

CROWFLIGHT MINERALS INC.

Management Discussion and Analysis of financial condition and results of operations for the six months ended June 30, 2005

Unless otherwise noted the information in this Management Discussion and Analysis (“M D & A”) is provided as at August 16, 2005.

The following MD&A should be read in conjunction with the Company’s Unaudited Financial Statements for the six months ended June 30, 2005 and the Company’s Annual Audited Financial Statements and related notes for the year ended December 31, 2004. The reader should also read this M D & A in conjunction with the M D & A for the year ended December 31, 2004.

The statements for the six months ended June 30, 2005 have not been reviewed by the Company’s auditors.

References to the first and second quarters of 2005 and the first and second quarters of 2004 mean the three months ended March 31, and the three months ended June 30, 2005 and 2004 respectively.

SIGNIFICANT ACCOUNTING POLICIES:

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

OVERVIEW

Crowflight Minerals Inc. is a junior mineral exploration and development company exploring for copper, nickel and Platinum Group Metals (“PGM’s”) on several properties of high potential in the Thompson Nickel Belt, Manitoba, and Sudbury Basin area of Ontario, Canada.

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

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

MINERAL PROPERTIES:

THOMPSON NICKEL BELT PROPERTIES – MANITOBA

On June 16, 2004 the Company entered into a joint venture agreement with Falconbridge Limited (“Falconbridge”) to explore and develop certain properties in the Thompson Nickel Belt (“TNB”), including: (1) the Bucko Nickel Deposit; and (2) five highly prospective properties (Bucko/Bowden, Resting Lake, Rock Island Lake, Halfway Lake and Gonlin Lake) within 30 kilometres of the Bucko Deposit.

The properties cover more than 190 square kilometres of mining leases and claims located in the Wabowden segment of the TNB, approximately 100 kilometres south of Inco Limited’s producing Thompson and Birchtree mines. The TNB hosts nickel mineralization along a well established geological trend, extending for over 250 kilometres. Inco produced more than 100 million pounds of nickel in 2003 along the same mineralized belt from its Thompson and Birchtree mines which host reported reserves of 34 million tonnes grading 2.19% nickel and 0.15% copper. The belt has yielded an estimated 4.5 billion pounds of nickel in past production. Crowflight’s partner, Falconbridge has been an active participant in the TNB since the early 1960’s and has produced an extensive technical database for this section of the TNB.

In January 2005, the Company entered into a second agreement with Falconbridge to acquire a 50% interest in six additional properties (Burntwood River, Birchtree South, Birchtree North, Airport, Moak Lake and Strong Lake) located adjacent to Inco’s Thompson and Birchtree mines on the TNB North Project. The properties cover approximately 250 square kilometres of mining leases and claims. The Company is required to spend \$5 million on or before April 30, 2008 in order that it earns its interest in the interests held by Falconbridge in these properties.

Crowflight - Falconbridge Agreements

Bucko Resource Block, Bucko-Bowden Property and Exploration Claims, Thompson Nickel Belt, Manitoba (“TNB South”)

Crowflight is required to spend \$18 million over 3 years during an initial earn-in period to acquire a 50% interest in the Bucko Resource Block (or “Bucko Deposit”) and a 25% interest in the Bowden Lake, Halfway Lake and Resting Lake claims (together the “TNB South Properties”). These expenditures include: (1) \$7.5 million on producing a bankable feasibility study on the Bucko Deposit prior to December 31, 2006, and (2) \$10.5 million on exploration expenditures prior to December 31, 2006. Upon expending \$10.5 million and completing a bankable feasibility study Crowflight will have earned a 50% interest in the Bucko Deposit. Crowflight is the operator with respect to the Bucko Deposit feasibility study and Falconbridge is the operator with respect to the TNB South Properties.

Crowflight may elect to increase its interest to 100% in the Bucko Deposit by making a production decision and by arranging financing for development, subject to a 2.5% Net

Smelter Return royalty payable to Falconbridge. As well, Crowflight can increase its interest to 50% in the TNB South Properties by incurring an additional \$7 million in exploration expenditures prior to the end of 2008. In order to increase its interest in these properties, Crowflight must issue 1,000,000 shares of the Company in each of June 2007 and June 2008.

In addition to the expenditure requirements on the TNB South Properties, Crowflight issued Falconbridge 2 million common shares of the Company and 5 million warrants. The 5 million warrants consist of 2.5 million warrants exercisable at \$0.35 valid for a period of 2 years and 2.5 million warrants exercisable at \$0.75 valid for a period of 2 years. Crowflight has also issued Falconbridge an additional one million common shares of the Company in June 2005 and is required to issue one million common shares of the Company on or before June 2006. The agreement also provides Falconbridge a back-in right, property buy back right, joint venture bump-up option, Net Smelter Return royalty and an off-take right.

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

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

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

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

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

The Company has advanced \$4,632,841 to Falconbridge directly or into a security account for expenditure on the TNB South properties. Through June 30, 2005, Falconbridge has submitted expenditures of \$4,732,440 on the projects against the advances.

Thompson Nickel Belt North (“TNB North”) Project

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

- \$1,650,000 by April 30, 2005 (amended as agreed by the two parties to be funded as required by the project - \$1,091,550 paid);
- \$1,000,000 by April 30, 2006;
- \$1,000,000 by April 30, 2007;
- \$1,350,000 by April 30, 2008.

In addition to the expenditure, the Company issued Falconbridge, 400,000 common shares and warrants to purchase 1 million shares of the Company for a two year period from the date of issue. The 1 million warrants consist of 500,000 warrants exercisable at \$0.35 and 500,000 warrants exercisable at \$0.70. Also upon regulatory approval, the Company advanced \$1,000,000 to Falconbridge for spending on the project. Through June 30, 2005, the Company has advanced 1,091,550 to Falconbridge and Falconbridge has submitted expenditures of \$1,128,481.

Bucko Deposit

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

The Indicated and Inferred Mineral Resources as detailed in the GEOLOGICA REPORT, September 2004 are:

BUCKO DEPOSIT - MINERAL RESOURCE SUMMARY

| | % Nickel | Tonnes |
|---|-----------------|---------------|
| Undiluted Mineral Resource Summary* | | |
| Indicated Resources | 1,218,000 | 2.71 |
| Inferred Resources | 455,000 | 2.23 |
| * 6.2 metres average horizontal thickness | | |
| Diluted Mineral Resource Summary** | | |
| Indicated Resources | 1,461,000 | 2.36 |
| Inferred Resources | 547,000 | 1.99 |
| ** 7.4 metres average horizontal thickness, diluted 20% at the average wall rock grade of 0.6% nickel | | |

According to A.-J. Beaugard and D. Gaudreault of GEOLOGICA Inc., the Bucko Deposit may contain PGM's based on recent core sampling completed by GEOLOGICA. A total of 11 intervals were re-sampled from the historical core from the Bucko Deposit to validate a number of historical mineralized intersections. Results showed concentrations of PGM's ranging from 0.21 to 2.77 g/t. In addition, GEOLOGICA is of the view that there is excellent potential to increase the mineral resource at the Bucko Deposit and convert a portion of the Inferred Resources to the Indicated category

Following the signing of the agreement with Falconbridge on the Bucko Resource Block, Crowflight, as operator, undertook a compilation of the existing data and created a three dimensional resource model of the known mineralization based on the results from previous exploration work. As a result of this work, the Company considered an approximate 15,000 metre surface and underground diamond drilling program to better define the ultimate size and grade of the resources down to the 1,000 metre level to National Instrument 43-101 standards for Measured and Indicated Mineral Resources. In addition, Crowflight acquired the necessary permits with regards to the dewatering and rehabilitation of the historical shaft and underground workings on the property to permit an underground diamond drilling program to further explore the deposit at depth. The dewatering and rehabilitation program included installing a power supply and surface infrastructure to gain underground access. It was originally planned that this work would commence in January 2005 and would be completed by the second quarter 2005. Following this work, the Company would produce an updated mineral resource estimate compliant with NI 43-101. As a result of the time taken to compile and analyse the historical data for the Bucko Deposit it was decided to postpone the underground program until the Crowflight geologists had acquired a better understanding of the resources of the deposit from the historical data and the surface program that would be

conducted from December through to April 2005. A summer 2005 surface drill program was scheduled to commence in June, however extreme wet weather in Manitoba forced a brief delay, and instead has commenced subsequent to the quarter end. This program was modified slightly to take into account advancements in the resource model and grade-thickness contouring to highlight areas of greatest potential. The summer drill program is slated for completion in early October, and is budgeted at \$850,000.

Since early 2005, Crowflight's activities at the Bucko Deposit have been focused on the advancement of a feasibility study to determine the economic potential of developing the Bucko Resource. The study progressed during the quarter and is expected to be completed in the third quarter or early in the fourth quarter of 2005.

2005 Exploration Program

In September 2004, work also commenced on the TNB South Properties by operator Falconbridge. The first stage of the program consisted of data compilation, field mapping and sampling, core re-sampling and assaying and surveying of drill hole collars, to verify and validate the historical database. Most of the compilation work has been completed as of the reporting date.

A MegaTEM airborne geophysical survey was completed over the entire 190 km² TNB South Properties package, including the Bucko Deposit. The objective of this deep penetrating airborne electromagnetic geophysical survey was to define potential Thompson-style massive and/or stringer sulphides. The survey was done late in the fourth quarter of 2004. As a result of this work, several discrete features were identified with features similar to those found over the Bowden and Bucko Deposits and consistent with potential nickel bearing ultramafic units.

Falconbridge began a surface diamond drill program in the first quarter of 2005 on the TNB South and TNB North Properties to explore for occurrences of higher grade resources of nickel mineralization and to follow-up on previously identified historical nickel occurrences. Approximately 15,000 meters of diamond drilling was planned for the first half of 2005 on the Bucko-Bowden Properties. At the end of the quarter, the program had been completed with 11,800 meters having been drilled in 30 drill holes. Falconbridge has been completing reports on this work to be filed with the Manitoba government. Results from this work are encouraging and the joint venture intends to use the early part of the second half of the 2005 exploration program analyzing these results with historical information to identify the most attractive targets for drilling commercially early in 2006.

SUDBURY PROPERTIES

In the Sudbury Basin, Crowflight has an interest in four exploration properties. These include: (1) the 100% owned AER Kidd Project adjacent to Inco Limited's Totten Deposit (10.1 million tonnes @ 1.5% Nickel, 2% Cu, 4.8 g/t PGM's); (2) the Airport Property (a 50/50 joint venture with Millstream Mines Ltd.) located 4 km south, and on-

strike, with Falconbridge's Nickel Rim South Deposit (13.2 million tonnes @ 3.5% Cu, 1.7% nickel, 0.8 g/t Au, 4.1 g/t PGM's); (3) the optioned (100% earn-in) Mystery Offset Dyke Property; and (4) the 100% owned Peter's Roost Property.

Encouraging exploration results were obtained in the late 2003 and early 2004 exploration program on the AER Kidd Project in the Sudbury Basin. Additional encouraging results were obtained on the Peter's Roost Project, including several geophysical anomalies considered by the Company to exhibit the expected signature from massive sulphide lenses. With the signing of the agreements with Falconbridge on the TNB South and TNB North Properties in 2004 and early 2005, respectively, Crowflight's exploration and development efforts have shifted to these Manitoba properties. It is the Company's intention to focus the majority of its resources to the development of the Bucko Deposit in order that Crowflight become a nickel producing cash flow generating company. Production at Bucko is currently planned for early 2007. Upon the successful development of the Bucko Deposit it is the Company's intention to recommence significant exploration activities on the Sudbury Basin Properties. In the interim, exploration activities on these properties will be limited by the financial resources of the Company in the context of the development of the Bucko Deposit and the requirements to fund the TNB joint venture projects with Falconbridge.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2005, the Company had working capital of \$3,033,283 compared to working capital of \$5,086,479 as at December 31, 2004. The Company has used working capital during the first six months to fund the Falconbridge agreements and to support corporate overheads.

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

RESULTS OF OPERATIONS

The Company reported a net loss before taxes of \$720,685 during the two quarters ended June 30, 2005 compared to a net loss of \$721,645 for the same period last year. Included in the loss for the two quarters under review is a non cash expense of \$173,652 (2004-\$223,112) related to stock based compensation.

Upon removing the non cash stock based compensation expense for the second quarters of 2005 and 2004, the operating overheads for the second quarter of 2005 were \$312,536 compared to \$371,945 for the same period last year. The major items accounting for this decrease of \$59,409 were decreased professional and consulting expenses of \$31,695 and decreased office and general expenses of \$31,101. Professional and consulting decreased during the second quarter of 2005 from the prior year's second quarter primarily as a result of reduced legal fees. The decrease in office and general expenses for the quarter

ended June 30, 2005 compared to the quarter ended June 30, 2004 is attributed to shared office set up costs during 2004.

During the last quarter of 2004, the Company decided not to pursue its options on the Copenhagen and Marble Mountain properties and consequently expensed \$2,625 during the second quarter of 2005, \$16,838 for the six months ended June 30, 2005, related to maintaining the properties in good standing for return to the optionor. The Company also recognized interest income of \$277 during the second quarter of 2005 as compared to \$21,627 during the same period last year.

Quarterly Information

The quarterly results have been as follows:

Tabular amounts in \$000 except for per share amounts.

| Summary Financial Information for the Eight Quarters Ended June 30, 2005 | | | | | |
|---|-----------------|---------------------|------------------------------------|--|--|
| <u>Period</u> | <u>Revenues</u> | <u>Total Assets</u> | <u>Net Income</u> <u>(Loss)</u> | <u>Net Income</u> <u>(Loss) per Share</u> | <u>Long Term</u> <u>Liabilities</u> |
| 2 nd Quarter 2005 | Nil | 21,867 | (396) | (0.01) | Nil |
| 1 st Quarter 2005 | Nil | 17,752 | 840 | 0.01 | Nil |
| 4 th Quarter 2004 | Nil | 16,876 | (1,003) | (0.02) | Nil |
| 3 rd Quarter 2004 | Nil | 11,649 | (805) | (0.03) | Nil |
| 2 nd Quarter 2004 | Nil | 10,811 | 71 | 0.00 | Nil |
| 1 st Quarter 2004 | Nil | 10,604 | (793) | (0.02) | Nil |
| 4 th Quarter 2003 | Nil | 10,758 | (881) | (0.02) | Nil |
| 3 rd Quarter 2003 | Nil | 6,946 | (224) | (0.01) | Nil |

As the Company has no revenue at this point in time, the net loss results primarily from corporate overheads including stock based compensation. Stock based compensation is a non cash expense representing an estimate of the fair value of options granted to directors, officers and consultants of the Company calculated by applying the Black Scholes option pricing model.

The general trend in increasing assets results from the Company raising funds through private placements and investing in its exploration properties in Sudbury, Ontario and Thompson Manitoba.

The income in the first quarter of 2005 resulted from the non cash future income tax recovery of \$1,164,240.

CASH FLOWS

Cash used in Operating Activities was \$238,368 during the second quarter of 2005, compared to an inflow of \$60,239 during the second quarter of 2004. The cash usage related to corporate overheads was \$305,583 compared to \$366,587 for the same period last year as described in the operating results section of this report. The change in non cash working capital and other provided for \$67,215 in cash for the second quarter of 2005 compared to \$426,826 during the second quarter of 2004. The large net change in

non cash working capital for the prior year's comparative quarter resulted primarily from an increase in accounts payable.

Cash from Financing Activities generated \$4,591,372, net of issue costs, from a private placement issue and \$512,000 from the exercise of warrants during the second quarter of 2005 as compared to a usage related to issue costs of \$14,466 during the second quarter of 2004. In June 2005, the Company completed a private placement of 14,903,000 flow-through units at \$0.25 per flow-through unit and 5,000,000 non-flow-through units at \$0.25 per unit. Each flow-through unit consisted of one flow-through common share of the Company and one half of one common share purchase warrant. Each warrant entitles the holder to purchase a common share of the Company at an exercise price of \$0.40 until December 8 or 18, 2006. The non-flow-through units consisted of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.40 until December 8, 2006.

Cash used in Investing Activities during the second quarter of 2005 was \$2,041,299 compared to \$1,805,795 used in investing activities for the same period last year. The Company invested \$2,644 in equipment during the second quarter of 2005, compared to \$7,851 during the second quarter of 2004.

Cash spending on the various properties for the six months ending June 30, 2005 and 2004 is summarized below and described in the exploration section of this report.

| Q1 & Q2 2005 | MANITOBA | | | SUDBURY, ONTARIO | | | | TOTAL |
|--|-------------------------|----------------------------|----------------------------|------------------|----------------|---------------------|---------------|------------------|
| | Bucko Feasibility Study | Thompson Nickel Belt South | Thompson Nickel Belt North | AER Kidd | Airport | Mystery Offset Dyke | Peter's Roost | |
| Acquisition and property costs | 1,331 | 16,284 | 1,700 | 50,000 | - | 60,000 | - | 129,315 |
| Exploration expenditure | | | | | | | | |
| Drilling | 943,822 | 1,733,878 | 698,962 | - | 70,946 | - | - | 3,447,608 |
| Assaying, laboratory, metallurgy | 110,320 | 5,762 | - | - | 1,167 | - | - | 117,249 |
| Geology and geological consulting | 216,691 | 358,839 | 68,666 | 6,475 | 44,021 | 4,854 | 11,534 | 711,080 |
| Travel and transportation | 90,177 | 11,478 | 4,019 | 37 | 9,819 | 20 | 813 | 116,363 |
| Geochemistry and geophysics | 83,492 | 796,692 | 272,733 | (14,000) | 8,144 | - | - | 1,147,061 |
| Reports | 196,700 | - | - | - | - | - | - | 196,700 |
| Mine and mill design | 118,442 | - | - | - | - | - | - | 118,442 |
| Environmental | 52,998 | 27,900 | - | - | - | - | - | 80,898 |
| Field and office support | 47,609 | 32,616 | 113 | 3,496 | 22,918 | 8,174 | 2,969 | 117,895 |
| Management fees | 39,618 | 292,633 | 102,589 | - | - | - | - | 434,840 |
| Cash invested Q1 & Q2, 2005 | 1,901,200 | 3,276,082 | 1,148,782 | 46,008 | 157,015 | 73,048 | 15,315 | 6,617,451 |

Table includes cash expenditures only

| Q1 & Q2 2004 | MANITOBA | | SUDBURY, ONTARIO | | | | | | TOTAL |
|--|-------------------------|----------------------------|------------------|---------------|---------------------|-----------------|---------------|----------------|------------------|
| | Bucko Feasibility Study | Thompson Nickel Belt South | AER Kidd | Airport | Mystery Offset Dyke | Marble Mountain | Copenhagen | Peter's Roost | |
| Acquisition and property costs | 7,100 | - | 24 | - | 100,000 | 10,000 | 17,000 | 52,693 | 186,816 |
| Exploration expenditure | | | | | | | | | |
| Drilling | - | - | 1,970,819 | - | - | - | - | - | 1,970,819 |
| Analysis and laboratory | - | - | 36,358 | 4,394 | - | 392 | - | 20 | 41,164 |
| Geology and geological consulting | - | - | 215,634 | 65,412 | - | 108,418 | 40,109 | 421,704 | 851,277 |
| Travel and transportation | - | - | 11,287 | 3,877 | - | - | - | 784 | 15,948 |
| Geochemistry and geophysics | - | - | 201,865 | (14,800) | - | - | - | - | 187,065 |
| Field and office support | - | - | 84,992 | 12,386 | 295 | 338 | - | 6,301 | 104,312 |
| Cash invested Q1 & Q2, 2004 | 7,100 | - | 2,520,979 | 71,269 | 100,295 | 119,148 | 57,109 | 481,501 | 3,357,401 |

Table includes cash expenditures only

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 was charged \$176,300 (2004 - \$80,000) by directors or companies controlled by directors for professional and consulting fees for the period ended June 30, 2005.

The Company shares its premises with other companies that have common directors. The Company reimburses the related companies for their proportional share of the expenses. At June 30, 2005 an amount of \$128,400 (2004 - \$39,500) is payable in relation to these expenses. As well, the Company is owed \$25,300 (2004 - \$nil) at June 30, 2005 for shared expenses.

OUTSTANDING SHARE DATA

As at June 30, 2005, 95,621,254 common shares of the Company were outstanding. Of the options to purchase common shares issued to service providers under the share option plan of the Company, 7,255,000 remain outstanding with exercise prices ranging from \$0.20 to \$0.70, with expiry dates ranging between September 18, 2006 and March 1, 2010. If exercised, 7,255,000 common shares would be issued for proceeds of \$2,190,375.

As at June 30, 2005, 30,504,965 share purchase warrants and 204,408 warrant units were outstanding with exercise prices ranging from \$0.20 to \$0.75, expiring between August 20, 2005 and January 18, 2007. If all warrants and units were exercised 30,811,577 common shares would be issued for proceeds of \$14,344,955.

SUBSEQUENT EVENTS

On August 20, 2005, 2,540,001 warrants and 204,408 compensation units expired unexercised.

CHANGES TO THE BOARD OF DIRECTORS

The Company appointed Thomas Atkins to the position of President and CEO and director of the Company effective April 1, 2005. The former President and CEO, Stan Bharti became the Company's Chairman and the former Chairman, Gerald McCarvill became Vice Chairman. Thomas Atkins was most recently Vice President, Investor Relations with IAMGold Corporation. He graduated from McMaster University with a BSc in geology in 1984 and University of Western Ontario with a MBA in 1988. Prior to joining IAMGold in 2003, Mr. Atkins had been employed in senior management levels of various mineral companies, including Ivernia West Inc. and Boliden Limited, in the financial services industry as an investment and corporate banker with CIBC World Markets, Bank of Montreal and Citibank Canada and as an exploration and mine geologist and project engineer working extensively throughout the Americas in exploration and project acquisitions for Northgate Exploration Ltd. and TVX Gold Ltd.

The Company also strengthened its board of directors with the addition of Major General Lewis MacKenzie. Major General MacKenzie brings a wealth of experience to the board. He is a graduate of Xavier Junior College of Sydney, Cape Breton and the University of Manitoba. During his thirty six years of military service in the Infantry he served nine years in Germany with NATO forces and managed to fit in nine peacekeeping tours of duty in six different mission areas - the Gaza Strip, Cyprus, Vietnam, Cairo, Central America and Sarajevo.

RISKS AND UNCERTAINTIES

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

OUTLOOK

Crowflight's exploration strategy developed since the early part of 2004 has been two-fold and focussed on adding shareholder value in the near term by finding, developing and mining a significant nickel, copper and PGM mineralized ore body within Crowflight's current and acquired portfolio of 100% owned and joint venture properties, and also establishing a partnership with a major producer that would insure an availability of quality projects in established base and precious metal producing regions, where the best place to find deposits is adjacent other deposits and processing facilities.

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

FORWARD-LOOKING STATEMENTS

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

August 21, 2005

CROWFLIGHT MINERALS INC.
(A Development Stage Company)

BALANCE SHEETS

As at

(Prepared by Management)

| | June 30, 2005 (Unaudited) | December 31, 2004 (Audited) |
|---|---------------------------------|-----------------------------------|
| ASSETS | | |
| Current | | |
| Cash and equivalents | \$ 3,601,206 | \$ 5,805,455 |
| Amounts receivable | 136,231 | 113,834 |
| Prepaid expenses | <u>172,956</u> | <u>65,648</u> |
| | 3,910,393 | 5,984,937 |
| Long-term | | |
| Property, plant and equipment | 37,513 | 45,430 |
| Interest in mineral properties (Note 2) | <u>17,919,375</u> | <u>10,845,424</u> |
| | <u>\$ 21,867,281</u> | <u>\$ 16,875,791</u> |

LIABILITIES

Current

 Accounts payable and accrued liabilities

| | | |
|--|------------|------------|
| | \$ 877,110 | \$ 898,458 |
|--|------------|------------|

SHAREHOLDERS' EQUITY

| | | |
|------------------------------|----------------------|----------------------|
| Common Shares (Note 3) | 29,804,006 | 25,851,956 |
| Warrants (Note 4) | 3,287,300 | 3,159,359 |
| Contributed surplus (Note 6) | 3,538,491 | 3,049,199 |
| Deficit | <u>(15,639,626)</u> | <u>(16,083,181)</u> |
| | <u>20,990,171</u> | <u>15,977,333</u> |
| | <u>\$ 21,867,281</u> | <u>\$ 16,875,791</u> |

-- See Notes to the Financial Statements --

CROWFLIGHT MINERALS INC.
(A Development Stage Company)

STATEMENTS OF OPERATIONS AND DEFICIT
For the three and six months ended June 30, 2005 and June 30, 2004

(Prepared by Management - Unaudited)

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|------------------------|------------------------------|------------------------|
| | 2005 | 2004 | 2005 | 2004 |
| Expenses | | | | |
| Professional and consulting | \$ 147,549 | \$ 179,244 | \$ 271,253 | \$ 276,024 |
| General and office | 36,970 | 68,072 | 63,543 | 98,543 |
| Shareholder communications and promotion | 77,208 | 76,108 | 112,372 | 120,890 |
| Travel | 43,326 | 42,594 | 96,111 | 44,527 |
| Stock-based compensation (Note 5) | 81,079 | (421,888) | 173,652 | 223,112 |
| Interest expenses and bank charges | 530 | 569 | 1,631 | 1,338 |
| Amortization | 6,953 | 5,358 | 13,590 | 7,348 |
| | <u>393,615</u> | <u>(49,943)</u> | <u>732,152</u> | <u>771,782</u> |
| Income (loss) before the undernoted | (393,615) | 49,943 | (732,152) | (771,782) |
| Interest income | 277 | 21,627 | 12,393 | 48,766 |
| Mineral property expenses (Note 2) | (2,625) | - | (16,838) | - |
| Recovery of expenses | - | - | 15,912 | 1,371 |
| | <u>(395,963)</u> | <u>71,570</u> | <u>(720,685)</u> | <u>(721,645)</u> |
| Income (loss) before income taxes | (395,963) | 71,570 | (720,685) | (721,645) |
| Future income tax recovery (Note 7) | - | - | 1,164,240 | - |
| Net income (loss) for the period | (395,963) | 71,570 | 443,555 | (721,645) |
| DEFICIT, beginning of period | <u>(15,243,663)</u> | <u>(14,346,028)</u> | <u>(16,083,181)</u> | <u>(13,552,813)</u> |
| DEFICIT, end of period | <u>\$ (15,639,626)</u> | <u>\$ (14,274,458)</u> | <u>\$ (15,639,626)</u> | <u>\$ (14,274,458)</u> |
| Basic income (loss) per share | \$ (0.01) | \$ 0.00 | \$ 0.01 | \$ (0.01) |
| Diluted income (loss) per share | \$ (0.01) | \$ 0.00 | \$ 0.01 | \$ (0.01) |
| Weighted average common shares outstanding | | | | |
| - basic | 78,433,847 | 50,988,750 | 75,275,818 | 50,692,596 |
| - diluted | 79,126,225 | 50,988,750 | 76,428,331 | 50,692,596 |

-- See Notes to the Financial Statements --

CROWFLIGHT MINERALS INC.
(A Development Stage Company)

STATEMENTS OF CASH FLOW

For the three and six months ended June 30, 2005 and June 30, 2004

(Prepared by Management - Unaudited)

| | Three months ended June 30, | | Six months ended June 30, | |
|--|--------------------------------|----------------------------|------------------------------|----------------------------|
| | 2005 | 2004 | 2005 | 2004 |
| CASH (USED IN) PROVIDED BY: | | | | |
| OPERATING ACTIVITIES: | | | | |
| Net income (loss) for the period | \$ (395,963) | \$ 71,570 | \$ 443,555 | \$ (721,645) |
| Charges not affecting cash: | | | | |
| Amortization | 6,953 | 5,358 | 13,590 | 7,348 |
| Stock-based compensation (Note 5) | 81,079 | (421,888) | 173,652 | 223,112 |
| Future income tax recovery (Note 7) | - | - | (1,164,240) | - |
| Other non cash items | - | 12,839 | - | 12,839 |
| Net change in non-cash working capital | 69,563 | 392,360 | (151,054) | 283,619 |
| | <u>(238,368)</u> | <u>60,239</u> | <u>(684,497)</u> | <u>(194,727)</u> |
| FINANCING ACTIVITIES: | | | | |
| Shares issued through private placements | 4,975,750 | - | 4,975,750 | - |
| Shares issued from exercise of warrants | 512,000 | - | 512,000 | 53,750 |
| Financing costs | (384,378) | (14,466) | (384,378) | (13,523) |
| | <u>5,103,372</u> | <u>(14,466)</u> | <u>5,103,372</u> | <u>40,227</u> |
| INVESTING ACTIVITIES: | | | | |
| Mineral property interest | (2,041,299) | (1,805,795) | (6,617,451) | (3,357,401) |
| Property, plant and equipment | (2,644) | (7,851) | (5,673) | (52,278) |
| | <u>(2,043,943)</u> | <u>(1,813,646)</u> | <u>(6,623,124)</u> | <u>(3,409,679)</u> |
| CHANGE IN CASH AND EQUIVALENTS | 2,821,061 | (1,767,873) | (2,204,249) | (3,564,179) |
| CASH AND EQUIVALENTS, beginning of period | <u>780,145</u> | <u>5,127,774</u> | <u>5,805,455</u> | <u>6,924,080</u> |
| CASH AND EQUIVALENTS, end of period | <u>\$ 3,601,206</u> | <u>\$ 3,359,901</u> | <u>\$ 3,601,206</u> | <u>\$ 3,359,901</u> |

Cash and equivalents consist of:

| | | | | |
|-------------|---------------------|---------------------|---------------------|---------------------|
| Cash | \$ 3,601,206 | \$ 356,356 | \$ 3,601,206 | \$ 356,356 |
| Equivalents | \$ - | \$ 3,003,545 | \$ - | \$ 3,003,545 |
| | <u>\$ 3,601,206</u> | <u>\$ 3,359,901</u> | <u>\$ 3,601,206</u> | <u>\$ 3,359,901</u> |

SUPPLEMENTAL INFORMATION

| | | | | |
|--|------------|-----------|------------|-----------|
| Shares issued for interest in mineral properties | \$ 230,000 | \$ 15,050 | \$ 350,000 | \$ 15,050 |
| Warrants issued for interest in mineral properties | \$ - | \$ - | \$ 106,500 | \$ - |
| Interest received | \$ 277 | \$ 21,627 | \$ 12,393 | \$ 48,766 |
| Interest paid | \$ 321 | \$ - | \$ 44,063 | \$ - |
| Income taxes paid | \$ - | \$ - | \$ - | \$ - |

-- See Notes to the Financial Statements --

CROWFLIGHT MINERALS INC.
(A Development Stage Company)

NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ending June 30, 2005 and June 30, 2004

(Prepared by Management - Unaudited)

1. BASIS OF PRESENTATION AND GOING CONCERN

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

The management of Crowflight Minerals Inc. (the "Company") has prepared these unaudited financial statements for the six months ended June 30, 2005 in accordance with generally accepted accounting principles in Canada. The most significant of these accounting principles have been set out in the December 31, 2004 audited financial statements. These financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2004.

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

These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

Operating results for the six months ended June 30, 2005 are not indicative of the results that may be expected for the full year ending December 31, 2005.

The Company uses the same methods and accounting policies described in the December 31, 2004 audited financial statements.

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

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

CROWFLIGHT MINERALS INC.
(A Development Stage Company)

NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ending June 30, 2005 and June 30, 2004

(Prepared by Management - Unaudited)

2. INTEREST IN MINERAL PROPERTIES

| | MANITOBA | | | SUDBURY, ONTARIO | | | | TOTAL |
|-------------------------------------|-------------------------|----------------------------|----------------------------|------------------|------------------|---------------------|----------------|-------------------|
| | Bucko Feasibility Study | Thompson Nickel Belt South | Thompson Nickel Belt North | AER Kidd | Airport | Mystery Offset Dyke | Peter's Roost | |
| <u>Acquisition costs</u> | | | | | | | | |
| Balance, December 31, 2004 | 1,227,100 | 154,515 | - | 891,858 | 356,403 | - | 102,887 | 2,732,763 |
| Acquisition and property costs | 231,331 | 16,284 | 228,200 | 50,000 | - | 60,000 | - | 585,815 |
| Balance, June 30, 2005 | 1,458,431 | 170,799 | 228,200 | 941,858 | 356,403 | 60,000 | 102,887 | 3,318,578 |
| <u>Exploration expenditure</u> | | | | | | | | |
| Balance, December 31, 2004 | 431,193 | 1,360,753 | - | 4,869,853 | 671,733 | 163,868 | 615,261 | 8,112,661 |
| Drilling | 943,822 | 1,733,878 | 698,962 | - | 70,946 | - | - | 3,447,608 |
| Assaying, laboratory, metallurgy | 110,320 | 5,762 | - | - | 1,167 | - | - | 117,249 |
| Geology and geological consulting | 216,691 | 358,839 | 68,666 | 6,475 | 44,021 | 4,854 | 11,534 | 711,080 |
| Travel and transportation | 90,177 | 11,478 | 4,019 | 37 | 9,819 | 20 | 813 | 116,363 |
| Geochemistry and geophysics Reports | 83,492 | 796,692 | 272,733 | (14,000) | 8,144 | - | - | 1,147,061 |
| Reports | 196,700 | - | - | - | - | - | - | 196,700 |
| Mine and mill design | 118,442 | - | - | - | - | - | - | 118,442 |
| Environmental | 52,998 | 27,900 | - | - | - | - | - | 80,898 |
| Field and office support | 47,609 | 32,616 | 113 | 3,496 | 22,918 | 8,174 | 2,969 | 117,895 |
| Management fees | 39,618 | 292,633 | 102,589 | - | - | - | - | 434,840 |
| Balance, June 30, 2005 | 2,331,062 | 4,620,551 | 1,147,082 | 4,865,861 | 828,748 | 176,916 | 630,577 | 14,600,797 |
| TOTAL DEFERRED COSTS | | | | | | | | |
| June 30, 2005 | 3,789,493 | 4,791,350 | 1,375,282 | 5,807,719 | 1,185,151 | 236,916 | 733,464 | 17,919,375 |

Bucko Feasibility Study and Thompson Nickel Belt South, Manitoba

Pursuant to the June 2004 joint venture agreement with Falconbridge Limited ("Falconbridge"), whereby the Company is earning an initial 50% interest in Falconbridge's Bucko Deposit and an initial 25% interest in mining leases and claims within the Bowden Lake, Halfway Lake and Resting Lake Properties in the Thompson Nickel Belt region of Manitoba (collectively "TNB South"), the Company issued 1 million common shares of the Company to Falconbridge. These shares were issued on June 1, 2005 and the fair value was determined to be \$230,000 using the market value of the Company's stock at the date of issuance.

Thompson Nickel Belt North, Manitoba

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

- \$1,650,000 by April 30, 2005 (amended as agreed to by the two parties to be funded as required by the project - \$1,091,550 paid);
- \$1,000,000 by April 30, 2006;
- \$1,000,000 by April 30, 2007;
- \$1,350,000 by April 30, 2008.

CROWFLIGHT MINERALS INC.
(A Development Stage Company)

NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ending June 30, 2005 and June 30, 2004

(Prepared by Management - Unaudited)

2. INTEREST IN MINERAL PROPERTIES (continued)

In addition to the expenditure, the Company issued to Falconbridge 400,000 common shares and warrants to purchase 1,000,000 shares for a two year period from the date of issue. The 1,000,000 warrants consist of 500,000 warrants exercisable at \$0.35 and 500,000 warrants exercisable at \$0.70. The fair value of the common shares was determined to be \$120,000 using the market value of the Company's stock at the date of issuance. The fair value of the warrants was determined to be \$106,500. The value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 89.78%; risk free interest rate of 2.9%; and an expected life of two years.

Sudbury, Ontario

In the last quarter of 2004, the Company decided not to pursue its options related to the Marble Mountain and Copenhagen properties in Sudbury. During the six months ended June 30, 2005, the Company expensed \$16,838 for costs related to returning the properties to the optionor in good standing.

3. COMMON SHARES

Authorized

Unlimited common shares without par values

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

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

Common shares issued

| | <u>No. of Shares</u> | <u>Value</u> |
|---|--------------------------|-----------------------------|
| Balance, December 31, 2003 | 50,462,651 | 21,132,600 |
| Adjustment | (110) | - |
| Private placement - non flow-through | 10,880,713 | 3,058,250 |
| Private placement - flow-through | 8,085,000 | 3,234,000 |
| Issue of warrants - warrant valuation | - | (1,765,139) |
| Shares issued in acquisition of properties | 2,050,000 | 615,050 |
| Exercise of warrants | 255,000 | 51,000 |
| Exercise of warrants - warrant valuation | - | 24,026 |
| Exercise of stock options | 25,000 | 8,750 |
| Exercise of options - option valuation | - | 10,140 |
| Cost of issue | - | (516,721) |
| Balance, December 31, 2004 | 71,758,254 | \$ 25,851,956 |
| Shares issued in acquisition of property (Note 2) | 1,400,000 | 350,000 |
| Private placement - non flow-through | 5,000,000 | 1,250,000 |
| Private placement - flow-through | 14,903,000 | 3,725,750 |
| Issue of warrants - warrant valuation | - | (578,287) |
| Exercise of warrants | 2,560,000 | 512,000 |
| Exercise of warrants - warrant valuation | - | 241,205 |
| Cost of issue | - | (384,378) |
| Flow through share tax effect | - | (1,164,240) |
| Balance, June 30, 2005 | <u>95,621,254</u> | <u>\$ 29,804,006</u> |

CROWFLIGHT MINERALS INC.
(A Development Stage Company)

NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ending June 30, 2005 and June 30, 2004

(Prepared by Management - Unaudited)

3. COMMON SHARES (continued)

In June, 2005 the Company completed a private placement offering in two tranches. In the first tranche, 14,803,000 flow-through units and 5,000,000 non-flow-through units were issued for gross proceeds of \$4,950,750. The flow-through units were priced at \$0.25 per flow-through unit and consisted of one flow-through common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase a common share of the Company at an exercise price of \$0.40 until December 8, 2006. The non-flow-through units were priced at \$0.25 per unit and consisted of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.40 until December 8, 2006.

In the second tranche of this private placement, 100,000 flow-through units were issued at a price of \$0.25 per flow-through unit, for gross proceeds of \$25,000. The flow-through units consist of one flow-through common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase a common share of the Company at \$0.40 until December 18, 2006.

The fair value of the warrants of \$578,287 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 89.78%; risk free interest rate of 2.9%; and an expected life of two years.

4. WARRANTS

| | Six months ended June 30, 2005 | | Year ended December 31, 2004 | |
|--|-----------------------------------|------------------|---------------------------------|------------------|
| | Number of warrants | Average price | Number of warrants | Average price |
| Balance, beginning of period | 26,033,465 | \$ 0.42 | 12,292,276 | \$ 0.52 |
| Granted, private placements | 9,951,500 | 0.40 | 11,982,856 | 0.45 |
| Granted, property acquisition (Note 2) | 1,000,000 | 0.55 | 5,000,000 | 0.55 |
| Exercised | (2,560,000) | 0.20 | (255,000) | 0.20 |
| Expired or cancelled | (3,920,000) | 0.21 | (2,986,667) | 1.15 |
| Balance, end of period | 30,504,965 | 0.47 | 26,033,465 | 0.42 |

CROWFLIGHT MINERALS INC.
(A Development Stage Company)

NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ending June 30, 2005 and June 30, 2004

(Prepared by Management - Unaudited)

4. WARRANTS (continued)

A summary of the outstanding warrants as of June 30, 2005 are as follows:

| Value (\$) | Number of Warrants | Exercise Price (\$) | Expiry Date |
|------------------|--------------------|---------------------|-------------------|
| 196,968 | 2,380,950 | 0.60 | August 20, 2005 |
| 17,114 | 159,051 | 0.49 | August 20, 2005 |
| 3,293 | 30,608 | 0.49 | September 3, 2005 |
| 377,500 | 2,500,000 | 0.35 | June 17, 2006 |
| 242,500 | 2,500,000 | 0.75 | June 17, 2006 |
| 650,000 | 5,000,000 | 0.30 | October 12, 2006 |
| 568,462 | 3,667,500 | 0.60 | November 4, 2006 |
| 502,801 | 2,940,356 | 0.50 | November 4, 2006 |
| 574,287 | 9,901,500 | 0.40 | December 8, 2006 |
| 4,000 | 50,000 | 0.40 | December 18, 2006 |
| 43,875 | 375,000 | 0.60 | December 29, 2006 |
| 67,500 | 500,000 | 0.35 | January 18, 2007 |
| 39,000 | 500,000 | 0.75 | January 18, 2007 |
| 3,287,300 | 30,504,965 | | |

5. STOCK BASED COMPENSATION

The following are the stock option transactions during the period:

| | Six months ended June 30, 2005 | | Year ended December 31, 2004 | |
|-------------------------------|-----------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | Number of stock options | Weighted average exercise price | Number of stock options | Weighted average exercise price |
| Balance, beginning of period | 5,755,000 | \$ 0.36 | 4,525,000 | \$ 0.41 |
| Granted | 1,500,000 | \$ 0.32 | 3,542,500 | \$ 0.41 |
| Exercised | - | \$ - | (25,000) | \$ 0.35 |
| Cancelled/expired | - | \$ - | (2,287,500) | \$ 0.54 |
| Balance, end of period | 7,255,000 | \$ 0.30 | 5,755,000 | \$ 0.36 |

CROWFLIGHT MINERALS INC.
(A Development Stage Company)

NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ending June 30, 2005 and June 30, 2004

(Prepared by Management - Unaudited)

5. STOCK BASED COMPENSATION (continued)

As of June 30, 2005, the following stock options were outstanding:

| VALUE \$ | NUMBER OF OPTIONS | EXERCISE PRICE \$ | EXPIRY DATE |
|-------------|----------------------|-------------------------|--------------------|
| 60,840 | 150,000 | 0.60 | September 18, 2006 |
| 19,000 | 100,000 | 0.30 | December 31, 2007 |
| 973,440 | 2,400,000 | 0.20 | June 5, 2008 |
| 121,680 | 300,000 | 0.35 | June 5, 2008 |
| 152,100 | 375,000 | 0.35 | July 18, 2008 |
| 20,280 | 50,000 | 0.70 | November 17, 2008 |
| 40,560 | 100,000 | 0.56 | November 21, 2008 |
| 76,050 | 187,500 | 0.62 | December 11, 2008 |
| 86,000 | 200,000 | 0.56 | January 20, 2009 |
| 37,312 | 187,500 | 0.62 | June 17, 2009 |
| 11,150 | 50,000 | 0.35 | June 17, 2009 |
| 4,050 | 30,000 | 0.20 | October 1, 2009 |
| 285,000 | 1,425,000 | 0.25 | October 12, 2009 |
| 14,850 | 50,000 | 0.39 | October 20, 2009 |
| 40,050 | 150,000 | 0.35 | November 8, 2009 |
| 19,600 | 100,000 | 0.30 | January 10, 2010 |
| * 17,794 | 200,000 | 0.28 | February 14, 2010 |
| 39,600 | 200,000 | 0.29 | February 21, 2010 |
| * 96,658 | 1,000,000 | 0.33 | March 1, 2010 |
| 7,255,000 | | | |

During the six months ended June 30, 2005, 1,500,000 stock options (2004 - 1,787,500) were granted to directors, officers and consultants of the Company. Of these options granted, 1,200,000 options vest one eighth every quarter from the date of grant over a two year term (*). At June 30, 2005, 300,000 of these options are currently exercisable. The remaining options granted during the period vested immediately. The options expire 5 years from the date of issue. The fair value of each option was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions: expected dividend yield 0% (2004 - 0%); expected volatility of 89.78% (2004 - 100%); risk free interest rate of 3.6% (2004 - 4%); and an expected average life of 5 years (2004 - 5 years). For the six months ended June 30, 2005, an amount of \$173,652 (2004 - \$223,112) was recorded as stock based compensation expense.

CROWFLIGHT MINERALS INC.
(A Development Stage Company)

NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ending June 30, 2005 and June 30, 2004

(Prepared by Management - Unaudited)

6. CONTRIBUTED SURPLUS

| | June 30, 2005 | December 31, 2004 |
|---|---------------|-------------------|
| Balance, beginning of period | \$ 3,049,199 | \$ 1,808,655 |
| Stock options granted and/or vested during the period | | |
| Employee | \$ 134,252 | \$ 110,000 |
| Non-employee | \$ 39,400 | \$ 1,028,122 |
| Exercise of stock options, reallocation of valuation | \$ - | \$ (10,140) |
| Expiry of warrants, reallocation of valuation | \$ 315,640 | \$ 112,562 |
| Balance, end of period | \$ 3,538,491 | \$ 3,049,199 |

Units

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

Each compensation option entitles the holder to purchase one compensation unit at a price of \$0.42 per compensation unit until August 20, 2005. Each compensation unit consists of one common share and one-half common share purchase unit. Each whole share warrant entitles the holder to purchase an additional common share at a price of \$0.60 per share for a period of two years until August 20, 2005.

* If the units in aggregate are exercised, the unit-holders will be entitled to 204,408 common shares and 102,204 common share purchase warrants that expire on August 20, 2005.

CROWFLIGHT MINERALS INC.
(A Development Stage Company)

NOTES TO THE FINANCIAL STATEMENTS

For the six months ending June 30, 2005 and June 30, 2004

(Prepared by Management - Unaudited)

7. INCOME TAXES

Provision for income taxes:

Major items causing the Company's income tax rate to differ from the statutory rate of approximately 36% are as follows:

| | <u>6 Months</u> |
|--|-----------------------|
| Loss before income taxes | <u>\$ (720,685)</u> |
| Expected income tax recovery based on statutory rate | (259,000) |
| Adjustments to benefit resulting from: | |
| Share issue costs | (131,000) |
| Stock based compensation | 62,000 |
| Future tax assets not previously recognized | <u>(836,240)</u> |
| Future income tax recovery | <u>\$ (1,164,240)</u> |

In February 2005, the Company renounced \$3,234,000 related to proceeds from flow-through shares with an effective date of December 31, 2004. Consequently, a non-cash future income tax recovery of \$1,164,240 has been recognized during the period ended June 30, 2005.

As a resource company, Crowflight Minerals has future income tax assets that it did not recognize in previous years as a result of applying the "more likely than not" test (i.e. the Company has made a 100% valuation allowance). During the prior year, the Company undertook an issuance of flow-through shares that gave rise to taxable temporary differences. The taxable temporary differences are expected to reverse in the future, so that part of the unrecognized future income tax assets can be applied against the full taxable temporary difference. The Company recognized that portion of unrecognized future tax assets by reversing a portion of the previously recorded valuation allowance. The recognition of a portion of previously unrecognized future income tax assets results in a credit to operations.

8. RELATED PARTY TRANSACTIONS

The Company was charged \$176,300 (2004 - \$80,000) by directors or companies controlled by directors for professional and consulting fees for the period ended June 30, 2005.

The Company shares its premises with other companies that have common directors. The Company reimburses the related companies for their proportional share of the expenses. At June 30, 2005 an amount of \$128,400 (2004 - \$39,500) is payable in relation to these expenses. As well, the Company is owed \$25,300 (2004 - \$nil) at June 30, 2005 for shared expenses.

During the quarter ended June 30, 2005, directors of the Company subscribed for units as part of a private placement. A total of 1,300,000 flow-through units were issued to directors for gross proceeds of \$325,000. Each flow-through unit consisted of one flow-through common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$0.40 until December 8, 2006.

All of the above transactions are in the normal course of operations and are measured at the exchange amount which is the amount established and agreed to by the related parties.

CROWFLIGHT MINERALS INC.
(A Development Stage Company)

NOTES TO THE FINANCIAL STATEMENTS

For the six months ending June 30, 2005 and June 30, 2004

(Prepared by Management - Unaudited)

9. SUBSEQUENT EVENTS

On August 20, 2005, 2,540,001 warrants and 204,408 compensation units expired unexercised.

10. COMPARATIVE FIGURES

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