



crowflight minerals inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three and six months ended June 30, 2009

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of financial condition and results of operations

for the three and six months ended June 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 six months ended June 30, 2009 and should be read in conjunction with our unaudited interim consolidated financial statements for the three and six months ended June 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., officers of the Company, both of whom are "Qualified Person(s)" within the meaning of National Instrument 43-101.

This MD&A reports our activities through July 24, 2009 unless otherwise indicated. All figures are in Canadian dollars unless otherwise indicated.

References to the first and second quarter of 2009 or Q1-2009 and Q2-2009 and the first and second quarter of 2008 or Q1-2008 and Q2-2008 mean the three and six months ended June 30, 2009 and 2008 respectively.

HIGHLIGHTS FOR THE SECOND QUARTER OF 2009

- On June 10, 2009, the Company announced that, as of June 1st, commercial production was achieved at the Bucko Lake Nickel Mine (Bucko), commercial production being defined as greater than 60% mill nameplate capacity. Shipments of nickel concentrate continue to be delivered to Xstrata Nickel Plc ("Xstrata").
- For the quarter ended June 30, 2009, there was 254,139 pounds of commercial production nickel sold as compared to nil in the second quarter of last year as the mine was not yet in production.
- Revenue for the quarter ended June 30, 2009 was \$2.0 million compared to nil for second quarter last year.
- Operating cash flow for the quarter ended June 30, 2009 was \$1.5 million compared to operating cash flow of negative \$1.1 million in the second quarter last year.
- Loss for the quarter ended June 30, 2009 was \$3.3 million or (\$0.01) per share compared to net loss of \$1.5 million or (\$0.01) per share in the second quarter last year.
- Commercial nickel sales settled during the quarter ended June 30, 2009 were realized at an average price of US\$6.62 per pound. Nickel sales not settled as at June 30, 2009 were provisionally valued at the 3 month forward rate of approximately \$6.79 per pound. The Company's performance is highly correlated to nickel metal prices as it continues to sell all its metal production into the spot markets.
- Net working capital as at June 30, 2009 was negative \$8.8 million (including cash and cash equivalents of \$1.7 million) compared to \$7.7 million as at December 31, 2008.

2009 Quarterly Bucko Mine Operations Production and Financial Data

	Q1-2009	Q2-2009	
	Pre-production	Pre-production	June
Pre-production Operating Statistics:			
Tonnes ore mined	31,091	42,224	18,377
Average nickel head grade (%Ni)	0.95%	1.25%	0.93%
Tonnes ore milled	29,303	35,490	18,390
Concentrate grade (% Nickel)	16.23%		
Average recovery	31.97%	61.40%	62.62%
Nickel pounds:			
Produced	138,956	441,200	234,920
Payable sold	65,498	268,636	254,139
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 ^{2,4}	\$ 5,935	86,700	
Total metal revenue	\$ 374,253	\$ 2,026,100	
Commercial Production Metal Sales Revenue:			
Average Ni price (US\$/lb)			\$ 6.79
CAD/US exchange rate			1.16
Nickel revenue			2,007,450
Total metal revenue			2,007,450
Cost of sales			2,445,213
Accretion			-
Depreciation, depletion, and amortization			336,093
Gross profit			(773,856)
Net earnings (loss)			(3,193,607)
Basic and diluted earnings (loss per share)			\$ (0.01)
Cash flow from operating activities			1,590,159
USD Cash Cost of sales per pound sold ^{2,3}			\$ 8.28

1. Includes settlement of Q1 pre-production sales

2. Other metal revenue is recorded as an offset to June 2009 COGS in the Company's financial statements

3. Non-GAAP Measure

This MD&A refers to cash cost per pound 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. Management believes that this is a better indication of its expected performance in future periods. 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.

4. Other metals - Copper, Cobalt and PM

- The Phase 2 underground delineation drilling program was completed, the results of which were used to update reserves associated with mining areas on the 1,000 foot and 900 foot mining levels. Assay results from the Phase 2 program were released on January 22, 2009, March 30, 2009 and June 1, 2009. Results from this drilling are interpreted to be consistent with the mine design tonnage and feasibility grade model.
- In April 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 until April 30, 2011. 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 until April 30, 2011. The \$5,000,000 in proceeds was used to settle current trade payables owed for underground mining carried out at the Bucko Lake Mine.

- During the first two quarters of 2009, 2,707,500 options expired unexercised, while 3,680,625 were forfeited.
- In late June, the mill throughput was negatively affected due to a ground failure in the drift accessing the main ore stope which necessitated the driving of a new access into the stope containing blasted and broken ore. The mill subsequently re-started on August 4, 2009.
- Subsequent to the quarter's end, 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. 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. Pursuant to the terms of the Offering, Mike Hoffman and Lewis MacKenzie have 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. Please see the Subsequent Events section of this report for details of this financing.

OVERVIEW

Crowflight currently has mineral exploration and development properties in Canada and is focusing its resources on the development and ramping up of 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.

Crowflight owns a 100% interest in the Bucko Lake deposit, subject to certain external rights held by Xstrata, and operates a mine and mill complex on the Bucko Lake mine site near Wabowden, Manitoba. The Company maintains an interest in a variety of grass roots and advance-staged exploration properties in the TNB and Sudbury district, Ontario.

MINERAL PROPERTIES

THOMPSON NICKEL BELT PROPERTIES ("TNB") – MANITOBA

The Company owns or holds under option claims and leases totaling 731.7 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 Q2-2009, 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 totaling 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.

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

At Manibridge, the results from a six hole, 2,496 metre program were reviewed and assay results were communicated in a press release dated September 10, 2008. The program was successful in discovering two new zones of nickel mineralization near the past producing Manibridge Deposit which operated from 1972 to 1976 and produced approximately 900,000 tonnes grading 1.86% nickel.

During the current reporting period, exploration work has concentrated on review of data and target generation in preparation for work programs planned for the fourth quarter of 2009.

Bucko Lake Nickel Mine

At Bucko, the second phase of definition drilling from the 1,000 foot mining level was completed. This information was used to update reserves associated with the northern mining zone (Phase 2) on the west limb of the deposit on the 1,000 foot and 900 foot mining levels. In late May, a second diamond drill was mobilized to site to facilitate exploration and infill drilling from the 450 foot level, serviced by the surface ramp. At the end of the second quarter of 2009, 48 holes for a total of 9,395 metres of underground drilling had been completed. Results from drilling during the quarter remain consistent with design tonnage and grade expectations.

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 totaling 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 has requested an extended timeline for the completion of proposed work, in light of current economic conditions and current share prices.

OPERATIONAL AND DEVELOPMENT ACTIVITIES

Bucko Lake Nickel Mine

During the second quarter, commercial production was achieved on June 1, 2009 and announced June 10th.

Surface and underground activities at Bucko during the second quarter of 2009 focused on ramping up to full production; development of stoping areas to compliment 1,000 tonnes per day milling rate; and completing the backfill system. Underground development focused on the second commercial high grade stoping areas between the 1,000 and 900 foot levels and 450 crown pillar stabilization for future mining and development of 450 to 500 level mining blocks. The mine developed and mined out two stopes successfully in the second quarter from the 1,000 level to 900 level. Stopes 10-2553 and 10-2557 were mined out in April and May, delivering 39,450 tonnes of ore to the mill. Waste dilution from the walls of the first two stopes was 30% and 19% compared to 12% design; however, the stopes were over pulled (removed more ore than designed with some of the ore being low grade, the stopes were caving in due to being left without backfill longer than planned) due to lack of other stopes being available and the availability of hydraulic backfill from the mill. The stopes were filled, once the ore was removed, with development waste to stabilize while waiting for the plant backfill system to be commissioned. Filling stopes with development waste means that waste does not have to be hoisted to the surface, thereby reducing costs. A third stope was blasted later in the quarter but access over top of the stope failed along the pegmatite dyke contact, necessitating closing the stope and determining alternate mucking access. This stope will be scheduled for

mucking out the ore and sending to the mill during the third quarter. Development advance progressed into the second commercial mining zone during the quarter; this zone is indicated as a higher grade zone from the diamond drilling conducted in the first quarter.

A vertical alimak raise was driven to provide ventilation to the mine as development away from the main vent raise progresses. The raise was 80 feet from breakthrough prior to temporary suspension due to using the surface ramp mining zone to store water. The underground equipment maintenance shop was being constructed in the quarter with completion expected early in the third quarter. A ramp from 1,000 level to shaft bottom was completed, allowing for efficient removal of spillage muck while skipping and slimes from the shaft bottom. Prior to this the mine was losing valuable shaft time by shutting down weekly and mucking with a clam into a small shaft bucket to remove this spillage. Other infrastructure development included several underground sumps and a refuge station on the 500 level.

The mill operations were approaching optimization during the quarter with actual recoveries approaching or exceeding design recoveries by June. Xstrata Process Support group continued to supply expert support services at site and also conducted analysis on reagent alternatives, QEMSCAN on tailings streams to identify nickel loss characteristics in the waste tailings and to optimize reagent usage and recoveries.

The milling operation was suspended late June due to lack of ore and water levels in the tailings basin. The water balance could not be achieved due to high precipitation. In addition, in late June an environmental toxicity sample failed and the site suspended discharging mine water. Two environmental companies were contracted to determine reasons and develop a long term strategy to prevent recurrence. The plan developed was to construct a full water treatment plant to maintain safe levels for the environment discharge and maintain site water balance. The water treatment plant design consists of micro filtration down to 0.1 micron and a large fraction of this water treated with reverse osmosis then combined and discharged. . The water treatment plant was completed in late July.

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 Q2-2009 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 Q2-2009 financial statements.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2009, the Company had a working capital deficit of \$8,791,781 compared to working capital of \$7,667,069 as at December 31, 2008. The cash balance as at June 30, 2009 was \$1,658,745 (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.

In April 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 following the Closing Date. 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 following the Closing Date.

Subsequent to the quarter's end, in July 2009, the Company announced a private placement financing. The Company raised \$15,000,000 through the issuance of 60,000,000 units of the Company. 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 for a period of 24 months following the Closing Date. Please see the Subsequent Events section of this report for details of this financing.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments during the quarter consisted of cash and cash equivalents, receivables, payables and accruals, in-process working capital facility, equipment leases and derivative instruments. 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 equivalents and amounts receivable included in other assets. 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 one 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 June 30, 2009, the Company had a cash and cash equivalents balance of \$1,658,745 (December 31, 2008 - \$10,607,543) to settle current liabilities of \$15,467,692 (December 31, 2008 - \$15,622,737). The Company's trade payables balance was \$9.7 million and normally has contractual maturities of 30 to 45 days and is subject to normal trade terms. The remaining accrued liabilities have maturities greater than approximately 60 days. The Company has the potential to raise additional funds and negotiate longer payment terms as required to meet obligations as they come due. See Subsequent Events.

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. With the start of nickel production, the Company is exposed to foreign exchange risk as a result of sales transactions being denominated in US dollars. The Company monetized its forward currency contracts during the first quarter, and currently does not hedge for foreign currency risk although it may in the future.

(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. These were classified as held-for-trading and were not designated as hedges (see Note 5 of the Q2-2009 financial statements).

Sensitivity analysis

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

As at June 30, 2009, the carrying and fair value amounts of the Company's financial instruments are the same. 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 June 30, 2009 will generate an increase in interest expense of approximately \$9,600.

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 June 30, 2008 will generate a decrease in interest income of approximately \$16,000.

The Company currently carries accounts receivable in foreign currencies giving rise to exposure 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 June 30, 2009 will generate an increase or decrease in accounts receivable of approximately \$24,400. As production ramps up and the accounts receivable balances increase, this change could be significant.

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 June 30, 2009 are not comparable to the same periods last year during which the Bucko mine was not in production.

For the quarter ended June 30, 2009

The Company reported a net loss of \$3,265,507 (\$0.01 per share – basic and diluted) for the quarter ended June 30, 2009 compared to a net loss of \$1,529,939 (loss of \$0.01 per share – basic and diluted) for the quarter ended June 30, 2008.

Operations

During the three months ended June 30, 2009, a total of 42,224 and 18,377 tonnes of pre-production and commercial production ore, respectively, were extracted from the Bucko underground. During the same period last year, no ore was extracted.

During the three months ended June 30, 2009, the mill processed 35,490 tonnes of pre-production ore producing 268,636 pounds of payable sold nickel at an average nickel head grade of 1.25% per tonne with an average recovery of 61.4%. During the three months ended June 30, 2009, the mill processed 18,377 tonnes of commercial production ore producing 254,139 pounds of payable sold nickel at an average nickel head grade of 0.93% per tonne with an average recovery of 62.62%. During the same period last year, there was no production.

The mill availability was 78% during the quarter ended June 30, 2009.

Revenue

Revenue is affected by sales volumes, commodity prices and currency exchange rates. 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 Q2-2009 financial statements). Final pricing on the remaining 25% is not determined until three months following delivery. At the end of each quarter, all outstanding receivables are valued based on the three month forward price. 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 June 30, 2009, nickel revenue was \$2.0 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\$6.62/lb at an average US/CAD exchange rate of \$1.16.

Operating Costs

The Company recorded cost of sales of \$2,445,213 million during the quarter ended June 30, 2009, compared to \$nil in the same quarter last year. The USD operating cash cost per pound was \$8.28/lb¹ for the quarter ended June 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 late June as described in the Operating and Development Activities above.

The Company recorded non-cash amortization of \$336,093 for Bucko related assets depreciated on a unit of production in Q2-2009, compared to \$nil in the same period last year.

As a result of the decline in the global business in the fourth quarter in 2008, the Company continues to review and evaluate its long-lived assets for impairment each quarter. The Company will continue to do so as events and changes in circumstances give rise to potential impairments. Impairment is considered to exist if total estimated

future undiscounted cash flows are less than the carrying amount of the asset. Assumptions underlying future cash flow estimates are subject to risk and uncertainty. Any differences between significant assumptions and market conditions such as metal prices, exchange rates, recoverable metal, and/or the Company's operating performance could have a material effect on the Company's ability to recover the carrying amounts of its long-lived assets resulting in possible additional impairment charges. During the three months ended June 30, 2009, the Company reviewed the assets for impairment and determined no write-downs were necessary.

Other Items

The Company recorded a net loss of \$349,085 based on the estimated fair market value of a forward sales contract for 317,465 pounds of nickel at a price of US\$6.01.

General and administrative expenses increased by approximately \$77,812 from the comparative quarter as a result of several variances. These include stock-based compensation expense, which decreased by \$676,000; however, this was offset by increases in general and office expenses, and interest expenses. The Company accrued for 2008 capital taxes plus installments for 2009 of \$633,000 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 approximately \$nil for the quarter ended June 30, 2009. During the comparative quarter, the Company recorded a charge of \$482,485.

Interest income earned during the current quarter totaled \$2,000 compared to \$80,835 during the quarter ended June 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 \$481 in interest expense on long term debt during Q2-2009 compared to \$355,761 incurred during Q2-2008 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 previous quarter. The Company incurred costs of \$383,142 to secure an In-Process Working Capital Facility.

The Company paid \$50,000, which was recorded to statement of operations, to maintain the AER Kidd property in good standing during the quarter (Q2-2008 – \$nil).

During the quarter ended June 30, 2009, the Company recognized a future income tax expense of \$71,900 compared to a recovery of \$793,000 during the quarter ended June 30, 2008.

For the six months ended June 30, 2009

The Company reported a net loss of \$1,742,323 (\$0.01 per share - diluted) for the six months ended June 30, 2009 compared to a net loss of \$4,370,334 (loss of \$0.01 per share) for the six months ended June 30, 2008.

Operations

During the six months ended June 30, 2009, a total of 73,315 and 18,377 tonnes of pre-production and commercial production ore, respectively, were extracted from the Bucko underground. During the same period last year, no ore was extracted.

During the six months ended June 30, 2009, the mill processed 64,793 tonnes of pre-production ore, producing 334,134 pounds of payable sold nickel at an average nickel head grade of 1.1% per tonne of nickel with an average recovery of 70.6%. During the six months ended June 30, 2009, the mill processed 18,377 tonnes of commercial production ore producing 254,139 pounds of payable sold nickel at an average nickel head grade of 0.93% per tonne with an average recovery of 62.62%. During the same period last year, there was no production.

Revenue

For the six months ended June 30, 2009, nickel revenue was \$2.0 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\$6.62/lb at an average US/CAD exchange rate of \$1.16.

Operating Costs

The Company recorded cost of sales of \$2,445,213 million during the six months ended June 30, 2009, compared to \$nil in the same period last year. The USD operating cash cost per pound was \$8.28/lb¹ for the six months ended June 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 late June as described in the Operating and Development Activities above.

The Company recorded non-cash amortization of \$336,093 for Bucko related assets depreciated on a unit of production during the six months ended June 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 loss of \$349,085 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 six months ended June 30, 2009 to \$1,741,471.

General and administrative expenses increased by approximately \$14,771 from the comparative six month period as a result of several variances. These include stock-based compensation expense, which decreased by \$834,000; however, this was offset by increases in consulting and professional fees, general and office expenses, and interest expenses. The Company accrued for capital taxes during the first half of the year for which no charge was recorded during the comparative period. The Company accrued for flow-through interest penalties during the first half 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 six months ended June 30, 2009. During the comparative period, the Company recorded a charge of \$489,485.

Interest income earned during the six months ended June 30, 2009 totaled \$23,511 compared to \$132,521 during the six months ended June 30, 2008. The Company incurred \$48,673 in interest expense on long term debt compared to \$418,831 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 six months ended June 30, 2009 as result of lower interest rates and the long-term debt was retired during the previous quarter. The Company incurred costs of \$383,142 to secure an In-Process Working Capital Facility compared with \$2,045,202 incurred in the six month ended June 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 six months ended June 30, 2009 (Q2-2008 – \$nil). The Company recorded a recovery of \$66,958 during Q1-2009 as a result of the reversal of stale-dated accruals.

During the six months ended June 30, 2009, the Company recognized a future income tax expense of \$194,100 compared to a recovery of \$956,000 during the six months ended June 30, 2008.

QUARTERLY INFORMATION

The quarterly results have been as follows:

Summary Financial Information for the Eight Quarters Ended June 30, 2009					
<i>Tabular amounts in \$000 except for per share amounts.</i>					
<u>Period</u>	<u>Revenues</u>	<u>Total Assets</u>	<u>Net Income (Loss)</u>	<u>Net Income (Loss) per Share basic and diluted</u>	<u>Long Term Financial Liabilities</u>
2 nd Quarter 2009	2,007	181,862	(3,266)	(0.01)	1,010
1 st Quarter 2009	Nil	169,885	1,523	0.01	1,010
4 th Quarter 2008	Nil	177,875	28,958	0.11	8,066
3 rd Quarter 2008	Nil	170,826	9,891	0.04	39,901
2 nd Quarter 2008	Nil	121,927	(1,530)	(0.01)	7,140
1 st Quarter 2008	Nil	106,508	(2,840)	(0.01)	6,795
4 th Quarter 2007	Nil	88,214	(380)	(0.01)	331
3 rd Quarter 2007	Nil	86,874	(2,239)	(0.01)	Nil

The Company had operating revenue of \$2,007,450 as at June 30, 2009.

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 Q2-2009 as a result of an increase in amounts receivable from shipments of nickel to the third-party smelter. As well, there is an increase in nickel and supplies inventory as a result of mine site production activities.

The net loss in Q2-2009 resulted from higher costs of nickel production, Manitoba corporate taxes, and corporate overheads, including stock-based compensation. 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 quarter ended June 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 \$1,509,159 during the quarter ended June 30, 2009, compared to the use of \$1,067,820 during the same period in 2008. The change in non-cash working capital provided was \$3,557,416 during the quarter ended June 30, 2009 compared to the use of \$604,891 in non-cash working capital during the quarter ended June 30, 2008.

Cash provided from Financing Activities was \$7,282,912 during the quarter ended June 30, 2009 compared to providing \$17,989,343 for Q2-2008. During the comparative quarter in 2008, the Company drew down \$7,255,703 net of transaction costs from its debt facility as described in the Liquidity and Capital Resources section above. Also during the comparative quarter in 2008, the Company received \$569,169 from the exercise of warrants and options. The Company made lease payments of \$10,508 during Q2-2009 compared to \$20,235 during Q2-2008.

Cash used in Investing Activities during the quarter ended June 30, 2009 was \$8,744,135 compared to \$20,717,523 during the quarter ended June 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 \$9,164,180, net of government assistance, compared to \$19,150,500 during Q2-2008. Specifically, the Company used \$9,104,582 in cash in the continued development of the Bucko Mine (Q2-2008 -- \$18,706,196). The Company received \$nil in government assistance (Q2-2008 -- \$48,165) related to the TNB Joint Venture and incurred expenditures during the quarter of \$59,598 (Q2-2008 -- \$492,469). Accounts payable related to exploration and development expenditures increased by \$420,045 during the current quarter compared to decrease of \$1,885,577 during the comparative quarter. Prepaid exploration expenditures decreased by \$nil during the quarter compared with a decrease of \$318,554 during Q2-2008.

For the six months ended June 30, 2009

Cash provided by Operating Activities was \$10,000,633 during the six months ended June 30, 2009, compared to the use of \$1,950,532 during the same period in 2008. Cash of \$10,134,725 was generated from the monetization of the Company's forward nickel and currency contracts. The change in non-cash working capital used was \$2,438,453 during the six months ended June 30, 2009 compared to the use of \$1,120,426 in non-cash working capital during the six months ended June 30, 2008.

Cash used by Financing Activities was \$333,853 during the six months ended June 30, 2009 compared to providing \$34,315,330 for the first half 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 \$23,173,352 net of transaction costs from its debt facility as described in the Liquidity and Capital Resources section above. The Company raised \$7,293,420 net of issue costs through a private placement in April 2009 compared with \$10,184,706 in the same period in the prior year. Also during the comparative six months in 2008, the Company received \$1,004,616 from the exercise of warrants and options. The Company made lease payments of \$27,273 during the first half of 2009 compared to \$47,344 during the same period in 2008.

Cash used in Investing Activities during the six months ended June 30, 2009 was \$18,615,578 compared to \$33,998,064 during the six months ended June 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 \$20,308,323, net of government assistance, compared to \$35,920,758 during the first half of 2008. Specifically, the Company used \$20,327,905 in cash in the development of the Bucko Mine (first half of 2008 -- \$32,954,084). The Company received \$115,463 in government assistance (first half of 2008 -- \$90,989) related to the TNB Joint Venture and incurred expenditures during the six months of \$107,552 (2008 -- \$2,710,959). The Company received \$17,158 in government assistance (2008 -- \$nil) related to the Pure Nickel Joint Venture and incurred \$5,486 in expenditures (2008 -- \$296,934). The Company used \$nil in cash for its Sudbury properties during the first half of 2009 compared with \$49,770 in the same period last year. Accounts payable related to exploration and development expenditures decreased by \$1,307,253 during the first half of 2009 compared to

CROWFLIGHT MINERALS INC.

increase of \$1,604,140 during the comparative period. During the six months ending June 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.

Cash Expenditures on Exploration Property, Plant and Equipment and Deferred Exploration Expenditures

For the quarter ended June 30, 2009

	<u>MANITOBA</u>		<u>ONTARIO</u>	TOTAL
	THOMPSON NICKEL BELT	PURE NICKEL JV	Sudbury	
	(\$)	(\$)	(\$)	(\$)
<i>Acquisition or property maintenance costs</i>	-	-	-	-
<i>Exploration costs</i>	59,599	-	-	59,599
TOTAL	59,599	-	-	59,599

For the six months ended June 30, 2009

	<u>MANITOBA</u>		<u>ONTARIO</u>	TOTAL
	THOMPSON NICKEL BELT	PURE NICKEL JV	Sudbury	
	(\$)	(\$)	(\$)	(\$)
<i>Acquisition or property maintenance costs</i>	23,804	-	-	23,804
<i>Exploration costs</i>	83,749	5,486	-	89,235
<i>less: government assistance</i>	(115,463)	(17,158)	-	(132,621)
TOTAL	(7,910)	(11,672)	-	(19,582)

COMMITMENTS AND CONTINGENCIES

The Company issued 23,615,000 flow-through shares in December 2008 and as a result, the Company is committed to expending \$4,250,700 in qualified exploration expenditure by December 31, 2009. As of June 30, 2009, the Company had spent approximately \$2,751,000, and will be required to spend approximately \$1,499,000 by December 31, 2009.

The Company is party to certain management contracts which require that additional payments of up to \$4,080,000 be made upon the occurrence of certain events such as a change of control. Minimum commitments under these contracts are approximately \$863,000, all of which is due within one year. As at July 23, 2009, such an event occurred (Please see Subsequent Events).

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 June 30, 2009, an amount of \$4,048 (Q1 2008 - \$nil) is payable in relation to these expenses. During the comparative six months, the Company prepaid and was owed \$18,251. Amounts payable and prepaid are unsecured, non-interest bearing with no fixed terms of repayment.

The Company was charged \$30,000 during the six months ended June 30, 2009 (Q2 2008 - \$30,000) by a company controlled by a director of the Company for administration services.

OUTSTANDING SHARE DATA

As at July 24, 2009, 429,071,900 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, 17,626,250 remain outstanding with exercise prices ranging from \$0.15 to \$1.02, with expiry dates ranging between October 12, 2009 and June 30, 2014. If exercised, 17,626,250 common shares would be issued for proceeds of \$8,184,375

As at July 24, 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 July 7, 2009, Crowflight entered into an agreement with Pala Investments Holdings Limited ("Pala") for a Cdn\$15 million private placement financing. Under the agreement, Pala agreed to purchase, on a non-brokered private placement basis, 60,000,000 units (the "Units") of the Company at a price of \$0.25 per Unit for total gross proceeds of \$15 million. The pricing of the Units is at an approximate 21% premium to the 5 day VWAP of the Company's shares on the TSX and at a 25% premium to July 7th's closing price of the Company's shares on the TSX. Each Unit consists of one common share of the Company (a "Unit Share") 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 purchase price of \$0.30 until July 23, 2011. An aggregate of 60,000,000 Unit Shares and 30,000,000 Warrants were issued in connection with the Offering. If all of the 30,000,000 Warrants were exercised, the maximum number of common shares of the Company that would be issued in connection with the Offering would be 90,000,000 common shares (approximately 24.39% of the issued and outstanding common shares of the Company as at the date hereof). The financing was subsequently closed on July 23, 2009.

Net proceeds from the Offering will be 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 will also enable the Bucko operation to complete an upgrade to its effluent treatment capabilities so that Crowflight continues to maintain strict compliance with all environmental guidelines as the operation achieves full production capacity by the end of 2009.

As a result of the Offering, Pala now holds, directly and indirectly, 116,079,971 common shares and 50,588,235 warrants of the Company (representing approximately 27.07% on a non-diluted basis and approximately 34.76% on a partially diluted basis, taking into account only those warrants held by Pala, of the issued and outstanding common shares of the Company). The TSX granted Crowflight an exemption under the provisions of section 604(e) of the TSX Company Manual from the shareholder approval requirements for the offering as the Company did not have sufficient time to seek shareholder approval and was relying on the financial hardship exemption. In connection with this equity financing and as a standard procedure relating to an application to use the financial distress exemption, the TSX is reviewing whether the Company satisfies continued listing requirements. Crowflight believes the de-listing review is a routine procedure when using this exemption. The Company believes that it currently complies with applicable TSX listing requirements and expects to continue to comply with such requirements following completion of the financing.

Pursuant to the terms of the Offering, Mike Hoffman and Lewis MacKenzie have resigned from the Company's Board of Directors, effective as of closing of the Offering. Pala nominated Michael Barton and Jan Castro to the Company's Board of Directors in their place.

In addition to the funds raised in this placement, Crowflight has been in negotiation with a number of financial institutions for a corporate line of credit to cover any fluctuations in working capital levels moving forward over the next year. It is expected that this will be completed within the next few months.

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)

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. As a result of these changes, at the end of the period covered by this MD&A and accompanying financial statements, Crowflight's management evaluated the effectiveness of these disclosure controls. Based on that evaluation, the CEO and the CFO have concluded that Crowflight's disclosure controls and procedures and internal controls over financial reporting, provide reasonable assurance that they were effective.

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.

OUTLOOK

In late June, the mill throughput was negatively affected due to a ground failure in the drift accessing the main ore stope, which necessitated the driving of a new access into the stope containing blasted and broken ore. The mill subsequently started up again on August 4, 2009.

As a result of this and slower than anticipated mine ramp and underground development, Crowflight has revised its 2009 guidance from 326,000 tonnes of 1.59% nickel to recover 7.9 million pounds of payable nickel to 144,000 tonnes of 1.65% nickel to recover approximately 4.1 million pounds of payable nickel. Average operating cash cost² (after declaration of commercial production) is revised to US\$4.80 – 5.25 per pound at an exchange rate of 1.10 to 1.00 Canadian to the US dollar. Crowflight currently estimates capital requirements for the remainder of 2009 to be approximately \$12.5 million.

Commercial production was achieved in May when the mill throughput averaged just over 600 tonnes per day and was a critical milestone for the operation. However, the "ramp up" to full production of 1,000 tonnes per day on a sustainable basis requires additional mine development that is currently ongoing. It is anticipated that by first quarter 2010 the mine will be sufficiently developed and have adequate working places (stopes) available to sustain the full production rate of at least 1,000 – 1,200 tonnes per day.

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

1 Non-GAAP Measure

This MD&A refers to cash cost per pound 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. Management believes that this is a better indication of its expected performance in future periods. 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.

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; 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 gold 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 six months ended
June 30, 2009 and 2008*

- UNAUDITED -

CONSOLIDATED BALANCE SHEETS

As at

	June 30, 2009 <i>(unaudited)</i>	December 31, 2008 <i>(audited)</i>
ASSETS		
Current		
Cash and cash equivalents	\$ 1,658,745	\$ 10,607,543
Restricted cash (Note 9)	-	2,999,998
Amounts receivable	2,877,742	607,125
Inventory (Note 3)	1,895,225	268,285
Prepaid expenses and deposits	244,199	138,463
Derivative asset (Note 5)	-	8,668,392
	6,675,911	23,289,806
Deposits and advances	534,709	536,709
Property, plant and equipment (Note 4)	157,914,985	109,241
Exploration and development property and deferred expenditures (Note 6)	16,736,098	153,939,715
	\$ 181,861,703	\$ 177,875,471
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 12)	\$ 14,117,234	\$ 14,950,385
In-process working capital facility (Note 8)	965,643	-
Current portion of long term debt (Note 9)	-	-
Equipment leases (Note 7)	35,730	48,129
Derivative liability (Note 5)	349,085	624,223
	15,467,692	15,622,737
Equipment leases (Note 7)	92,412	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)	26,757,000	24,139,000
	43,235,491	47,828,023
SHAREHOLDERS' EQUITY		
Common shares (Note 11(a))	106,366,145	99,289,864
Warrants (Note 11(b))	7,528,173	4,944,374
Contributed surplus (Note 11(d))	14,146,758	13,485,751
Retained Earnings	10,585,136	12,327,459
	138,626,212	130,047,448
	\$ 181,861,703	\$ 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

CROWFLIGHT MINERALS INC.

Consolidated Statements of Shareholders' Equity

(unaudited)

	Common Shares		Warrants	Contributed Surplus	Retained Earnings	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 w arrants granted related to debt facility	-	-	3,719,479	-	-	3,719,479
Value of w arrants to be granted	-	-	849,709	-	-	849,709
Exercise of w arrants and broker w arrants	1,115,836	446,334	-	-	-	446,334
Valuation allocation on exercise of w arrants	-	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 w arrants	-	(375,186)	375,186	-	-	-
Valuation allocation on expiry of w arrants and broker w arrants	-	-	(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	75,411,765	12,820,000	-	-	-	12,820,000
Value of w arrants granted	-	(2,174,590)	2,174,590	-	-	-
Value of w arrants granted related to debt facility	-	-	107,597	-	-	107,597
Stock based compensation - shares	355,812	71,164	-	-	-	71,164
Stock based compensation - options	-	-	-	661,007	-	661,007
Flow through share tax effect	-	(2,982,000)	-	-	-	(2,982,000)
Value of broker w arrants	-	(301,612)	301,612	-	-	-
Share issue costs	-	(526,581)	-	-	-	(526,581)
Tax effect of cost of issue	-	169,900	-	-	-	169,900
Loss for the period	-	-	-	-	(1,742,323)	(1,742,323)
Balance, June 30, 2009	369,071,900	106,366,145	7,528,173	14,146,758	10,585,136	138,626,212

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS/DEFICIT*(unaudited)*

For the three and six months ended June 30,

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Revenue				
Nickel sales	\$ 2,007,450	\$ -	\$ 2,007,450	\$ -
Operating costs and expenses				
Cost of sales (excludes accretion, depreciation, depletion and amortization)	2,445,213	-	2,445,213	-
Depreciation, depletion and amortization	336,093	-	336,093	-
	(773,856)		(773,856)	
Other expenses				
Professional, consulting and management fees (Notes 11(a) and (c))	707,173	1,218,541	1,291,467	1,937,882
General and office	703,061	127,356	827,527	199,644
Shareholder communications and investor relations	118,320	158,407	204,426	248,247
Travel	68,282	52,688	118,686	110,232
Interest expenses and bank charges	42,006	2,802	76,848	5,209
Amortization	201	1,437	1,154	4,123
	1,639,043	1,561,231	2,520,108	2,505,337
(Loss) before the undernoted	(2,412,899)	(1,561,231)	(3,293,964)	(2,505,337)
Interest income	2,000	80,835	23,511	132,521
Interest on long term debt	(481)	(355,761)	(48,673)	(418,831)
General exploration	-	-	(50,000)	-
Debt facility transaction costs	(383,142)	(4,297)	(383,142)	(2,045,202)
Write down of exploration property and deferred expenditures (Note 6)	(50,000)	-	(50,000)	-
Accretion (Note 10)	-	(482,485)	57,416	(489,485)
Recovery of expenditures	-	-	66,958	-
Net gain (loss) on derivative instruments (Note 5)	(349,085)	-	1,741,471	-
Loss before income taxes	(3,193,607)	(2,322,939)	(1,936,423)	(5,326,334)
Future income taxes (Note 13)	(71,900)	793,000	194,100	956,000
Loss for the period	(3,265,507)	(1,529,939)	(1,742,323)	(4,370,334)
RETAINED EARNINGS/(DEFICIT), beginning of period	13,850,643	(24,992,335)	12,327,459	(22,151,940)
RETAINED EARNINGS/(DEFICIT), end of period	\$ 10,585,136	\$ (26,522,274)	\$ 10,585,136	\$ (26,522,274)
Loss per share - basic & diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted average number of shares - basic & diluted	319,225,711	263,221,172	319,225,711	256,914,970

CROWFLIGHT MINERALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

unaudited

For the three and six months months ended June 30,

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
OPERATING ACTIVITIES:				
Net income/(loss) for the period	\$ (3,265,507)	\$ (1,529,939)	\$ (1,742,323)	\$ (4,370,334)
Charges not affecting cash:				
Amortization	336,294	1,437	337,247	4,123
Stock-based compensation expense (Notes 11(a) and (c))	352,374	1,016,030	717,921	1,538,587
Warrants issued on In-process working capital facility	107,597	-	107,597	-
Accretion (Note 10)	-	482,485	(57,416)	489,485
Debt facility transaction costs	-	4,297	-	2,045,202
Capitalized interest	-	355,761	-	418,831
Change in value of derivative instruments	349,085	-	8,393,254	-
Future income tax recovery (Note 13)	71,900	(793,000)	(194,100)	(956,000)
Net change in non-cash working capital	3,557,416	(604,891)	2,438,453	(1,120,426)
	1,509,159	(1,067,820)	10,000,633	(1,950,532)
FINANCING ACTIVITIES:				
Debt facility, net of transaction costs	-	7,255,703	(7,600,000)	23,173,352
Common shares issued through private placements	7,293,420	10,184,706	7,293,420	10,184,706
Shares issued from exercise of warrants and options	-	569,169	-	1,004,616
Payments on equipment leases	(10,508)	(20,235)	(27,273)	(47,344)
	7,282,912	17,989,343	(333,853)	34,315,330
INVESTING ACTIVITIES:				
Exploration and development property, plant and equipment, and deferred expenditures	(9,164,180)	(19,150,500)	(20,308,323)	(35,920,758)
(Increase) decrease in deposits and prepaid exploraton expenditure	-	318,554	-	318,554
(Decrease)/Increase in accounts payable attributable to property development and exploration	420,045	(1,885,577)	(1,307,253)	1,604,140
Release of restricted cash	-	-	2,999,998	-
	(8,744,135)	(20,717,523)	(18,615,578)	(33,998,064)
CHANGE IN CASH AND CASH EQUIVALENTS	47,936	(3,796,000)	(8,948,798)	(1,633,266)
CASH AND CASH EQUIVALENTS, beginning of period	\$ 1,610,809	\$ 11,167,522	10,607,543	9,004,788
CASH AND CASH EQUIVALENTS, end of period	\$ 1,658,745	\$ 7,371,522	\$ 1,658,745	\$ 7,371,522
Cash and cash equivalents consist of:				
Cash	1,350,858	1,903,334	1,350,858	1,903,334
Cash equivalents	307,887	5,468,188	307,887	5,468,188
	\$ 1,658,745	\$ 7,371,522	\$ 1,658,745	\$ 7,371,522
SUPPLEMENTAL INFORMATION:				
Warrants granted related to debt facility	107,597	-	107,597	3,719,479
Warrants granted as cost of issue	301,612	244,831	301,612	244,831
Stock based compensation charged to exploration properties	-	-	14,250	-
Amortization of assets deferred to exploration properties	604	7,195	8,833	14,389
Interest received	2,000	80,392	23,511	138,803
Interest paid	9,969	828	60,520	158,221
Income taxes paid	-	-	-	-
Common shares issued for settlement of trade payables	5,000,000	-	5,000,000	-

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

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

unaudited

For the three and six months ended June 30, 2009

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 six months ended June 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.

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.

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

unaudited

For the three and six months ended June 30, 2009

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

Material 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. 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.

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

unaudited

For the three and six months ended June 30, 2009

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 converting to the new standards within the allotted timeline.

3. INVENTORY

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

	June 30, 2009	December 31, 2008
Nickel in process	\$ 8,054	\$ -
Nickel concentrate	531,039	-
Nickel in transit	490,813	-
Materials and supplies	865,319	268,285
	<u>\$ 1,895,225</u>	<u>\$ 268,285</u>

All inventory is valued at the lesser of cost or net realizable value. As at June 30, 2009 and December 31, 2008, nickel in process, nickel concentrate and nickel in transit are recorded at net realizable value, while materials and supplies are recorded at cost. A write-down of \$839,000 for nickel inventory as at June 30, 2009 to net realizable value is included in cost of sales.

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

unaudited

For the three and six months ended June 30, 2009

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	June 2009 Accumulated Amortization	Net	2008 Net
	\$	\$	\$	\$
Computers	512,390	(96,163)	416,227	5,480
Furniture	49,892	(7,556)	42,336	4,453
Field equipment	104,760	(60,500)	44,260	53,224
Vehicles	73,259	(15,103)	58,156	46,084
	<u>740,301</u>	<u>(179,322)</u>	<u>560,979</u>	<u>109,241</u>
Producing properties*				
Buildings & equipment	3,941			-
Plant & equipment	82,978,431			-
Deferred mine development costs	62,017,135			-
Asset retirement costs	1,650,952			-
Bucko deferred project costs	8,981,026			-
Property costs	4,738,501			-
Less: preproduction net revenue**	(2,702,704)			-
	<u>157,667,282</u>	<u>(313,276)</u>	<u>157,354,006</u>	<u>-</u>
	<u>158,407,583</u>	<u>(492,598)</u>	<u>157,914,985</u>	<u>109,241</u>

*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, preproduction treatment and refining charges and inventory adjustments to COGS.

During the quarter, the Company commenced 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.

The Company reviewed the Bucko Deposit for impairment during the second quarter of 2009. At June 30, 2009, management determined that the property was not impaired and no write-downs were necessary.

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

unaudited

For the three and six months ended June 30, 2009

5. 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). The Company recognized 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. 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.

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

	MANITOBA			ONTARIO	TOTAL
	BUCKO PROJECT	THOMPSON NICKEL BELT	PURE NICKEL JV	SUDBURY	
		(\$)	(\$)	(\$)	(\$)
Balance, January 1, 2009	137,185,242	15,440,513	513,107	800,853	153,939,715
<i>Acquisition or property maintenance costs</i>		23,804	-	-	23,804
<i>Project capital costs</i>		-	-	-	-
<i>Project development costs</i>		-	-	-	-
<i>Exploration costs</i>		84,956	5,486	-	90,442
<i>Asset Retirement Obligations</i>		-	-	-	-
<i>Less: government assistance</i>		(115,463)	(17,158)	-	(132,621)
<i>Less: transferred to producing property*</i>	(137,185,242)	-	-	-	(137,185,242)
Balance, June 30, 2009	-	15,433,810	501,435	800,853	16,736,098

* 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 4).

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the three and six months ended June 30, 2009

6. 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 \$763,000 during 2009 to meet its expenditure commitment for the year, and \$6,763,000 to meet its expenditure commitment over the next five years as follows:

- \$2,200,000 by December 31, 2009 (\$1,437,000, including a 10% administration charge, incurred to June 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 (Q2-2008 - \$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 (Q2-2008 - \$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 six months ended June 30, 2009.

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the three and six months ended June 30, 2009

7. EQUIPMENT LEASE OBLIGATION

As at June 30, 2009, the future minimum lease payments under the equipment lease arrangements for the periods ended December 31 were:

<u>Equipment lease obligations</u>	
2009	25,873
2010	53,186
2011	46,148
2012	9,836
2013	9,836
	<hr/>
	144,879
Less: Amounts representing interest	(16,737)
	<hr/>
	128,142
Less: Current portion	(35,730)
Long-term portion	<hr/>
	92,412

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. 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(b)).

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 5). 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(b)). 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.

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the three and six months ended June 30, 2009

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:

	June 30, 2009	December 31, 2008
Balance, beginning of period	\$ 359,000	\$ 331,000
Increase in asset retirement obligation	\$ 616,803	\$ -
Accretion expense	\$ (57,416)	\$ 28,000
Balance, end of period	\$ 918,387	\$ 359,000

The Company has estimated the present value of its total asset retirement obligations to be \$918,387 (December 31, 2008 – \$359,000) at June 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 changed the assumptions used to discount the prior year's asset retirement obligations, such that an adjustment to accretion expense was recorded.

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*unaudited*

For the three and six months ended June 30, 2009

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	75,411,765	12,820,000
Warrant valuation	-	(2,174,590)
Cost of issue	-	(828,193)
Shares issued through share compensation plan	355,812	71,164
Flow-through share tax effect	-	(2,982,000)
Tax effect of cost of issue	-	169,900
Balance, June 30, 2009	369,071,900	\$ 106,366,145

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.

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the three and six months ended June 30, 2009

11. CAPITAL STOCK

a) Common shares issued (continued)

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 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, 355,812 common shares were issued under the plan at a value of \$0.20 per share or \$71,164, being the fair market value on the dates of grant. Of this value, \$43,832 was charged to professional, consulting and management fees, \$14,250 was charged to exploration and development costs and the balance of \$13,082 was charged to operations.

b) Warrants

	June 30 2009		December 31, 2008	
	Number of warrants	Weighted Average price (\$)	Number of warrants	Weighted Average price (\$)
Balance, beginning of period	19,705,586	0.61	11,248,650	1.03
Granted, private placements	37,705,882	0.20	-	-
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	63,846,682	0.21	19,705,586	0.61

CROWFLIGHT MINERALS INC.

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For the three and six months ended June 30, 2009

11. CAPITAL STOCK (continued)

b) Warrants (continued)

As at June 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
7,528,173	63,846,682		

c) Stock Options

The following are the stock option transactions during the period:

	June 30, 2009		December 31, 2008	
	Number of options	Average price	Number of options	Average price
Balance, beginning of period	19,644,375	\$ 0.55	21,510,000	\$ 0.54
Granted	4,370,000	\$ 0.20	4,340,000	\$ 0.63
Exercised	-	\$ -	(2,530,000)	\$ 0.23
Expired	(5,957,500)	\$ 0.55	(150,000)	\$ 0.61
Forfeited	(430,625)	\$ 0.46	(3,525,625)	\$ 0.84
Balance, end of period	17,626,250	\$ 0.46	19,644,375	\$ 0.55

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the three and six months ended June 30, 2009

11. CAPITAL STOCK (continued)

c) Stock Options (continued)

As of June 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
70,918	150,000	131,250	\$ 0.710	November 21, 2012
100,844	240,000	210,000	\$ 0.630	November 22, 2012
40,605	120,000	90,000	\$ 0.520	February 1, 2013
61,447	180,000	135,000	\$ 0.540	March 31, 2013
43,263	100,000	62,500	\$ 0.680	April 30, 2013
1,347,661	3,215,000	2,009,375	\$ 0.690	May 26, 2013
47,191	165,000	103,125	\$ 0.480	June 30, 2013
13,765	75,000	37,500	\$ 0.320	July 31, 2013
2,293	30,000	11,250	\$ 0.150	October 31, 2013
7,186	75,000	28,125	\$ 0.190	November 30, 2013
8,530	95,000	23,750	\$ 0.200	January 31, 2014
20,587	260,000	65,000	\$ 0.185	February 28, 2014
188,531	2,410,000	602,500	\$ 0.200	March 20, 2014
27,011	360,000	45,000	\$ 0.240	May 6, 2014
1,920	35,000	4,375	\$ 0.200	May 31, 2014
55,750	1,000,000	125,000	\$ 0.200	June 1, 2014
9,757	210,000	26,250	\$ 0.200	June 30, 2014
\$ 5,348,970	17,626,250	12,616,250		

CROWFLIGHT MINERALS INC.

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For the three and six months ended June 30, 2009

11. CAPITAL STOCK (continued)

c) Stock Options (continued)

During the six months ended June 30, 2009, 4,370,000 stock options (Q2 2008 – 3,975,000) 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 \$661,007 (Q2 2008 - \$1,538,587) 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 period ended June 30, 2009 was \$0.20 (Q2 2008 - \$0.40). 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:

	<u>Q2-2009</u>	<u>Q2-2008</u>
Expected dividend yield	0%	0%
Expected volatility	87%	81%
Risk-free interest rate	1.9%	4.1%
Expected average life (yrs)	5	5

d) Contributed Surplus

	June 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	628,926	2,140,846
Consultants	32,081	223,989
Exercise of stock options, reallocation of valuation	-	(979,566)
Expiry of warrants, reallocation of valuation	-	1,906,970
Balance, end of period	\$ 14,146,758	\$ 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 June 30, 2009 an amount of \$4,048 (2008 - \$nil) is payable in relation to these expenses. During the comparative six months, the Company prepaid and was owed \$18,251. Amounts payable and prepaid are unsecured, non-interest bearing with no fixed terms of repayment.

The Company was charged \$30,000 during the six months ended June 30, 2009 (Q1 2008- \$30,000) by a company controlled by a director of the Company for administration services.

During the six months ended June 30, 2009, 2,700,000 stock options were granted to directors and officers of the Company compared to 2,275,000 options for the six months ended June 30, 2008.

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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 future income taxes of \$194,100 based on differences in the tax basis and carrying values of the Company's assets at June 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 properties in which the Company currently has an interest are in the exploration and development stage; as such the Company is dependent on external financing to fund its activities, as well as the achievement of profitable operations. In order to carry out the planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. 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 six months ended June 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 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 goods and services tax due from the Federal Government of Canada and receivables from related and unrelated companies. Receivables from operations are from one 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.

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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 June 30, 2009, the Company had a cash and cash equivalents balance of \$1,658,745 (December 31, 2008 - \$10,607,543) to settle current liabilities of \$15,467,692 (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. The Company monetized its derivative currency contracts during the first quarter, and currently does not hedge for foreign exchange risk (Note 5).

(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. These were classified as held-for-trading and were not designated as hedges (Note 5).

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.

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Sensitivity analysis (continued)

As at June 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 June 30, 2009 will generate an increase in interest expense of approximately \$9,600.

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 June 30, 2009 will generate a decrease in interest income of approximately \$16,000.

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 June 30, 2009 will generate an increase or decrease in the receivable of approximately \$24,400. 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 June 30, 2009, the Company has spent approximately \$2,751,000, and will be required to spend approximately \$1,499,000 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 \$4,080,000 be made upon the occurrence of certain events such as a change of control. Minimum commitments under these contracts are approximately \$863,000, all of which is due within one year. As at July 23, 2009 such an event occurred. Please see Subsequent Events Note 18.

(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.

CROWFLIGHT MINERALS INC.

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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	
	June 30, <u>2009</u>	December 31, <u>2008</u>
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 July 7, 2009, the Company entered into an agreement with Pala Investments Holdings Limited ("Pala") for a Cdn\$15,000,000 private placement financing. Pala agreed to purchase 60,000,000 units (the "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 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. Following completion of the Offering, Pala will hold, directly and indirectly, 116,079,971 common shares and 50,588,235 warrants of the Company (representing approximately 27.07% on a non-diluted basis and approximately 34.76% on a partially diluted basis).

The TSX granted the Company an exemption under the provisions of section 604(e) of the TSX Company Manual from the shareholder approval requirements for the offering as the Company did not have sufficient time to seek shareholder approval and was relying on the financial hardship exemption and on July 23, 2009 the Company announced the closing of the above transaction. Net proceeds from the Offering will be used to pay outstanding indebtedness, including \$5,000,000 payable to its mining contractor (an affiliate of Pala).