to the US dollar based on the US denominated accounts receivable balance at September 30, 2009 will generate an increase or decrease in the receivable of approximately $21,180. As production ramps up and the accounts receivable balance increases, the change could be significant.

QUARTERLY INFORMATION

The quarterly results have been as follows:

Summary Financial Information for the Eight Quarters Ended September 30, 2009
Tabular amounts in $000 except for per share amounts.

Period	Revenues	Total Assets	Net Income (Loss)	Net Income (Loss) per Share basic and diluted	Long Term Financial Liabilities
3rd Quarter 2009	2,285	208,606	(2,905)	(0.01)	992
2nd Quarter 2009	2,007	181,862	(3,266)	(0.01)	1,010
1st Quarter 2009	Nil	169,885	1,523	0.01	1,010
4th Quarter 2008	Nil	177,875	28,958	0.11	8,066
3rd Quarter 2008	Nil	170,826	9,891	0.04	39,901
2nd Quarter 2008	Nil	121,927	(1,530)	(0.01)	7,140
1st Quarter 2008	Nil	106,508	(2,840)	(0.01)	6,795
4th Quarter 2007	Nil	88,214	(380)	(0.01)	331

The Company had operating revenue for the nine month period ending September 30, 2009 of $4,291,943.

The Company has invested in capital assets for the development of the Bucko Lake Nickel Mine, which accounts for the continued increases in total assets. Total assets have also increased during Q3-2009 as a result of the closing of private placements on July 23 and September 29, 2009 (see Highlights section for additional details).

The net losses in Q2 & Q3-2009 resulted from higher costs of nickel production, Manitoba corporate taxes, and corporate overheads, including stock-based compensation, severance and bonus payments and losses resulting from foreign exchange transactions. Income earned during Q1-2009 and Q4-2008 resulted from realized net gains on the monetization of forward nickel and currency contracts, net of future income taxes. Net income in Q4-2008, included the remaining value of warrants that was expensed at the time of settlement for that portion of the debt facility, and was a result of the restructuring of the debt facility. As well, an incremental value on the warrants was determined and $849,709 was charged during Q4-2008. During Q3-2008, income resulted from the unrealized gain recognizing the increase in fair value of forward nickel contracts entered into by the Company. During the second and third quarters of 2008, the Company incurred a non-cash accretion charge of $475,485 and $292,696 respectively as a result of the accretion of the value of warrants charged against the debt facility. The net losses in Q1-2008 and Q2-2008 result primarily from corporate overheads, including stock-based compensation. During the first quarter of 2008, the Company also expensed $2,040,905 in debt facility costs.

Long-term liabilities in Q4-2007 relate to asset retirement obligations. In Q1-2008, the Company entered into a long term loan facility agreement, and drew down funds against this facility accounting for the sharp rise in long term debt. The Company drew down the majority of the Final Tranche of the debt facility during Q3-2008. During Q4-2008, the Company restructured its debt facility and settled the majority of this debt. In Q1-2009, the Company paid the remaining debt in its entirety.

CASH FLOWS

For the three months ended September 30, 2009

Cash provided by Operating Activities was $389,211 during the quarter ended September 30, 2009, compared to the use of $634,800 during the same period in 2008. The change in non-cash working capital provided was $4,797,759 during the quarter ended September 30, 2009 compared to the use of $83,954 in non-cash working capital during the quarter ended September 30, 2008.

Cash provided from Financing Activities was $21,121,922 during the quarter ended September 30, 2009 compared to providing $24,491,344 for Q3-2008. During the comparative quarter in 2008, the Company drew down $39,500,406 net of transaction costs from its debt facility as described in the Liquidity and Capital Resources section above and repaid 15,000,000. Also during the comparative quarter in 2008, the Company received $11,250 from the exercise of warrants and options. The Company raised $21,132,546 net of issue costs through private placements in July and September, 2009 compared with $nil in the same period in the prior year. The Company made lease payments of $10,624 during Q3-2009 compared to $20,312 during Q3-2008.

Cash used in Investing Activities during the quarter ended September 30, 2009 was $9,494,044 compared to $18,188,067 during the quarter ended September 30, 2008. Cash spending on exploration and development of its properties in the TNB as well as the acquisition of capital assets related to the Bucko mining operations for the current quarter was $6,761,989, net of government assistance, compared to $25,076,313 during Q3-2008. Specifically, the Company used $6,769,884 in cash in the continued development of the Bucko Mine (Q3-2008 -- $25,076,427). The Company received $nil in government assistance (Q3-2008 -- $nil) related to the TNB Joint Venture and recorded a recovery of expenditures during the quarter of $7,895 (Q3-2008 – recovery of $36,041). Accounts payable related to exploration and development expenditures decreased by $2,732,055 during the current quarter compared to an increase of $6,888,246 during the comparative quarter. Prepaid exploration expenditures decreased by $nil during the quarter compared with a decrease of $nil during Q3-2008.

For the nine months ended September 30, 2009

During the second quarter of 2009, the total expenditures to date on the Bucko mine were moved from "Exploration and development property and deferred expenditures" to "Property, plant and equipment" as a result of the Company going into full commercial production.

Cash provided by Operating Activities was $10,389,845 during the nine months ended September 30, 2009, compared to the use of $2,585,332 during the same period in 2008. Cash of $9,663,618 was generated from the monetization of the Company's forward nickel and currency contracts. The change in non-cash working capital was $7,236,213 during the nine months ended September 30, 2009 compared to the use of $1,036,472 in non-cash working capital during the nine months ended September 30, 2008.

Cash provided by Financing Activities was $20,788,069 during the nine months ended September 30, 2009 compared to providing $58,806,674 for the first three quarters of 2008. As described in the Liquidity and Capital Resources section above, the Company retired the remaining debt facility of $7,600,000. During the comparative quarter in 2008, the Company drew down $62,673,758 net of transaction costs from its debt facility as described in the Liquidity and Capital Resources section above. The Company raised $28,425,966 net of issue costs through private placements, in April, July and September 2009 compared with $10,184,706 in the same period in the prior year. Also during the comparative nine months in 2008, the Company received $1,015,866 from the exercise of warrants and options. The Company made lease payments of $37,897 during the first three quarters of 2009 compared to $67,656 during the same period in 2008.

Cash used in Investing Activities during the nine months ended September 30, 2009 was $28,109,623 compared to $52,186,131 during the nine months ended September 30, 2008. Cash spending on exploration and development of its properties in the TNB as well as the acquisition of capital assets related to mining operations for the first half of 2009 was $27,070,312, net of government assistance, compared to $60,997,071 during the first three quarters of 2008. Specifically, the Company used $27,097,788 in cash in the development of the Bucko Mine (first three quarters of 2008 -- $57,723,827). The Company received $115,463 in government assistance (first three quarters of 2008 -- $90,989) related to the TNB Joint Venture and incurred expenditures during the nine months of $99,659 (2008 -- $2,674,918). The Company received $17,158 in government assistance (2008 -- $nil) related to the Pure Nickel Joint Venture and incurred $5,486 in expenditures (2008 – $382,401). The Company used $nil in cash for its Sudbury properties during the first three quarters of 2009 compared with $230 in the same period last year. Accounts payable related to exploration and development expenditures decreased by $4,039,309 during the first three quarters of 2009 compared to increase of $8,492,386 during the comparative period. During the nine months ending September 30, 2009, $2,999,998 held in a debt reserve account as a requirement of the debt facility agreement was released with the retirement of the debt facility. Prepaid exploration expenditures decreased by $nil during the first half of 2009 compared with a decrease of $318,554 during the comparative period last year.

COMMITMENTS AND CONTINGENCIES

The Company issued 23,615,000 flow-through shares in December 2008 and as a result, the Company is committed to expend $4,250,700 in qualified exploration expenditure by December 31, 2009. As of September 30, 2009, the Company has spent approximately $3,307,570, and will be required to spend approximately $943,130 by December 31, 2009. The Company has indemnified the subscribers for any tax related amounts that became payable by the subscriber as a result of the Company not meeting this expenditure commitment.

The Company is party to certain management contracts which require that additional payments of up to $2,824,550 be made upon the occurrence of certain events such as events that may result from a change of control. As at July 23, 2009 such an event occurred (see Highlights section). Minimum termination commitments under these contracts are approximately $750,250, all of which is due within one year.

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

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

A legal settlement of $175,000 in severance for a former director and officer of the Company was accrued for the quarter ended September 30, 2009.

TRANSACTIONS WITH RELATED PARTIES

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

The Company shares its premises with other companies that have common directors. The Company reimburses the related companies for their proportionate share of the expenses. At September 30, 2009 an amount of $29,254 (2008 - $nil) is payable in relation to these expenses. During the comparative nine months, the Company prepaid and was owed $87,041. Amounts payable and prepaid are unsecured, non-interest bearing with no fixed terms of repayment.

The Company paid $16,324, and granted 150,000 stock options to individuals for legal and support services during the nine months ended September 30, 2009. These same individuals also perform services for a company controlled by a director of the Company.

The Company was charged $45,000 during the nine months ended September 30, 2009 (Q3 2008- $45,000) by a company controlled by a director of the Company for administration services.

OUTSTANDING SHARE DATA

As at November 3, 2009, 509,180,643 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, 36,476,250 remain outstanding with exercise prices ranging from $0.15 to $1.02, with expiry dates ranging between January 10, 2010 and October 14, 2014. If exercised, 36,476,250 common shares would be issued for proceeds of $12,184,500.

As at November 3, 2009, 93,846,682 share purchase warrants and broker options were outstanding with an exercise prices ranging from $0.17 to $0.62 expiring between April 30, 2010 and January 16, 2012. If all warrants were exercised, 93,846,682 common shares would be issued for proceeds of $22,465,795.

SUBSEQUENT EVENTS

On October 14, 2009, Crowflight closed the second tranche of its private placement financing with Kingplace Enterprises Limited for gross proceeds of approximately $8,816,695. Pursuant to the second tranche, Crowflight issued 35,266,779 common shares of the Company at a price of $0.25 per share. The primary intended use for the proceeds from the financing will be the continued development of the Bucko Lake Project and the balance for general corporate purposes.

Also on October 14, 2009, the Company granted options to purchase up to 18,245,000 common shares of the Company at an exercise price of $0.22 per option, expiring 5 years from the date of grant to officers, directors, employees and consultants of the Company. 1,545,000 of these stock options were given to individuals for legal and support services and these same individuals also perform services for a company controlled by a director of the Company.

The Company announced November 16th, 2009, that it will be temporarily suspending all production mining and milling operations at the Bucko Lake Nickel Mine (Bucko) located in the Thompson Nickel Belt near Wabowden, Manitoba for three months, effective immediately, to complete ramp development, accelerate mine development and upgrade the backfill plant.

The Company also announced on November 16th, 2009 that Paul Keller, will be stepping down as Crowflight's Vice President Operations and Chief Operating Officer effective immediately.

RISKS AND UNCERTAINTIES

The exploration for, development and mining of mineral deposits involve significant risks, that even a combination of careful evaluation, experience and knowledge may not eliminate. Certain risk factors listed below are related to the mining industry in general, while others are specific to Crowflight.

Nature of Mining, Mineral Exploration and Development Projects

Mining operations generally involve a high degree of risk. Our operations are subject to the hazards and risks normally encountered in the exploration, development and production of nickel, including environmental hazards, explosions, unusual or unexpected geological formations or pressures and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

Development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of nickel to be mined and processed, ground conditions, the configuration of the deposit, expected recovery rates of minerals, estimated operating costs, anticipated climatic conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. It is not unusual for new mining operations to experience problems during the start-up phase and delays in the commencement of production often can occur.

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of nickel.

Liquidity Concerns and Future Financings

While it is anticipated that the Company will have sufficient funds to complete the development of its Bucko Lake Mine there is no assurance that the Company will be successful in ramping up production and producing positive cash flow when planned. Volatile markets may make it difficult or impossible for the Company to further finance the continued development of the Bucko Lake Mine. Failure to obtain additional financing on a timely basis may cause the Company to postpone or slow down its development plans, put the mine on care and maintenance, forfeit rights in some or all of its properties or reduce or terminate some or all of its operations.

Nickel Prices

Our principal business is the exploration and future production of nickel. Crowflight’s future profitability is largely dependent on movements in the price of nickel. Nickel prices have historically been volatile and are primarily affected by the demand for and price of nickel alloys and stainless steel in addition to the supply/demand balance. Given the historical volatility of nickel prices, there are no assurances that the nickel price will remain at economically attractive levels. An increase in nickel supply without a corresponding increase in nickel demand would be expected to result in a decrease in the price of nickel. A decline in nickel prices would adversely impact the business of Crowflight.

Nickel prices are also affected by numerous other factors beyond our control, including the relative exchange rate of the United States dollar with other major currencies, global and regional demand, political and economic conditions, production levels and costs and transportation costs in major nickel producing regions.

The mining sector has continued to exhibit slowing global demand, illiquid markets and tight credit conditions. Nickel prices have declined dramatically over the last months. If nickel prices continue to decline such that cash operation costs were to significantly exceed metal revenues, the feasibility of continuing operations would be evaluated and, if warranted, discontinued.

Foreign Exchange

Nickel is sold in US dollars thus Crowflight is subject to foreign exchange risks relating to the relative value of the Canadian dollar as compared to the US dollar. To the extent that we generate revenue on producing properties, it will be subject to foreign exchange risks as revenues will be received in US dollars while operating and capital costs will be incurred primarily in Canadian dollars. A continuing decline in the US dollar would result in a decrease in the real value of Crowflight's revenues and adversely impact our financial performance.

Mineral Resource and Mineral Reserve Estimates

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond our control. Such estimates are a subjective process, and the accuracy of any mineral resources and mineral reserves estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of recovery of nickel from such deposits may be different. Differences between management’s assumptions, including economic assumptions such as metal prices and market conditions, could have a material adverse effect on our financial position and results of operations.

Differences between management’s assumptions, including economic assumptions such as metal prices and market conditions, and actual events could have a material adverse effect on our mineral reserve estimates.

Licenses and Permits, Laws and Regulations

Our exploration and development activities, including mine, mill and roads, require permits and approvals from various government authorities, and are subject to extensive federal, provincial and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. In addition, we may be required to compensate those suffering loss or damage by reason of its activities. We are required to obtain additional licenses and permits from various governmental authorities to continue and expand its exploration and development activities. There can be no guarantee that we will be able to maintain or obtain all necessary licenses, permits and approvals that may be required to explore and develop its properties, commence construction or operation of mining facilities.

Environmental

Our activities are subject to extensive federal, provincial and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are more stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Further, any failure to comply fully with all applicable laws and regulations could have significant adverse effects on Crowflight, including the suspension or cessation of operations.

Title to Properties

The acquisition of title to resource properties is a very detailed and time-consuming process. We hold an interest in the Thompson Nickel Belt properties through mining claims and leases. Title to, and the area of, the mining claims may be disputed. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the properties in which we may have an interest, which, if successful, could result in the loss or reduction of our interest in the properties.

Uninsured Risks

We maintain insurance to cover normal business risks. In the course of exploration and development of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including explosions, rock bursts, cave-ins, fire and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of our common shares.

Competition

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

Reduced Global Demand for Steel or Interruptions in Steel Production

The global steel manufacturing industry has historically been subject to fluctuations based on a variety of factors, including general economic conditions and interest rates. Fluctuations in the demand for steel can lead to similar fluctuations in nickel demand. A decrease in economic growth rates could lead to a reduction in demand for nickel. Any decrease in economic growth or steel consumption could have an adverse effect on the demand for nickel.

Availability of Reasonably Priced Raw Materials and Mining Equipment

We will require a variety of raw materials in our business as well as a wide variety of mining equipment. To the extent these materials or equipment are unavailable or available only at significantly increased prices, our production and financial performance could be adversely impacted.

Failure to Meet Production Target and Cost Estimates

We prepare future production and capital cost estimates. If commercial production commences, actual production and costs may vary from the estimates for a variety of reasons such as estimates of grade, tonnage, dilution and metallurgical and other characteristics of the nickel varying in the actual nickel mined, revisions to mine plans, risks and hazards associated with mining, adverse weather conditions, unexpected labour shortages or strikes, equipment failures and other interruptions in production capabilities. If commercial production begins, production costs may also be affected by increased stripping costs, increases in level of nickel impurities, labour costs, raw material costs, inflation and fluctuations in currency exchange rates. Failure to achieve production targets or cost estimates could have a material adverse impact on our sales, profitability, cash flow and overall financial performance.

Share Price Fluctuations

The market price of securities of many companies, particularly development stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Crowflight's share price will not occur.

Conflicts of Interest

Certain of our directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which we may participate, the directors of Crowflight may have a conflict of interest in negotiating and concluding terms respecting such participation.

OFF BALANCE SHEET ITEMS

There are no off balance sheet items.

INTERNAL CONTROLS OVER FINANCIAL REPORTING ("ICFR")

As of the end of the period covered by this MD&A and accompanying unaudited financial statements, Crowflight's management evaluated the effectiveness of its disclosure controls. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that Crowflight's disclosure controls and procedures and internal controls over financial reporting, provide reasonable assurance that they were effective. During the three months ended June 30th, 2009, the Company commenced commercial production. The tracking of nickel production, inventory and revenue processes was implemented. They have been designed to provide reasonable assurance in regards to the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. In addition a new accounting system was implemented both at the Company's corporate office and Bucko mine site on June 1, 2009. The controls and systems will continue to be evaluated and tested during the final quarter of 2009.

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Company has hired external consultants to assist in analyzing and addressing the differences between IFRS and Canadian GAAP that are relevant to the Company. An initial analysis that identifies the high level differences between Canadian GAAP and IFRS that may impact the Company was completed during the third quarter. The full impact of the required changes to accounting systems, processes and training and development required for key personnel is anticipated by the end of 2009. Over the next quarter we will continue our analysis of accounting and disclosure differences, continue to work with our external consultants to assess the impact on our internal controls, and work on our changeover plan as necessary. There will be changes in accounting policies related to the adoption of IFRS and these may materially impact the Company's financial statements in the future.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to Crowflight, certain information contained herein constitutes forward-looking information. Forward-looking information includes, but is not limited to, statements with respect to the development potential of the Company's properties; the future price of nickel and other minerals; foreign exchange rates; the estimation of mineral reserves and mineral resources; conclusions of economic evaluation; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as ''plans'', ''expects'' or ''does not expect'', ''is expected'', ''budget'', ''scheduled'', ''estimates'', ''forecasts'', ''intends'', ''anticipates'' or ''does not anticipate'', or ''believes'', or variations of such words and phrases or statements that certain actions, events or results ''may'', ''could'', ''would'', ''might'' or ''will be taken'', ''occur'' or ''be achieved''. Forward - looking information is based on the opinions and estimates of management as of the date such statements are made. Estimates regarding the anticipated timing, amount and cost of mining at the Company's projects are based on assumptions underlying mineral reserve and mineral resource estimates and the realization of such estimates are set out herein. Capital and operating cost estimates are based on extensive research of the Company, purchase orders placed by the Company to date, recent estimates of construction and mining costs and other factors that are set out herein. Production estimates are based on mine plans and production schedules, which have been developed by the Company's personnel and independent consultants. These estimates are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Crowflight to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during construction, expansion and start-up; variations in mineral grade and recovery rates; delay or failure to receive government approvals; timing and availability of external financing on acceptable terms; actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of nickel and other minerals; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.

crowflight minerals inc.

INTERIM

CONSOLIDATED FINANCIAL STATEMENTS

for the three and nine months ended
September 30, 2009 and 2008

- UNAUDITED -

CONSOLIDATED BALANCE SHEETS

(unaudited)

As at

		September 30, 2009		December 31, 2008
ASSETS				
Current				
Cash and cash equivalents	$	13,675,834	$	10,607,543
Restricted cash (Note 9)		-		2,999,998
Amounts receivable		11,306,065		607,125
Inventory (Note 4)		2,152,818		268,285
Prepaid expenses and deposits		126,970		138,463
Derivative asset (Note 6)		-		8,668,392
		27,261,687		23,289,806
Deposits and advances		534,709		536,709
Property, plant and equipment (Note 5)		164,080,944		109,241
Exploration and development property and deferred expenditures (Note 7)		16,728,808		153,939,715
	$	208,606,148	$	177,875,471
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 12)	$	11,512,348	$	14,950,385
In-process working capital facility (Note 8)		334,286		-
Equipment leases		44,342		48,129
Derivative liability (Note 6)		217,348		624,223
		12,108,324		15,622,737
Equipment leases		73,176		107,286
Long term debt (Note 9)		-		7,600,000
Asset retirement obligations (Note 10)		918,387		359,000
Future income tax liability (Note 13)		24,449,000		24,139,000
		37,548,887		47,828,023
SHAREHOLDERS' EQUITY				
Common shares (Note 11(a))		129,909,726		99,289,864
Shares to be issued (Note 11(b))		8,816,695		-
Warrants (Note 11(c))		10,195,919		4,944,374
Contributed surplus (Note 11(e))		14,455,652		13,485,751
Retained Earnings		7,679,269		12,327,459
		171,057,261		130,047,448
	$	208,606,148	$	177,875,471

Commitments and contingencies (Notes 1, 5, 6, 7, and 16)
Subsequent events (Note 18)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Stan Bharti", Director

"Bruce Humphrey", Director

-- See Notes to the Interim Unaudited Consolidated Financial Statements --

Consolidated Statements of Shareholders' Equity

(unaudited)

	Common Shares		Shares to be issued	Warrants	Contributed Surplus	Accumulated Deficit	Shareholders' Equity
	No.	$		$	$	$	$
Balance, December 31, 2007	249,978,487	86,671,512	-	2,025,712	10,193,512	(22,151,940)	76,738,796
				-			
Private placement	39,680,000	15,251,000	-	-	-	-	15,251,000
Value of warrants granted related to debt facility	-	-	-	3,719,479	-	-	3,719,479
Value of warrants to be granted	-	-	-	849,709	-	-	849,709
Exercise of warrants and broker warrants	1,115,836	446,334	-	-	-	-	446,334
Valuation allocation on exercise of warrants	-	118,742	-	(118,742)	-	-	-
Exercise of stock options	2,530,000	569,531	-	-	-	-	569,531
Valuation allocation on exercise of stock options	-	979,566	-	-	(979,566)	-	-
Stock based compensation	-	-	-	-	2,364,835	-	2,364,835
Flow through share tax effect	-	(3,563,000)	-	-	-	-	(3,563,000)
Value of broker warrants	-	(375,186)	-	375,186	-	-	-
Valuation allocation on expiry of warrants and broker warrants	-	-	-	(1,906,970)	1,906,970	-	-
Share issue costs	-	(1,198,635)	-	-	-	-	(1,198,635)
Tax effect of cost of issue	-	390,000	-	-	-	-	390,000
Income for the period	-	-	-	-	-	34,479,399	34,479,399
Balance, December 31, 2008	293,304,323	99,289,864	-	4,944,374	13,485,751	12,327,459	130,047,448
Private placement	180,144,986	39,003,305	-	-	-	-	39,003,305
Shares to be issued on private placement	-	-	8,816,695	-	-	-	8,816,695
Value of warrants granted	-	(4,842,336)	-	4,842,336	-	-	-
Value of warrants granted related to debt facility	-	-	-	107,597	-	-	107,597
Stock based compensation - shares	464,555	96,975	-	-	-	-	96,975
Stock based compensation - options	-	-	-	-	969,901	-	969,901
Flow through shares tax effect (Note 13)	-	(2,982,000)	-	-	-		(2,982,000)
Value of broker warrants	-	(301,612)	-	301,612	-	-	-
Share issue costs	-	(523,400)	-				(523,400)
Tax effect of cost of issue	-	168,930	-	-	-	-	168,930
Income for the period	-	-	-	-	-	(4,648,190)	(4,648,190)
Balance, September 30, 2009	**473,913,864**	**129,909,726**	**8,816,695**	**10,195,919**	**14,455,652**	**7,679,269**	**171,057,261**

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(unaudited)

For the three and nine months ended September 30,

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	**2009**	2008
Revenue				
Nickel sales	**$ 2,231,683**	$ -	**$ 4,239,133**	$ -
Pricing adjustments	**52,810**		**$ 52,810**	
Revenue - after pricing adjustments	**$ 2,284,493**	$ -	**$ 4,291,943**	$ -
Cost of sales (excludes accretion, depreciation, depletion and amortization)	**2,546,116**	-	**4,991,329**	-
Depreciation, depletion and amortization	**605,141**	-	**941,234**	-
Gross margin - mining operations	**(866,764)**	**-**	**(1,640,620)**	**-**
Temporary shutdown costs (Note 3)	**2,381,083**		**2,381,083**	
Loss from mine operations	**(3,247,847)**	**-**	**(4,021,703)**	**-**
Other expenses				
Professional, consulting and management fees (Note 11(a) and (d))	**1,036,527**	704,210	**2,327,994**	2,642,092
General and office	**372,310**	128,439	**1,199,837**	328,083
Shareholder communications and investor relations	**127,433**	39,182	**331,859**	287,429
Travel	**42,214**	32,173	**160,900**	142,405
Interest expenses and bank charges	**51,773**	4,123	**128,621**	9,332
Amortization	**201**	1,437	**1,355**	5,560
	1,630,458	909,564	**4,150,566**	3,414,901
(*Loss*) before the undernoted	**(4,878,305)**	(909,564)	**(8,172,269)**	(3,414,901)
Interest income	**3,161**	66,605	**26,672**	199,126
Interest on long term debt	**-**	(482,309)	**(48,673)**	(901,140)
General exploration	**-**	(106,921)	**(50,000)**	(106,921)
Debt facility transaction costs	**(322)**	(499,594)	**(383,464)**	(2,544,796)
Write down of exploration property and deferred expenditures (Note 7)	**-**	-	**(50,000)**	-
Accretion (Note 10)	**-**	(299,695)	**57,416**	(789,180)
Recovery of expenditures	**-**	-	**66,958**	-
Net gain (loss) on derivative instruments (Note 6)	**(339,371)**	18,267,980	**1,402,100**	18,267,980
Income/(loss) before income taxes	**(5,214,837)**	16,036,502	**(7,151,260)**	10,710,168
Future income taxes (Note 13)	**2,308,970**	(6,145,000)	**2,503,070**	(5,189,000)
Income/(loss) for the period	**(2,905,867)**	9,891,502	**(4,648,190)**	5,521,168
RETAINED EARNINGS/(DEFICIT), beginning of period	**10,585,136**	(26,522,274)	**12,327,459**	(22,151,940)
RETAINED EARNINGS/(DEFICIT), end of period	**$ 7,679,269**	$ (16,630,772)	**$ 7,679,269**	$ (16,630,772)
Loss per share - basic & diluted	**$ (0.01)**	$ 0.04	**$ (0.01)**	$ 0.02
Weighted average number of shares - basic & diluted	**415,524,927**	269,683,888	**351,897,975**	261,202,344

-- See Notes to the Interim Unaudited Consolidated Financial Statements --

CROWFLIGHT MINERALS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

unaudited

For the three and nine months ended September 30,

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	**2009**	2008
OPERATING ACTIVITIES:				
Net income/(loss) for the period	**$ (2,905,867)**	$ 9,891,502	**$ (4,648,190)**	$ 5,521,168
Charges not affecting cash:				
Amortization	**603,321**	1,437	**940,568**	5,560
Stock-based compensation expense (Note 11(a) and (d))	**334,705**	508,473	**1,052,626**	2,047,060
Warrants issued on In-process working capital facility	**-**	-	**107,597**	-
Accretion (Note 10)	**-**	299,695	**(57,416)**	789,180
Debt facility transaction costs	**-**	499,594	**-**	2,544,796
Capitalized interest	**-**	203,525	**-**	622,356
Change in value of derivative instruments	**(131,737)**	(18,267,980)	**8,261,517**	(18,267,980)
Future income tax recovery (Note 13)	**(2,308,970)**	6,145,000	**(2,503,070)**	5,189,000
Net change in non-cash working capital	**4,797,759**	83,954	**7,236,213**	(1,036,472)
	389,211	(634,800)	**10,389,845**	(2,585,332)
FINANCING ACTIVITIES:				
Debt facility, net of transaction costs	**-**	39,500,406	**(7,600,000)**	62,673,758
Retirement of debt facility	**-**	(15,000,000)	**-**	(15,000,000)
Common shares issued through private placements	**21,132,546**	-	**28,425,966**	10,184,706
Shares issued from exercise of warrants and options	**-**	11,250	**-**	1,015,866
Payments on equipment leases	**(10,624)**	(20,312)	**(37,897)**	(67,656)
	21,121,922	24,491,344	**20,788,069**	58,806,674
INVESTING ACTIVITIES:				
Exploration and development property, plant and equipment, and deferred expenditures	**(6,761,989)**	(25,076,313)	**(27,070,312)**	(60,997,071)
(Increase) decrease in deposits and prepaid exploration expenditures	**-**	-	**-**	318,554
(Decrease)/Increase in accounts payable attributable to property development and exploration	**(2,732,055)**	6,888,246	**(4,039,309)**	8,492,386
Release of restricted cash	**-**	-	**2,999,998**	-
	(9,494,044)	(18,188,067)	**(28,109,623)**	(52,186,131)
CHANGE IN CASH AND CASH EQUIVALENTS	**12,017,089**	5,668,477	**3,068,291**	4,035,211
CASH AND CASH EQUIVALENTS, beginning of period	**$ 1,658,745**	$ 7,371,522	**10,607,543**	9,004,788
CASH AND CASH EQUIVALENTS, end of period	**$ 13,675,834**	$ 13,039,999	**$ 13,675,834**	$ 13,039,999
Cash and cash equivalents consist of:				
Cash	**5,509,476**	5,488,999	**5,509,476**	5,488,999
Cash equivalents	**8,166,358**	7,551,000	**8,166,358**	7,551,000
	$ 13,675,834	$ 13,039,999	**$ 13,675,834**	$ 13,039,999
SUPPLEMENTAL INFORMATION:				
Warrants granted related to debt facility	-	-	107,597	3,719,479
Warrants granted as cost of issue	-	-	301,612	244,831
Stock based compensation charged to exploration properties	-	-	14,250	-
Amortization of assets deferred to exploration properties	604	7,193	9,437	21,582
Interest received	3,161	68,120	28,672	206,923
Interest paid	8,885	-	69,405	158,221
Income taxes paid	-	-	-	-
Common shares issued for settlement of accounts payable	5,053,939	-	10,053,939	-
Shares to be issued on private placement	8,816,695	-	8,816,695	-

-- See Notes to the Interim Unaudited Consolidated Financial Statements --

1. NATURE OF OPERATIONS AND GOING CONCERN

These interim financial statements are unaudited.

Crowflight Minerals Inc. (the "Company") has interests in mineral exploration and development properties in Canada and is currently focusing its resources on the development of the Bucko Deposit and the exploration of the Thompson Nickel Belt, both in the province of Manitoba. During the second quarter of 2009, the Company announced commercial production at the Bucko Lake mine site. Prior to June 1, 2009 the Company was a development stage company in accordance with Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11.

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

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

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

Operating results for the three and nine months ended September 30, 2009 are not indicative of the results that may be expected for the full year ending December 31, 2009. The disclosure in these interim unaudited consolidated financial statements may not conform in all respects to generally accepted accounting principles in Canada for annual financial statements. For further information see the financial statements including notes for the year ended December 31, 2008.

The Company has a need for working capital for operations and for the exploration and development of its properties. Because of continuing operating losses and working capital deficiency, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. The financial markets throughout the world have experienced a dramatic decline which has affected the market value of the Company’s shares. The decline in equity markets and value of the Company’s shares has affected its financing efforts and may continue to do so for the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared using the same accounting policies and methods of application as those disclosed in Note 2 to the Company's annual consolidated financial statements for the year ended December 31, 2008, except as described below.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is affected by production volumes, commodity prices and exchange rates. Sales of metals in concentrate are recognized in revenue when they are delivered to a third party smelter based on provisional assays and volumes. Final pricing and assays are not determined until the final metal is settled which can be up to three months later. Accordingly, revenue in the year is based on the US denominated three month forward nickel price at the time of delivery for sales occurring in the year, plus on-going pricing adjustments from prior sales that are still subject to final pricing, assays, and volumes.

Inventory

Materials and supplies expected to be used in production are valued at the lower of cost and net realizable value. Nickel in process inventory is valued at the lower of current month production cost and net realizable value. Ore stockpile inventory is valued at the lower of current month mining cost and net realizable value. Mining cost includes the cost of direct labour, supplies consumed and equipment costs. Ore stockpile tonnage is estimated based on storage bin levels and average metallurgical recovery rates for the preceding periods. Finished goods inventory which consists of nickel concentrate and inventory in transit to the third party smelter are valued at the lower of the current month production cost and net realizable value. Production costs include the cost of raw materials, supplies consumed, direct labour, mine site overhead expenses, amortization of operating property and equipment and depletion of mineral property costs.

New Accounting Pronouncements

Goodwill and Intangible Assets
In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets," which replaces Section 3062, "Goodwill and Other Intangible Assets." This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets and is effective for the Company commencing January 1, 2009. The adoption of this section had no impact on the quarterly consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities
In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company is continually evaluating its counterparties and their credit risks and taking this into account when determining fair value. The adoption of this standard had no impact on these financial statements.

Mining Exploration Costs
On March 27, 2009 the Emerging Issues Committee ("EIC") issued EIC-174. In this EIC the Committee reached a consensus that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The EIC should be applied to financial statements issued after March 27, 2009. The Company has adopted EIC-174.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Future Accounting Pronouncements

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests
The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards. Sections 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

International Financial Reporting Standards (“IFRS”)

In January 2006, the Canadian Accounting Standards Board (“AcSB”) announced its decision to replace Canadian GAAP with IFRS. On February 13, 2008 the AcSB confirmed January 1, 2011 as the mandatory changeover date to IFRS for all Canadian publicly accountable enterprises. This means that the Company will be required to prepare IFRS financial statements for the interim periods and fiscal year ends beginning in 2011. The Company has hired external consultants to assist in analyzing and addressing the differences between IFRS and Canadian GAAP that are relevant to the Company. An initial analysis that identifies the high level differences between Canadian GAAP and IFRS that may impact the Company was completed during the third quarter. The full impact of the required changes to accounting systems, processes and training and development required for key personnel is anticipated by the end of 2009. Over the next quarter we will continue our analysis of accounting and disclosure differences, continue to work with our external consultants to assess the impact on our internal controls, and work on our changeover plan as necessary. There will be changes in accounting policies related to the adoption of IFRS and these may materially impact the Company’s financial statements in the future.

3. TEMPORARY SUSPENSION OF BUCKO MINE OPERATIONS

Mill operations were temporarily suspended during July 2009 due to a lack of available ore from the main production stope. Poor ground conditions in the stope entrance required the development of a new stope access drift so that mining operations could resume safely. The new access was successfully completed by the end of July 2009. During the month of July 2009, a new water treatment facility was also installed and commissioned at the Bucko Mine due to water issues that were encountered at the end of June 2009. Thirty mill employees were temporarily laid off for four weeks until the mill resumed operation on August 4, 2009.

Expenses incurred during the temporary shutdown were recorded either as capital or, if they were determined to be maintenance or support expenses, as temporary shutdown costs. Temporary shutdown costs were $2.38 million for the three months ended September 30, 2009 and for the nine months ended September 30, 2009.

4. INVENTORY

The major components of the Company's inventory are as follows:

	September 30, 2009	December 31, 2008
Nickel ore stockpile	**82,886**	-
Nickel in process	**$ 6,366**	$ -
Nickel concentrate	**283,675**	-
Nickel in transit	**1,118,668**	-
Materials and supplies	**661,223**	268,285
	$ 2,152,818	$ 268,285

All inventory is valued at the lesser of cost or net realizable value. As at September 30, 2009 and December 31, 2008, nickel in process, nickel concentrate and nickel in transit are recorded at net realizable value, while nickel ore stockpiles and materials and supplies are recorded at cost. A write-down of $467,000 for nickel inventory as at September 30, 2009 to net realizable value is included in these amounts. The remaining amount of cost of sales for the periods ended September 30, 2009 represents the amount of inventory expensed in the period.

5. PROPERTY, PLANT AND EQUIPMENT

	September 2009			2008
	Cost	Accumulated Amortization	Net	Net
	$	$	$	$
Computers	526,459	(142,823)	383,636	5,480
Furniture	49,892	(9,814)	40,078	4,453
Field equipment	104,760	(64,982)	39,778	53,224
Vehicles	74,423	(19,754)	54,669	46,084
	755,534	(237,373)	518,161	109,241
Producing properties*				
Buildings & equipment	326,183	(1,708)	324,475	-
Plant & equipment	82,885,471	(434,114)	82,451,357	-
Deferred mine development costs	68,631,489	(359,458)	68,272,031	-
Asset retirement costs & adjustments	1,650,952	(8,647)	1,642,305	-
Bucko deferred project costs	9,307,346	(48,747)	9,258,599	-
Property costs	4,738,501	(24,819)	4,713,682	-
Less: preproduction net revenue**	(3,115,986)	16,320	(3,099,666)	-
	164,423,956	(861,173)	163,562,783	-
	165,179,490	(1,098,546)	164,080,944	109,241

*Producing properties are amortized on a unit of production basis; all other assets are amortized on straight-line basis over their estimated useful life.
**Net revenue includes other metal revenue, pre-production treatment and refining charges and inventory adjustments to COGS.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

During the nine months ended September 30, 2009, the Company declared commercial production (see Note 1) and reclassified items that were previously included under "Exploration and development property plant and equipment and deferred expenditures" and began amortizing them on a unit of production basis.

Producing Properties - Bucko Deposit

The Company owns a 100% interest in the Bucko Lake Lease, subject to a 2.5% Net Smelter Royalty ("NSR") payable to Xstrata Nickel ("Xstrata"). The Bucko Lake property is also subject to a $500,000 payment due on commencement of commercial production which has been accrued as at September 30, 2009.

6. DERIVATIVE INSTRUMENTS

In January 2009, the Company entered into additional forward sales contracts for a total of 700,000 pounds of nickel at a price of US$5.32 per pound. In addition, the Canadian dollar was hedged at a weighted average exchange rate of 1.1959 for these contracts. At the end of 2008, the Company held future sales contracts for a total of 2.3 million pounds of nickel at a price of US$8.49 as well as forward currency contracts to sell US$19,200,000 at forward exchange rates ranging from $1.183 to $1.191 per US dollar.

In February 2009, the Company monetized their forward sales contract position of 2.97 million pounds of nickel and corresponding foreign exchange price protection for 2009 for net proceeds of approximately $10,000,000. A portion of the proceeds of this monetization has been used to repay the $7,600,000 debt facility plus interest (See Note 9). Included in the net gain (loss) on derivative instruments for the nine months ended September 30, 2009 is a net gain on this monetization of $2,090,556.

In June 2009, the Company entered into a forward sales contract for 317,465 pounds of nickel at a price of US$6.01. As at September 30, 2009, 105,822 pounds of the forward contract remained outstanding and were recorded as a derivative liability. The Company classified these derivative instruments as held-for-trading, consequently the change in estimated fair market value of these instruments is recognized in the statement of operations.

The Company does not use hedge accounting for its derivative instruments.

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

	MANITOBA			ONTARIO	
	BUCKO PROJECT	THOMPSON NICKEL BELT	PURE NICKEL JV	SUDBURY	TOTAL
		($)	($)	($)	($)
Balance, January 1, 2009	137,185,242	15,440,513	513,107	800,853	153,939,715
Acquisition or property maintenance costs		13,118	-	-	13,118
Project capital costs		-	-	-	-
Project development costs		-	-	-	-
Exploration costs		88,352	5,486	-	93,838
Asset Retirement Obligations		-	-	-	-
Less: government assistance		(115,463)	(17,158)	-	(132,621)
*Less: transferred to producing property**	*(137,185,242)*	-	-	-	(137,185,242)
Balance, September 30, 2009	-	15,426,520	501,435	800,853	16,728,808

* During the quarter ending June 30, 2009, the Company announced commercial production at the Bucko property and re-classed the project costs to Property, plant and equipment (see Note 5).

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

MANITOBA

Thompson Nickel Belt

Pursuant to the Exploration Option Agreement whereby the Company can earn a 100% interest in the Thompson Nickel Belt properties by incurring $13,200,000 in gross expenditures, including a 10% administration charge, from January 1, 2007 up to and including December 31, 2013 (the "Option Period"), the Company is required to spend approximately $770,724 during the remainder of 2009 to meet its expenditure commitment for the year, and $6,770,724 to meet its expenditure commitment over the next five years as follows:

- $2,200,000 by December 31, 2009 ($1,429,276, including a 10% administration charge, incurred to September 30, 2009);
- $1,500,000 by December 31, 2010;
- $1,500,000 by December 31, 2011;
- $1,500,000 by December 31, 2012; and
- $1,500,000 by December 31, 2013.

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

The Company also received $115,463 (Q3-2008 - $90,989) in government assistance related to its exploration expenditures in the Thompson Nickel Belt which has been applied directly against this expenditure.

Pure Nickel Joint Venture

In November 2007, the Company entered into a 50-50 Joint Venture Agreement with Pure Nickel Inc. ("Pure Nickel") to explore and develop nickel deposits on properties controlled by both parties near Wabowden, Manitoba near the past-producing Manibridge Nickel Mine. The Company will also have the right to permit, operate and close the historic tailings facility in the joint venture.

Each party contributed property to the joint venture and agreed to make an initial aggregate contribution of $6,000,000 by the end of 2011 to fund preliminary exploration activities within the joint venture area. Pure Nickel also has the option to earn a 50% interest in an expanded area surrounding the Manibridge deposit by incurring increased exploration expenditures totalling $3,000,000 by 2012.

Pursuant to an option agreement with Hudson Bay Exploration and Development Company Limited, the Company can acquire a 100% interest in two claims within the area of interest of the Pure Nickel joint venture by making payments of $250,000 and funding a total of $750,000 in exploration expenditures by 2011, subject to a back in clause, right of offer for off-take and a 2% Net Smelter Royalty.

The Company received $17,158 (Q3-2008 - $nil) in government assistance related to its exploration expenditures on the Pure Nickel JV properties.

SUDBURY

AER Kidd Property

The Company has written off the value of the property as at December 31, 2008. An amount of $50,000 to maintain the property in good standing has been recorded to the statement of operations during the nine months ended September 30, 2009.

8. IN-PROCESS WORKING CAPITAL FACILITY

On April 29, 2009, subsequently amended June 2009, the Company entered into an agreement with Auramet Trading, LLC ("Auramet") to maintain a US$5,000,000 In-Process Working Capital Facility (the "Facility") for the nickel concentrate produced by the Company from the Bucko project whereby the Company can draw up to 75% of the prevailing spot price of the estimated quantity of nickel contained in each shipment. Per the facility agreement, these nickel quantities are forward sold at the prevailing spot prices and settled on delivery. At the end of each quarter, all outstanding sales contracts for the quarter are valued based on the three month forward price and offset against nickel sales The Facility carries an interest rate of Libor + 6.75% and a fee of 2.5% in cash (paid) and 1,000,000 Warrants of the Company priced at the weighted average price of Crowflight's common stock for the 5 business days preceding the execution of the agreement (issued, at an exercise price of $0.2057 per share) (see Note 11(c)).

9. LONG-TERM DEBT

At the end of 2008, the Company carried $7,600,000 in debt related to an amended loan facility agreement entered into with First Rand Ireland Plc during 2008. Through this loan facility, the Company was required to enter into a price protection program, and acquired forward nickel and currency contracts. During the first quarter of 2009, the Company monetized these contracts for net proceeds of approximately $10,000,000, of which $7,600,000 was used to pay off the outstanding debt (Note 6). The restriction on a $3,000,000 debt reserve was lifted and these funds became available to the Company.

As well, in January 2009, 17,324,786 warrants with an exercise price of $0.64 were cancelled in accordance with the debt facility restructuring agreement. These were replaced with 20,000,000 warrants at a strike price of $0.2125 expiring three years from the date of issue (Note 11(c)). The grant date fair value of these warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield: 0%; expected volatility: 93%; risk-free interest rate: 1%; and expected life: 3 years. The value of these warrants was recorded during the year ended December 31, 2008.

10. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations ("ARO") are based on management's estimates of costs to abandon and reclaim exploration and development property, plant and equipment as well as an estimate of the future timing of the costs to be incurred.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the ARO associated with the retirement of the Company's exploration and development property, plant and equipment:

	September 30, 2009	December 31, 2008
Balance, January 1, 2009	**$ 359,000**	$ 331,000
Increase in asset retirement obligation	**$ 616,803**	$ -
Accretion (recovery) expense	**$ (57,416)**	$ 28,000
Balance, end of period	**$ 918,387**	$ 359,000

10. ASSET RETIREMENT OBLIGATIONS (continued)

The Company has estimated the present value of its total asset retirement obligations to be $918,387 (December 31, 2008 – $359,000) at September 30, 2009 based on a total future liability estimated to be approximately $2,284,000 (December 31, 2008 - $632,000). The credit adjusted risk-free rates used in estimating the site restoration obligation were 8.75% and 8.4%. Reclamation is expected to take place in 2021. As a result of increased reserves and a longer mine life, the Company revised the assumptions used to discount its asset retirement obligations, such that an adjustment to accretion expense was recorded.

11. CAPITAL STOCK

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

a) Common shares issued

	Shares		Value
Balance, December 31, 2007	249,978,487	$	86,671,512
Private placement, flow through	31,615,000		10,250,700
Private placement, non flow through	8,065,000		5,000,300
Exercise of warrants	1,115,836		446,334
Exercise of warrants - warrant valuation	-		118,742
Exercise of options	2,530,000		569,531
Exercise of options - option valuation	-		979,566
Flow-through share tax effect	-		(3,563,000)
Cost of issue	-		(1,573,821)
Tax effect of cost of issue	-		390,000
Balance, December 31, 2008	293,304,323	$	99,289,864
Private placement, non flow through	180,144,986		39,003,305
Warrant valuation			(4,842,336)
Cost of issue	-		(825,012)
Shares issued through share compensation plan	464,555		96,975
Flow-through share tax effect	-		(2,982,000)
Tax effect of cost of issue	-		168,930
Balance, September 30, 2009	**473,913,864**	**$**	**129,909,726**

On September 21, 2009, the Company announced it had entered into an agreement with Kingplace Enterprises Limited ("Kingplace") for a Cdn$20,000,000 private placement financing, pursuant to which Kingplace has agreed to purchase an aggregate of 80,000,000 common shares of the Company at a price of $0.25 per share. The financing was expected to close in two tranches. The first tranche closed on September 29, 2009, through the issuance of 44,733,221 common shares of the Company at a price of $0.25 per share for gross proceeds of Cdn$11,183,305. The second tranche closed subsequent to September 30, 2009 (see Notes 11(b) and 18).

11. CAPITAL STOCK (continued)

a) Common shares issued (continued)

On July 7, 2009, the Company entered into an agreement with Pala Investments Holdings Limited ("Pala") for a Cdn$15,000,000 private placement financing. On July 23, the Company closed the private placement financing through the issuance of 60,000,000 units of the Company at a price of $0.25 per Unit for total gross proceeds of $15,000,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share of the Company at a purchase price of $0.30 until July 23, 2011. The fair value of the warrants of $2,667,746 was estimated using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 98%, risk-free interest rate of 1.28% and an expected life of two years. Net proceeds from the Offering were used to pay outstanding indebtedness, including $5.0 million to its mining contractor (an affiliate of Pala), and for capital development and general working capital purposes.

On April 30, 2009, the Company closed a brokered private placement financing through the issuance of 46,000,000 units of the Company at a price of $0.17 per unit for total gross proceeds of $7,820,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at a price of $0.20 until April 30, 2011. An additional 2,760,000 broker compensation options were issued related to the private placement. Each compensation option will entitle the Underwriters to acquire one unit of the Corporation at a price of $0.17 per unit until April 30, 2011. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at a price of $0.20 for a period of two years. The fair value of the warrants of $1,292,237, net of a portion of share issue costs of $87,763, and the broker options of $301,612 was estimated using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 96%, risk-free interest rate of 1.12% and 1.00%, respectively, and an expected life of two years.

As well, on April 17, 2009, the Company entered into an agreement with Dumas Contracting Limited ("Dumas"), its contract mining company at the Bucko Lake Mine. Under the agreement, Dumas agreed to purchase, on a non-brokered private placement basis, 29,411,765 units of the Company at a price of $0.17 per unit for gross proceeds of $5,000,000. These units were issued on April 30, 2009. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share of the Company at a price of $0.21 for a period of two years from the date of grant. The fair value of the warrants of $882,353 was estimated using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 98%, risk-free interest rate of 1.20% and an expected life of two years. The net proceeds were used to settle current trade payables owed to Dumas for underground mining activities carried out by Dumas at the Bucko Lake Mine.

The Company has a Share Compensation Plan, approved by the shareholders of the Company, designed to advance the interest of the Company by rewarding performance without the use of cash resources. The Share Compensation Plan is in addition to the Company's stock option plan, and provides that shares issued under the Plan since inception together with the number of options outstanding under the stock option plan at that time do not exceed 10% of the Company's issued and outstanding shares. The common shares issued under the Plan cannot be sold for a period of twelve months from the date of issue.

The Company has authorized and reserved 2,500,000 common shares to be issued through the Share Compensation Plan in twelve equal instalments at quarterly intervals over a period of three years. During the year, 464,555 common shares were issued under the plan at values of $0.20 and $0.21 per share or $96,975, being the fair market value on the dates of grant. Of this value, $56,780 was charged to professional, consulting and management fees, $14,250 was charged to exploration and development costs and the balance of $25,945 was charged to cost of sales.

11. CAPITAL STOCK (continued)

b) Shares to be issued

As at September 30, 2009, the Company accrued the second tranche of the Kingplace financing (see Note 11(a) above), which closed October 14, 2009 for gross proceeds of $8,816,695.

c) Warrants

	September 30 2009		December 31, 2008	
	Number of warrants	**Weighted Average price ($)**	Number of warrants	Weighted Average price ($)
Balance, January 1, 2009	**19,705,586**	**0.61**	11,248,650	1.03
Granted, private placements	**67,705,882**	**0.25**	-	-
Granted, broker options	**2,760,000**	**0.17**	2,380,800	0.36
Granted, facility loan	**21,000,000**	**0.21**	17,324,786	0.64
Exercised	**-**	**-**	(1,115,836)	0.40
Expired	**-**	**-**	(10,132,814)	1.10
Cancelled	**(17,324,786)**	**0.64**	-	-
Balance, end of period	**93,846,682**	**0.24**	19,705,586	0.61

As at September 30, 2009, the following warrants were outstanding:

Estimated Grant Date Fair Value ($)	Number of Warrants	Exercise Price ($)	Expiry Date
244,831	963,900	0.62	April 30, 2010
130,355	1,416,900	0.18	December 17, 2010
4,569,188	20,000,000	0.21	January 16, 2012
1,292,237	23,000,000	0.20	April 30, 2011
882,353	14,705,882	0.21	April 30, 2011
301,612	2,760,000	0.17	April 30, 2011
107,597	1,000,000	0.21	May 25, 2011
2,667,746	30,000,000	0.30	July 23, 2011
10,195,919	93,846,682		

11. CAPITAL STOCK (continued)

d) Stock Options

The following are the stock option transactions during the period:

	September 30, 2009		December 31, 2008	
	Number of options	Average exercise price	Number of options	Average exercise price
Balance, beginning of period	19,644,375	$ 0.55	21,510,000	$ 0.54
Granted	6,400,000	$ 0.20	4,340,000	$ 0.63
Exercised	-	$ -	(2,530,000)	$ 0.23
Expired	(6,156,875)	$ 0.56	(150,000)	$ 0.61
Forfeited	(631,250)	$ 0.32	(3,525,625)	$ 0.84
Balance, end of period	19,256,250	$ 0.44	19,644,375	$ 0.55

11. CAPITAL STOCK (continued)

d) Stock Options (continued)

As of September 30, 2009, the following stock options were outstanding:

Estimated Grant Date Fair Value	Number of Options	Number of Options Exercisable	Exercise Price	Expiry Date
$ 175,000	875,000	875,000	$ 0.245	October 12, 2009
14,850	50,000	50,000	$ 0.390	October 20, 2009
19,600	100,000	100,000	$ 0.300	January 10, 2010
39,800	200,000	200,000	$ 0.280	February 14, 2010
19,800	100,000	100,000	$ 0.290	February 21, 2010
7,100	50,000	50,000	$ 0.200	July 14, 2010
300,303	1,510,000	1,510,000	$ 0.225	March 13, 2011
84,740	350,000	350,000	$ 0.280	July 5, 2011
3,446	15,000	15,000	$ 0.300	August 9, 2011
31,394	100,000	100,000	$ 0.365	August 15, 2011
44,295	150,000	150,000	$ 0.350	September 28, 2011
607,030	1,785,000	1,785,000	$ 0.405	January 10, 2012
6,423	56,250	56,250	$ 0.500	February 20, 2012
138,600	200,000	200,000	$ 1.020	April 9, 2012
1,197,330	1,865,000	1,865,000	$ 0.940	June 28, 2012
612,000	1,500,000	1,500,000	$ 0.600	September 17, 2012
71,550	150,000	150,000	$ 0.710	November 21, 2012
101,760	240,000	240,000	$ 0.630	November 22, 2012
36,341	105,000	91,875	$ 0.520	February 1, 2013
63,610	180,000	157,500	$ 0.540	March 31, 2013
45,168	100,000	75,000	$ 0.680	April 30, 2013
1,349,762	3,065,000	2,298,750	$ 0.690	May 26, 2013
19,717	65,000	48,750	$ 0.480	June 30, 2013
14,758	75,000	46,875	$ 0.320	July 31, 2013
2,557	30,000	15,000	$ 0.150	October 31, 2013
8,160	75,000	37,500	$ 0.190	November 30, 2013
8,549	80,000	30,000	$ 0.200	January 31, 2014
25,227	260,000	97,500	$ 0.185	February 28, 2014
227,001	2,305,000	864,375	$ 0.200	March 20, 2014
37,245	360,000	90,000	$ 0.240	May 6, 2014
2,834	35,000	8,750	$ 0.200	May 31, 2014
82,509	1,000,000	250,000	$ 0.200	June 1, 2014
14,786	195,000	48,750	$ 0.200	June 30, 2014
134,907	2,030,000	253,750	$ 0.210	August 19, 2014
$ 5,548,152	19,256,250	13,710,625		

11. CAPITAL STOCK (continued)

d) Stock Options (continued)

During the nine months ended September 30, 2009, 6,400,000 stock options (2008 – 4,160,000) were granted to directors, officers, employees and consultants of the Company. These options vest one eighth every quarter from the date of grant over a two-year term. An amount of $969,901 (2008 - $2,047,060) was recorded for all options that vested during the period and is included in professional, consulting and management fees on the statement of operations. The weighted average grant date fair value of options granted during the nine months ended September 30, 2009 was $0.14 (2008 - $0.43). The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Q3-2009	Q3-2008
Expected dividend yield	0%	0%
Expected volatility	86%	81%
Risk-free interest rate	2.0%	3.3%
Expected average life (yrs)	5	5

e) Contributed Surplus

	September 30, 2009	December 31, 2008
Balance, beginning of period	**$ 13,485,751**	$ 10,193,512
Stock options granted and/or vested during the period:		
Directors, officers and employees	**930,656**	2,140,846
Consultants	**39,245**	223,989
Exercise of stock options, reallocation of valuation	**-**	(979,566)
Expiry of warrants, reallocation of valuation	**-**	1,906,970
Balance, end of period	**$ 14,455,652**	$ 13,485,751

12. RELATED PARTY TRANSACTIONS

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

The Company shares its premises with other companies that have common directors. The Company reimburses the related companies for their proportionate share of the expenses. At September 30, 2009 an amount of $29,254 (September 30, 2008 - $nil) is payable in relation to these expenses. During the comparative nine months, the Company prepaid and was owed $87,041. Amounts payable and prepaid are unsecured, non-interest bearing with no fixed terms of repayment.

The Company paid $16,324, and granted 150,000 stock options to individuals for legal and support services. These same individuals also perform services for a company controlled by a director of the Company.

The Company was charged $45,000 during the nine months ended September 30, 2009 (Q3 2008- $45,000) by a company controlled by a director of the Company for administration services.

During the nine months ended September 30, 2009, 3,360,000 stock options were granted to directors and officers of the Company compared to 2,275,000 options for the nine months ended September 30, 2008.

13. FUTURE INCOME TAX LIABILITY

In February 2009, the Company renounced $10,250,700 of Canadian exploration expenditures related to proceeds from flow-through shares with an effective date of December 31, 2008. As a result, based on an estimated statutory tax rate of approximately 29%, an amount of $2,982,000 was debited to common shares, increasing the future income tax liability by this amount.

The Company also recorded a future income tax recovery of $2,503,070 for the nine months ended September 30, 2009 (2008 – expense of $5,189,000) based on differences in the tax basis and carrying values of the Company's assets at September 30, 2009.

14. CAPITAL MANAGEMENT

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

The Company has entered into production and has begun to generate cash flows to support the ongoing and longer term strategy focused on regional exploration. However, the Company may continue to rely on capital markets to support continued growth. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2009.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable, in-process working capital facility and equipment leases. The Company's risk management objectives include minimizing risk relating to cash and cash equivalents to preserve capital for strategic investing. The Company does not enter into or trade financial instruments for speculative purposes.

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

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. Cash equivalents consist of guaranteed investment certificates and bankers acceptance, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist of goods and services tax due from the Federal Government of Canada and receivables from related and unrelated companies. Receivables from operations are from its sole customer, as a result of the off-take agreement with Xstrata, and the Company is reliant on Xstrata's credit for continued operations. Management believes that the credit risk with respect to these financial instruments included in amounts receivable is remote.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2009, the Company had a cash and cash equivalents balance of $13,675,834 (December 31, 2008 - $10,607,543) to settle current liabilities of $12,108,324 (December 31, 2008 - $15,622,737). Most of the Company's financial liabilities have contractual maturities of between 30 – 60 days and are subject to normal trade terms.

Market risk

(a) Interest rate risk

The Company has cash and cash equivalent balances and an in-process working capital facility subject to fluctuations in interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company also monitors the working capital facility interest rate and balance advanced under the facility. Currently, the Company does not hedge against interest rate risk.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is exposed to foreign exchange risk as a result of sales transactions being denominated in US dollars. Amounts receivable as at September 30, 2009 include an amount of US$1,975,484. The Company monetized its derivative currency contracts during the first quarter, and currently does not hedge for foreign exchange risk (Note 6).

(c) Commodity price risk

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

In June 2009, the Company entered into forward sale contracts for a total of 317,465 pounds of nickel. At September 30, 2009, 105,822 pounds of these forward contracts were outstanding. These were classified as held-for-trading and were not designated as hedges (Note 6).

Sensitivity analysis

The Company has designated its cash and cash equivalents as held-for-trading, measured at fair value. Financial instruments included in amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, in-process working capital facility and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. Equipment leases are classified as held-to-maturity and measured at amortized cost. Derivative financial instruments are classified as held-for trading.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Sensitivity analysis (continued)

As at September 30, 2009, the carrying and fair value amounts of the Company's financial instruments are approximately the same due to the limited terms of these instruments. Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

The Company carries a short-term, in-process working capital facility at an interest rate of Libor + 6.75%. A 1% increase in interest rates based on the working capital balance at September 30, 2009 will generate an increase in interest expense of approximately $3,340 annually.

The Company holds certain cash equivalents that upon renewal will earn interest at the then market rate for such deposits. A 1% decrease in interest rates based on the cash and cash equivalents balance at September 30, 2009 will generate a decrease in interest income of approximately $137,000.

The Company currently carries receivables in foreign currencies that are exposed to foreign exchange risk. A change of 1% in the Canadian dollar compared to the US dollar based on the US denominated accounts receivable balance at September 30, 2009 will generate an increase or decrease in the receivable of approximately $21,180. As production ramps up and the accounts receivable balance increases, the change could be significant.

16. COMMITMENTS AND CONTINGENCIES

(a) The Company issued 23,615,000 flow-through shares in December 2008 and as a result, the Company is committed to expend $4,250,700 in qualified exploration expenditure by December 31, 2009. As of September 30, 2009, the Company has spent approximately $3,307,570, and will be required to spend approximately $943,130 by December 31, 2009. The Company has indemnified the subscribers for any tax related amounts that became payable by the subscriber as a result of the Company not meeting this expenditure commitment.

(b) The Company is party to certain management contracts which require that additional payments of up to $2,824,550 be made upon the occurrence of certain events such as events that may result from a change of control. As at July 23, 2009 such an event occurred (see Note 11(a)). Minimum termination commitments under these contracts are approximately $750,250, all of which is due within one year.

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

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

(e) A legal settlement of $175,000 in severance for a former director and officer of the Company was accrued for the quarter ended September 30, 2009.

17. INTEREST IN JOINT VENTURE

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

	Pure Nickel JV	
	September 30, 2009	December 31, 2008
Current assets	5,546	18,146
Exploration properties and deferred exploration expenditures	409,658	420,751
Current liabilities	-	-
Revenues	-	1,272
Expenses	-	-
Cash flows from operating activities	(12,600)	116
Cash flows from investing activities	11,094	(420,751)
Cash flows from contributions	-	435,000

18. SUBSEQUENT EVENTS

On October 14, 2009, the Company announced that it had closed the second tranche of its previously announced private placement financing with Kingplace Enterprises Limited (“Kingplace”) for gross proceeds of Cdn$8,816,695 through the issuance of 35,266,779 common shares of the Company at a price of $0.25 per share (see Note 11(a)).

Also on October 14, 2009, the Company granted options to purchase up to 18,245,000 common shares of the Company at an exercise price of $0.21 per option, expiring 5 years from the date of grant to officers, directors, employees and consultants of the Company. These options will vest one eighth every quarter from the date of grant over a two-year term. 1,545,000 of these stock options were given to individuals for legal and support services and these same individuals also perform services for a company controlled by a director of the Company.

The Company announced November 16th, 2009, that it will be temporarily suspending all production mining and milling operations at the Bucko Lake Nickel Mine (Bucko) located in the Thompson Nickel Belt near Wabowden, Manitoba for three months, effective immediately, to complete ramp development, accelerate mine development and upgrade the backfill plant.