



crowflight minerals inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three months ended March 31, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

of financial condition and results of operations
for the three months ended March 31, 2010

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 months ended March 31, 2010 and should be read in conjunction with our unaudited interim consolidated financial statements for the three months ended March 31, 2010 in addition to our annual audited consolidated financial statements and notes for the year ended December 31, 2009. 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, Greg Collins, P.Geo., and Steve Davies, P.Eng. who is an officer of the Company, both are "Qualified Persons" within the meaning of National Instrument 43-101.

This MD&A reports our activities through May 7, 2010 unless otherwise indicated. All figures are in Canadian dollars unless otherwise indicated.

References to the first quarter of 2010 or Q1-2010 and the first quarter of 2009 or Q1-2009 mean the three months ended March 31, 2010 and 2009 respectively.

NON-GAAP MEASURES

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

HIGHLIGHTS

- The Bucko Lake Nickel Mine ("Bucko") located in the Thompson Nickel Belt near Wabowden, Manitoba resumed milling operations and shipments of nickel concentrate during the first quarter of 2010. This marks the first shipments of nickel concentrate since milling operations resumed at the Bucko Mine earlier this year.
- For the quarter ended March 31, 2010, there were 141,970 pounds of nickel produced, and 117,600 pounds of commercial production nickel sold as compared to 138,956 pounds of nickel produced and 65,498 of pre-production nickel sold in the first quarter of last year when the mine was not yet in production.
- Total metal revenue for the quarter ended March 31, 2010 was \$1.2 million compared to nil for the first quarter last year.
- Operating cash flow for the quarter ended March 31, 2010 was negative \$8,944,040 compared to operating cash flow of \$8,491,474 in the first quarter last year.
- Loss for the quarter ended March 31, 2010 was \$6.2 million or (\$0.01) per share compared to net income of \$1.5 million or \$0.01 per share in the first quarter last year (due to a gain on derivative instruments in the first quarter of 2009).

CROWFLIGHT MINERALS INC.

- Commercial nickel sales settled during the quarter ended March 31, 2010 were realized at an average price of US\$9.77 per pound compared with pre-production nickel sales in the first quarter of 2009 which were realized at an average price of US\$4.46 per pound.
- Net working capital as at March 31, 2010 was \$4.0 million (including cash and cash equivalents of \$9.2 million) compared to \$3.2 million as at December 31, 2009.

2010 Quarterly Bucko Mine Operations Production and Financial Data

	Q1-2010
Operating Statistics:	
Tonnes ore mined	11,177
Average Nickel head grade (%Ni)	1.02%
Tonnes ore milled	9,431
Average Recovery	66.94%
Nickel pounds:	
Produced	141,970
Payable sold ¹	117,600
Commercial Production Metal Sales Revenue:	
Average Ni price (US\$/lb)	\$ 9.77
CAD/US exchange rate	\$ 1.04
Nickel revenue	893,266
Pricing adjustments ³	304,756
Total metal revenue	1,198,022
Cost of sales ²	3,867,822
Temporary shutdown costs	4,480,891
Depreciation, depletion, and amortization	36,432
Gross profit	(7,187,123)
Net earnings (loss) before tax	(8,935,360)
Basic and diluted earnings (loss per share)	\$ (0.01)
Cash flow from operating activities	(8,944,040)
USD Cash Cost of sales per pound sold ^{1,4}	\$ 31.53

1. Includes settlement of prior quarter sales

2. Other metal revenue is recorded as an offset to cost of sales in the Company's financial statements

3. Pricing adjustments reflect final pricing/volume adjustments on lots sold in prior quarters

4. Non-GAAP Measure - see "Non-GAAP Measures" section

- On January 27, 2010, the Company received a non-binding expression of interest from Pala regarding the direct or indirect acquisition of the Bucko Deposit and certain surrounding exploration areas held by the Company in the Thompson Nickel Belt, including the M11A and Apex deposits, collectively the "Bucko Assets". Subsequent to the quarter's end, discussions with Pala were terminated. Please see press releases dated January 27 and 28, 2010 and May 10, 2010.
- On February 19, 2010, the Company announced it had closed a private placement financing by issuing an aggregate of 72,200,000 common shares of the Company at a price of \$0.16 per share for gross proceeds of \$11,552,000. Pala purchased 21,356,250 of the 72,200,000 common shares resulting in it holding approximately 25.3% of the issued and outstanding shares of the Company (based on Pala's public disclosure of its securities holdings).
- On February 4, 2010 and March 4, 2010, Crowflight reported assay results from a program of drilling at the company's M11A North deposits located 5 kilometres from the Bucko mine site. Drilling results from this program are to be used to update resource calculations later this year. Exploration expenditures made in 2009 entitle Crowflight to vest its initial 35% interest in the combined land package in the Thompson Nickel Belt as per the terms of its option agreement with Xstrata.

- On March 23, 2010, the Company announced the appointment of Steve Davies, P.Eng. as Chief Operating Officer of Company.
- Subsequent to the quarter's end, the Company received an offer from Jinchuan Group Ltd. ("Jinchuan") to acquire all of the common shares of Crowflight in consideration for an aggregate cash payment of \$150,000,000. Based on the current number of Crowflight common shares outstanding, this Offer equates to approximately \$0.26 per common share. The Offer represents a premium of 47.3% to the closing price on the Toronto Stock Exchange for the Company's common shares on April 2, 2010 and a premium of 56.8% to the 20 day volume weighted average trading price. On a partially diluted basis, taking into account the outstanding convertible securities of the Company that have an exercise price of equal to or less than \$0.22, the Offer equates to approximately \$0.22 per share. On this basis, the Offer represents a premium of 27.0% to the closing price on the Toronto Stock Exchange for the Company's common shares on April 2, 2010 and a premium of 35.1% to the 20 day volume weighted average price. Please see press release dated April 6, 2010.
- Subsequent to the quarter's end, the Company announced the resignation of Greg Collins, Vice President of Exploration for Crowflight, effective April 30th
- Subsequent to the quarter's end, the Company entered into a series of financial instruments to price protect nickel sales from July 2010 – June 2011. The Company has hedged approximately 850,000 pounds of nickel at prices ranging from US\$9.00 - \$11.00 per pound of nickel.
- Subsequent to the quarter's end, the TSX announced that it had completed its review of the listing of the common shares of the Company and determined that Crowflight meets TSX's continued listing requirements.

DESCRIPTION OF BUSINESS

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

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

OUTLOOK

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

Crowflight does not expect to meet its 2010 guidance as previously disclosed in February 2010 (please see press release dated February 24, 2010). The Company is currently reviewing its 2010 production plan and costs for the remainder of this year, and expects to give updated guidance later this year.

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

MINERAL PROPERTIES

THOMPSON NICKEL BELT PROPERTIES ("TNB") - MANITOBA

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

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

CROWFLIGHT - XSTRATA AGREEMENTS

Bucko Mining Lease, Offtake, and TNB Exploration Option Agreements

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

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 2009, Crowflight had incurred gross exploration expenditures, which includes a 10% administration charge, of approximately \$7.35 million of the required \$7.2 million expenditure commitment. The Company has provided notice to Xstrata of its achieving an initial vested interest of 35% in the project. The Company will earn a 100% interest upon its expenditure of a further \$5.85 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

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. These agreements replace former agreements with Falconbridge Ltd. (Xstrata Nickel) dated June 2004 and January 2005.

MANIBRIDGE JOINT VENTURE – MANITOBA

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

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

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

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

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

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

SUDBURY PROPERTIES – ONTARIO

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

AER Kidd Property

There is currently no activity on this property. Crowflight maintains a 100% interest in the mining patents associated with this property. In 2008, the Company wrote down the value of this property. In Q1-2010, the Company recorded an additional amount of \$51,771 (2009-\$50,000) to the statement of operations for payment made to maintain the property in good standing. The Company continues to seek a partner to advance this project.

Peter's Roost Property

In 2006, the Company reached an 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. 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.

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 submitted proposals for additional work in 2009. Under the terms of the Agreement, Wallbridge retains an option right 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. In April 2009, Crowflight granted Wallbridge an extension to the period required to complete minimum exploration expenditures for 2009. Wallbridge completed its proposed program of work for 2009 during the first quarter of 2010.

EXPLORATION ACTIVITIES

Thompson Nickel Belt Properties

In 2009, the Company completed a program of exploration drilling to explore and infill nickel mineralization associated with the M11A North deposit. The M11A North deposit is located 4 kilometers north of the Bucko Lake mine and mill operation located near the town of Wabowden, Manitoba. The deposit was discovered by Crowflight and its partner Xstrata Nickel in 2006 and was followed up by subsequent drilling programs in 2007 and 2008 (refer to press releases dated July 11, 2006, May 8, 2007, April 21, 2008, and May 20, 2008).

Drilling completed in late 2009 was designed to infill mineralization outlined in 2006 and 2007 and follow-up on the new zone of mineralization identified by drilling in 2008. In total 6,894 metres in 18 holes were completed during the 2009 program. Of the 18 holes completed, 14 encountered elevated grades of nickel. Assay results from the program were reported on February 4, 2010 and on March 4, 2010. The results of this drilling have expanded the known limits of mineralization associated with the deposit and indicate that the deposit remains open for possible further expansion at depth. In 2008, a National Instrument (NI) 43-101 compliant inferred resource estimate for the deposit was calculated at 903,000 tonnes grading 1.55% nickel (refer to press release dated March 12, 2009). Drilling results from the 2009 program are to be used to update the resource estimate for the deposit later in 2010.

At the end 2009, the Company had incurred exploration expenditures under the terms of the Xstrata Exploration Agreement totalling approximately \$7.35 million, thus fulfilling its minimum spending requirements of \$7.2 million by December 31, 2009. The Company has provided notice to Xstrata of its achieving an initial vested interest of 35% in the project.

Bucko Lake Nickel Mine

At Bucko, infill and exploration drilling programs were conducted on the 450', 500' and 900' levels of the deposit. By the end of the first quarter of 2010, 73 holes for a total of 10,193 metres of underground drilling had been completed. Results from this drilling are expected to be used to confirm mining reserves for 2011 and to explore for additional mineral resources.

Sudbury Properties

In 2009, Wallbridge continued its efforts on Area 4 of the joint venture (close to McGrindle Lake in Botha and Roberts Townships) and near the Foy-Hess Offset Dyke part of the Area. Work completed in between 2006 and 2008 includes the completion of a high resolution airborne geophysical survey, mapping and the diamond drilling of six short holes. Several of the holes intersected semi-massive sulphides containing anomalous nickel copper sulphide mineralization.

During the summer of 2009, a program of mapping and surface sampling was undertaken in the vicinity of the interpreted extension of the Foy-Hess Offset Dyke by Wallbridge. Also, in 2009, Wallbridge completed 5 holes totalling 654 metres at Area 4. The holes at Area 4 intercepted extensions of the semi-massive sulphide body intersected in 2008, but did not return any economically significant assay values. In September 2009, inversion magnetic modelling conducted by Mira Geoscience on data collected over Area 4, highlighted additional targets on the property, interpreted to be associated with untested target horizons at depth. In January 2010, three holes totalling 726 metres were drilled; however, no significant nickel copper sulphide mineralization was intersected.

OPERATIONAL AND DEVELOPMENT ACTIVITIES

Bucko Lake Nickel Mine Operational Highlights:

- Production mining recommenced in the later part of February 2010
- Milling operations resumed in early March of 2010 with nickel concentrate shipments to Xstrata Nickel resuming the week of March 15, 2010 and continuing throughout April 2010.
- Mining operations continued to ramp up through March reaching 800 tonnes per day by the end of March 2010

Development of the surface ramp decline broke through to the 1,000' Level ramp in February 2010. The ramp connection has been designed to develop access to new areas for mining and allow for the use of large 40-tonne class trucks to haul ore directly from the stoping levels to surface.

Lateral level development commenced in January and is scheduled to continue through the first and second quarters.

At the time of this report, three levels have been fully developed with mine production coming from all three levels. A fourth level is currently being developed as planned.

RESULTS OF OPERATIONS

The Company declared on June 10, 2009 that commercial production commenced effective as of June 1, 2009. Consequently the results of operations for the three months ended March 31, 2010 are not comparable to the same period last year during which the Bucko mine was not in production.

First quarter 2010 vs. First quarter 2009

The Company reported a net loss of \$6,218,785 (\$0.01 per share – basic and diluted) for the quarter ended March 31, 2010 compared to income of \$1,523,184 (income of \$0.01 per share – basic and diluted) for the quarter ended March 31, 2009.

Operations

During the three months ended March 31, 2010, a total of 11,177 tonnes of ore were extracted from the Bucko underground compared with 31,091 tonnes of pre-production ore extracted during the same period in 2009.

During the three months ended March 31, 2010, the mill processed 9,431 tonnes of ore at an average grade of 1.02% nickel producing approximately 141,970 pounds of nickel with an average recovery of 66.94%. The Company sold approximately 117,600 pounds of payable nickel during the quarter including sales settlements from prior quarters. During the same period last year, the mill processed 29,303 tonnes of pre-production ore at an

average grade of 0.95% nickel producing 138,956 pounds of nickel with an average recovery of 31.97%. The Company sold 65,498 pounds of payable nickel during Q1-2009.

Revenue

Revenue is affected by sales volumes, commodity prices and currency exchange rates. Approximately 75% of nickel concentrate sales are recognized in revenue at prevailing spot prices when concentrate is delivered to Xstrata for smelting and refining treatment, per the In-Process Working Capital Facility with Auramet (See Note 8 of the interim consolidated financial statements for the three months ended March 31, 2010). Final pricing and quantities are settled three months following delivery. At the end of each quarter, all outstanding sales contracts for the quarter are valued based on the three month forward price and offset against nickel sales. Final pricing results in additional revenues in a rising commodity price environment and reductions to revenue in a declining commodity price environment. Similarly, a weakening in the Canadian dollar relative to the US dollar will result in additional revenues and a strengthening in the Canadian dollar will result in reduced revenues. Sales of other metals are offset in cost of goods sold.

For the three months ended March 31, 2010, nickel revenue was \$893,266. Pricing adjustments realized in the quarter were \$304,756. The average realized price was US\$9.77/lb at an average US/CAD exchange rate of \$1.04. During the same period in the comparable year the Company was in pre-production, as a result, any revenues from sales of pre-production ore were offset against capital projects and not reflected in the statement of operations.

Operating Costs

The Company recorded cost of sales of \$3,867,822 during the quarter ended March 31, 2010, compared to \$nil in the same quarter last year. The USD operating cash cost per payable pound was \$31.53 (non-GAAP measure, see "non-GAAP measures" section) for the quarter ended March 31, 2010. The higher cash cost is predominantly from lower than expected production. In addition, there were higher mining material costs, as well as higher than expected restart costs including plant maintenance and infill drilling.

The Company recorded non-cash amortization of \$36,432 for Bucko related assets depreciated on a unit of production in Q1-2010, compared to \$nil in the same period last year.

Temporary Shutdown Costs

The Company suspended production mining and milling operations on November 16, 2009 which remained suspended for the remainder of Q4-2009 and into the first quarter of 2010. Expenses incurred during temporary shutdowns that related to maintenance or support were recorded as temporary shutdown costs and totalled \$4,480,891 for the quarter ended March 31, 2010. Temporary shutdown costs for the same period in 2009 were \$nil as the Company was not in production.

Other Items

General and administrative expenses increased by approximately \$695,940 from the comparative quarter as a result of several variances. These include stock-based compensation expense, which increased by \$300,031 and increases in consulting and legal fees. The Company paid or accrued re-start and retention incentive payments of \$124,500 during the quarter for which there was no charge recorded during the comparative period.

The Company recorded a net gain of \$nil on cash settlements of forward sales contracts. During the comparative quarter in the prior year, the Company realized net gains of \$2,090,556 as a result of the monetization of their forward nickel and currency contracts from 2008 and 2009. 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.

During the quarter ended March 31, 2010, the Company recognized a future income tax recovery of \$2,716,575 compared to a recovery of \$266,000 during the quarter ended March 31, 2009, the lower recovery in the prior year

is a result of the gain on forward sales contracts as discussed above and the increase in cost of sales in the current quarter as a result of the Company restarting production.

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, 2009; and Note 2 of the Q1-2010 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, 2009 and Note 2 of the Q1-2010 financial statements.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2010, the Company had a working capital (non-GAAP measure, see Non-GAAP Measures section above) of \$4,037,356 compared to working capital of \$3,171,755 as at December 31, 2009. The cash balance as at March 31, 2010 was \$9,176,773 (2009 – \$10,040,475).

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

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

On February 19, 2010, the Company closed a private placement financing by issuing an aggregate of 72,200,000 common shares of the Company at a price of \$0.16 per share for gross proceeds of \$11,552,000. Pala Investment Holdings Limited ("Pala"), through a wholly owned subsidiary, purchased 21,356,250 of the 72,200,000 common shares giving it approximately 6.01% of the issued and outstanding shares of the Company.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. Cash equivalents consist of guaranteed investment certificates and bankers acceptance, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist of goods and services tax due from the Federal Government of Canada and receivables from related and unrelated companies. Receivables from operations are from the

Company's sole customer, Xstrata, and the Company is reliant on Xstrata's credit for continued operations. Management believes that the credit risk with respect to these financial instruments included in amounts receivable is remote.

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 March 31, 2010, the Company had a cash and cash equivalents balance of \$9,176,773 (2009 - \$10,040,475) to settle current liabilities of \$8,290,558 (2009 - \$9,327,431). Most of the Company's financial liabilities have contractual maturities of between 30 – 60 days and are subject to normal trade terms. The Company has a continued need for working capital for operations and for the exploration and development of its properties. Although the Company continues to reach higher production levels, because of continuing operating losses there is no guarantee that the current working capital will be sustainable.

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 did not draw down on the in-process working capital facility in Q1-2010. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company also monitors the working capital facility interest rate and balance advanced under the facility. Currently, the Company does not hedge against interest rate risk.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is exposed to foreign exchange risk as a result of sales transactions being denominated in US dollars. Amounts receivable as at March 31, 2010 include an amount of US\$423,067 (2009 - \$987,330). The Company monetized its derivative currency contracts during the first quarter of fiscal 2009, and currently does not hedge for foreign exchange risk (Note 6 of the Interim Consolidated Financial Statements).

(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.

There were no significant changes to credit risk, liquidity risk and market risk during the three months ended March 31, 2010 compared to the year ended December 31, 2009.

Sensitivity analysis

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

As at March 31, 2010, 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%. At March 31, 2010, the amount owing on the working capital facility was \$nil.

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 Marcy 31, 2010 will generate a decrease in interest income of approximately \$91,768.

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 March 31, 2010 will generate an increase or decrease in the receivable of approximately \$4,297. As production ramps up and the accounts receivable balance increases, the change could be significant.

QUARTERLY INFORMATION

The quarterly results have been as follows:

Summary Financial Information for the Eight Quarters Ended March 31, 2010					
<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>
1 st Quarter 2010	1,198	168,441	(6,219)	(0.01)	987
4 th Quarter 2009	2,439	166,307	(22,333)	(0.04)	980
3 rd Quarter 2009	2,285	208,606	(2,905)	(0.01)	992
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

The Company had operating revenue for the three months ending March 31, 2010 of \$1,198,022.

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 during 2008 and the first three quarters of 2009. Total assets also increased during Q3-2009 as a result of the closing of private placements on July 23 and September 29, 2009. Total assets decreased during Q4-2009 due to an impairment provision recorded by the Company.

The net losses in Q2 & Q3 2009 and Q1 2010 resulted primarily from higher costs of nickel production and temporary shutdown costs. Other costs included Manitoba corporate taxes and corporate overheads, including stock-based compensation, severance and incentive payments and losses resulting from foreign exchange transactions. The net loss in Q4 2009 resulted primarily from an impairment provision on certain of the Company's Property, plant and equipment and Exploration and development property and deferred expenditures. Net 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 loss in Q2-2008 result primarily from corporate overheads, including stock-based compensation

In Q1-2008, the Company entered into a long term loan facility agreement, and drew down funds against this facility accounting for the rise in long term debt over the next few quarters of 2008. 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

Cash used by Operating Activities was \$8,944,040 during the quarter ended March 31, 2010, compared to providing cash of \$8,491,474 during the same period in 2009. The change in non-cash working capital used was \$736,881 during the quarter ended March 31, 2010 compared to the use of \$1,118,963 in non-cash working capital during the quarter ended March 31, 2009.

Cash provided from Financing Activities was \$11,415,885 during the quarter ended March 31, 2010 compared to using \$7,616,765 for Q1-2009. During the comparative quarter in 2009, the Company used \$7,600,000 to repay its debt. The Company raised \$11,427,000 net of issue costs through a private placement in February 2010 compared with \$nil in the same period in the prior year.

Cash used in Investing Activities during the quarter ended March 31, 2010 was \$3,335,547 compared to \$9,871,443 during the quarter ended March 31, 2009. Cash spending on exploration and development of its properties in the TNB as well as the continued mine development and purchase of capital assets related to the Bucko mining operations for the current quarter was \$2,342,074, net of government assistance, compared to \$11,144,143 during Q1-2009. Specifically, the Company used \$2,068,570 in cash in the capital development of the Bucko Mine (Q1-2009 -- \$11,224,532). The Company received \$nil in government assistance (Q1-2009 -- \$115,463) related to the TNB Joint Venture and used \$273,504 in cash during the quarter (Q1-2009 -- \$46,746). The Company received \$nil in government assistance (Q1-2009 - \$17,158) and incurred expenses related to the Pure Nickel Joint Venture of \$nil compared to \$5,486 during the same period in the prior year. Accounts payable related to exploration and development expenditures decreased by \$993,473 during the current quarter compared to a decrease of \$1,727,298 during the comparative quarter.

COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts which require that additional payments of up to \$3,171,509 be made upon the occurrence of certain events such as events that may result from a change of control. As at July 23, 2009, a change of control occurred. As a result of this change of control, either the Company or the holder of the contract can terminate the contract before July 24, 2010, which would result in the contract holder receiving certain additional payments. As at March 31, 2010 there were no amounts owing relating to any such event having occurred. Minimum termination commitments under these contracts are approximately \$720,254, all of which are due within one year.

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

Outstanding legal issues relate to a claim for damages made by the Company against 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 corrective measures is approximately \$230,000.

In March 2010, the Board of Directors granted mine restart bonuses payable at 50% at the restart of milling operations following shut down in November 2009, the other 50% is payable upon the mill maintaining operations for a period of one month following restart. The total potential additional payments outstanding at March 31, 2010 were \$225,500.

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 March 31, 2010 an amount of \$18,729 (Q1-2009 - \$2,799) is payable in relation to these expenses. Amounts payable are unsecured, non-interest bearing with no fixed terms of repayment.

During the three months ended March 31, 2010, \$5,280,483 was paid or accrued to Dumas Contracting Limited ("Dumas"), a subsidiary of Pala Investment Holdings ("Pala"), a company that placed two directors on the Company's board as a result of a private placement in 2009, and is included in cost of sales on the statement of operations. Included in accounts payable and accrued liabilities as at March 31, 2010 is \$2,076,124 owing to Dumas. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

During the three months ended March 31, 2010, the Company paid \$16,082 (Q1-2009 - \$4,836) and granted 225,000 (Q1-2009 - 30,000) stock options to individuals for legal and support services. These are included in professional, consulting and management fees on the statement of operations. These same individuals also perform services for a company controlled by a director of the Company.

The Company was charged \$15,000 during the three months ended March 31, 2010 (Q1-2009 - \$15,000) by a company controlled by a director of the Company for administration services.

During the three months ended March 31, 2010, 2,250,000 stock options were granted to directors and officers of the Company compared to 1,700,000 options for the three months ended March 31, 2009.

OUTSTANDING SHARE DATA

As at May 7, 2010, 583,493,054 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, 38,480,000 remain outstanding with exercise prices ranging from \$0.15 to \$1.02, with expiry dates ranging between July 14, 2010 and April 15, 2015. If exercised, 38,480,000 common shares would be issued for proceeds of \$12,285,050.

As at May 7, 2010, 91,294,523 share purchase warrants and broker options were outstanding with an exercise prices ranging from \$0.17 to \$0.30 expiring between December 17, 2010 and January 16, 2012. If all warrants were exercised, 91,294,523 common shares would be issued for proceeds of \$21,550,525.

SUBSEQUENT EVENTS

On January 27, 2010, the Company received a non-binding expression of interest from Pala regarding the direct or indirect acquisition of the Bucko Deposit and certain surrounding exploration areas held by the Company in the Thompson Nickel Belt, including the M11A and Apex deposits, collectively the "Bucko Assets". Subsequent to the quarter's end, discussions with Pala were terminated. Please see press releases dated January 27 and 28, 2010 and May 10, 2010.

On April 6, 2010, the Company announced it had received an offer letter (the "Offer") from Jinchuan Group Ltd. ("Jinchuan") to acquire all of the common shares of Crowflight in consideration for an aggregate cash payment of \$150,000,000. The offer is subject to all government, regulatory and shareholder approval as well as a due diligence review by Jinchuan.

On April 12, 2010, the Company granted options to purchase 450,000 common shares of the Company at an exercise price of \$0.215 per option, expiring 5 years from the date of grant to employees of the Company. All options vest one eighth every quarter from the date of grant over a two year term with the first installment vesting on the date of grant.

On May 6, 2010, the Company announced the resignation of Greg Collins, Vice President of Exploration effective April 30, 2010.

Subsequent to the quarter's end, the Company entered into a series of financial instruments to price protect nickel sales from July 2010 – June 2011. The Company has hedged approximately 850,000 pounds of nickel at prices ranging from US\$9.00 - \$11.00 per pound of nickel.

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. See also the annual information form of the Company for a full description of certain of the risks relating to the Company.

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 from operations to continue 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. Although nickel prices have recovered, if they were 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, continue 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. 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. Production costs may also be affected by increased mine development 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 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

As of the end of the period covered by this MD&A and accompanying unaudited financial statements, Crowflight's management evaluated the effectiveness of its disclosure controls. Based on that evaluation, the 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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Canadian Accounting Standards Board has confirmed January 1, 2011 as the date that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises. As a result, Crowflight will report under IFRS for interim and annual periods beginning January 1, 2011, with comparative information for 2010 restated for IFRS. Adoption of IFRS as Canadian GAAP will require the Company to make certain accounting policy choices that could materially impact the reported financial position and results of operations. Our goal is to make policy changes that are compliant with IFRS but also provide the most meaningful information to our shareholders.

The Company has developed a changeover plan which includes the following three phases and sets out activities to be performed in each phase over the life of the project.

- Assessment phase: in this phase, the Company formed a working group, developed an initial project plan, and identified high level differences between Canadian GAAP and IFRS that may impact the Company. This phase was completed in Q4-2009 in conjunction with external consulting resources.
- Design phase: This phase involves the completion of analyses of the differences between Crowflight accounting policies and IFRS to provide a basis for accounting policy recommendations. The working group in this phase will be comprised of the CFO, the corporate and site finance team, external consultants with regular updates to the audit committee. As Crowflight is a small company with a single information system, impacts and/or modifications to the information system process are not expected to be material at this time.

- Implementation phase: this phase involves the implementation of the necessary changes to our information systems and business processes as identified through the assessment and design phases of the changeover plan. The implementation of our 2010 dual reporting systems strategy, the amendment and testing of internal controls over financial reporting and disclosure controls and procedures impacted by accounting policy changes are key tasks that will allow for the preparation of a January 1, 2010 opening balance sheet and 2010 comparative data under IFRS, with reconciliations from Canadian GAAP. The final phase will result in the preparation of our financial reporting under IFRS beginning in 2011.

Updates regarding the progress of the IFRS changeover plan are provided to the Company's Audit Committee on a quarterly basis.

The Company has identified the areas noted below as those expected to have the most significant impact on our financial statements. The items listed below do not represent a complete list of areas impacted. As we progress further into the design and implementation phases, as decision are made regarding accounting policies and as changes to Canadian GAAP and IFRS standards may occur prior to our changeover date, the areas impacted and the effect may be subject to change. We will continue to disclose impacts on or financial reporting, including expected quantitative impacts, systems and processes and other areas of our business in future MD&As as they are determined.

- IFRS 1 - First time adoption
- IAS 23 - Borrowing costs
- IAS 36 – Impairment of assets
- IFRS 2 – Share based payments
- IFRS 6 – Exploration and evaluation
- IAS 16 – Property, plant and equipment
- IAS 12 – Income taxes

As at the end of Q1-2010, the Company continues to review and examine the above areas.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to Crowflight, certain information contained herein constitutes forward-looking information. Forward-looking information includes, but is not limited to, statements with respect to the development potential of the Company's properties; the future price of nickel and other minerals; foreign exchange rates; the estimation of mineral reserves and mineral resources; conclusions of economic evaluation; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward - looking information is based on the opinions and estimates of management as of the date such statements are made. Estimates regarding the anticipated timing, amount and cost of mining at the Company's projects are based on assumptions underlying mineral reserve and mineral resource estimates and the realization of such estimates are set out herein. Capital and operating cost estimates are based on extensive research of the Company, purchase orders placed by the Company to date, recent estimates of construction and mining costs and other factors that are set out herein. Production estimates are based on mine plans and production schedules, which have been developed by the Company's personnel and independent consultants. These estimates are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Crowflight to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during construction, expansion and start-up; variations in mineral grade and recovery rates; delay or failure to receive government approvals; timing and availability of external financing on acceptable terms; actual results of current exploration activities; changes in

project parameters as plans continue to be refined; future prices of nickel and other minerals; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry and those other risks of the Company described in its annual information form that is available under its profile on SEDAR at www.sedar.com. 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 months ended
March 31, 2010 and 2009*

-Unaudited-

CONSOLIDATED BALANCE SHEETS

(unaudited)

As at

	March 31, 2010	December 31, 2009
ASSETS		
Current		
Cash and cash equivalents	\$ 9,176,773	\$ 10,040,475
Amounts receivable	828,895	1,291,687
Inventory (Note 4)	1,976,731	1,031,734
Prepaid expenses and deposits	345,515	135,290
	12,327,914	12,499,186
Deposits and advances	534,709	534,709
Property, plant and equipment (Note 5)	140,600,300	138,568,967
Exploration and development property and deferred expenditures (Note 7)	14,978,545	14,704,437
	\$ 168,441,468	\$ 166,307,299
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 12)	\$ 8,244,136	\$ 9,282,060
Equipment leases	46,422	45,371
	8,290,558	9,327,431
Equipment leases	49,115	61,281
Asset retirement obligations (Note 10)	938,213	918,387
Future income tax liability (Note 13)	3,246,000	6,000,200
	12,523,886	16,307,299
SHAREHOLDERS' EQUITY		
Common shares (Note 11(a))	150,240,172	138,758,903
Warrants (Note 11(b))	10,195,919	10,195,919
Contributed surplus (Note 11(d))	16,353,704	15,698,606
Retained Earnings (Deficit)	(20,872,213)	(14,653,428)
	155,917,582	150,000,000
	\$ 168,441,468	\$ 166,307,299
Commitments and contingencies (Notes 1, 5, 7, and 16)		
Subsequent events (Note 18)		

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Stan Bharti", Director

"Bruce Humphrey", Director

Consolidated Statements of Shareholders' Equity*(unaudited)*

	Common Shares		Warrants	Contributed Surplus	Accumulated Deficit	Shareholders' Equity
	No.	\$	\$	\$	\$	\$
Balance, December 31, 2008	293,304,323	99,289,864	4,944,374	13,485,751	12,327,459	130,047,448
Private placement	215,411,765	47,820,000	-	-	-	47,820,000
Value of w arrants granted	-	(4,842,336)	4,842,336	-	-	-
Value of w arrants granted related to debt facility	-	-	107,597	-	-	107,597
Exercise of stock options	245,000	49,000	-	-	-	49,000
Valuation allocation on exercise of stock options	-	18,586	-	(18,586)	-	-
Stock based compensation - shares (Note 11 (a))	562,464	113,130	-	-	-	113,130
Stock based compensation - options (Note 11 (c))	-	-	-	2,231,441	-	2,231,441
Flow through share tax effect (Note 13)	-	(2,982,000)	-	-	-	(2,982,000)
Value of broker w arrants	-	(301,612)	301,612	-	-	-
Share issue costs	-	(523,400)	-	-	-	(523,400)
Tax effect of cost of issue	-	117,671	-	-	-	117,671
Loss for the period	-	-	-	-	(26,980,887)	(26,980,887)
Balance, December 31, 2009	509,523,552	138,758,903	10,195,919	15,698,606	(14,653,428)	150,000,000
Private placement	72,200,000	11,552,000	-	-	-	11,552,000
Stock based compensation - shares (Note 11 (a))	97,909	16,644	-	-	-	16,644
Stock based compensation - options (Note 11 (c))	-	-	-	655,098	-	655,098
Share issue costs	-	(125,000)	-	-	-	(125,000)
Tax effect of cost of issue	-	37,625	-	-	-	37,625
Loss for the period	-	-	-	-	(6,218,785)	(6,218,785)
Balance, March 31, 2010	581,821,461	150,240,172	10,195,919	16,353,704	(20,872,213)	155,917,582

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(unaudited)

For the three months ended March 31,

	2010	2009
Revenue		
Nickel sales	\$ 893,266	\$ -
Pricing adjustments	304,756	-
Revenue - after pricing adjustments	<u>1,198,022</u>	<u>\$ -</u>
Cost of sales (excludes accretion, depreciation, depletion and amortization)	3,867,822	-
Depreciation, depletion and amortization	36,432	-
Gross margin - mining operations	<u>(2,706,232)</u>	<u>-</u>
Temporary shutdown costs (Note 3)	4,480,891	-
Loss from mining operations	<u>(7,187,123)</u>	<u>-</u>
Other expenses		
Professional, consulting and management fees (Notes 11(a) and (c) and 12)	1,179,818	584,294
General and office	192,804	123,280
Shareholder communications and investor relations	134,919	86,106
Travel	32,234	50,404
Interest expenses and bank charges	35,847	34,842
Amortization	201	953
	<u>1,575,823</u>	<u>879,879</u>
(Loss) before the undernoted	<u>(8,762,946)</u>	<u>(879,879)</u>
Interest income	9,256	21,511
Interest on long term debt	-	(48,192)
General exploration	-	(50,000)
Debt facility transaction costs	-	-
Write down of exploration property and deferred expenditures (Note 7)	(51,771)	-
Accretion (Note 10)	(19,826)	57,416
Recovery of expenditures	-	66,958
Net gain on derivative instruments (Note 6)	-	2,090,556
Foreign exchange gain/(loss)	(110,073)	(1,186)
Income/(loss) before income taxes	<u>(8,935,360)</u>	<u>1,257,184</u>
Future income taxes (Note 13)	2,716,575	266,000
Income/(loss) for the period	<u>(6,218,785)</u>	<u>1,523,184</u>
RETAINED EARNINGS/(DEFICIT), beginning of period	<u>(14,653,428)</u>	<u>12,327,459</u>
RETAINED EARNINGS/(DEFICIT), end of period	<u>\$ (20,872,213)</u>	<u>\$ 13,850,643</u>
Loss per share - basic & diluted	\$ (0.01)	\$ 0.01
Weighted average number of shares - basic	544,020,195	293,306,263
Weighted average number of shares - diluted	544,020,195	293,311,875

CROWFLIGHT MINERALS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31,

	2010	2009
Net income/(loss) for the period	\$ (6,218,785)	\$ 1,523,184
Charges not affecting cash:		
Depreciation, depletion and amortization	36,633	953
Stock-based compensation expense (Note 11(a) and (c))	671,742	365,547
Accretion (Note 10)	19,826	(57,416)
Change in value of derivative instruments	-	8,044,169
Future income tax (recovery)/expense (Note 13)	(2,716,575)	(266,000)
Net change in non-cash working capital	(736,881)	(1,118,963)
	(8,944,040)	8,491,474
FINANCING ACTIVITIES:		
Debt facility, net of transaction costs	-	(7,600,000)
Private placements (net of issue costs)	11,427,000	-
Payments on equipment leases	(11,115)	(16,765)
	11,415,885	(7,616,765)
INVESTING ACTIVITIES:		
Exploration and development property, plant and equipment, and deferred expenditures	(2,342,074)	(11,144,143)
(Decrease) in accounts payable attributable to property development and exploration	(993,473)	(1,727,298)
Change in restricted cash (Note 9)	-	2,999,998
	(3,335,547)	(9,871,443)
CHANGE IN CASH AND CASH EQUIVALENTS	(863,702)	(8,996,734)
CASH AND CASH EQUIVALENTS, beginning of period	10,040,475	10,607,543
CASH AND CASH EQUIVALENTS, end of period	\$ 9,176,773	\$ 1,610,809
Cash and cash equivalents consist of:		
Cash	2,441,273	801,384
Cash equivalents	6,735,500	809,425
	\$ 9,176,773	\$ 1,610,809
SUPPLEMENTAL INFORMATION:		
Stock based compensation charged to exploration properties	-	14,250
Amortization of assets deferred to exploration properties	604	8,229
Interest received	9,256	22,191
Interest paid	30,372	50,551

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three months ended March 31, 2010

1. NATURE OF OPERATIONS AND GOING CONCERN

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.

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.

Operating results for the three months ended March 31, 2010 are not indicative of the results that may be expected for the full year ending December 31, 2010. The consolidated balance sheet at December 31, 2009 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for complete financial statements. The disclosure in these interim unaudited consolidated financial statements may not conform in all respects to generally accepted accounting principles in Canada for annual financial statements. For further information see the financial statements including notes for the year ended December 31, 2009.

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, 2009, except as described below.

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. The adoption of these standards is not expected to have a material impact on the Company's financial statements.

International Financial Reporting Standards ("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 prepare IFRS financial statements for the interim periods and fiscal year ends beginning January 1, 2011 with comparative information for 2010 restated under IFRS. Adoption of IFRS as Canadian GAAP will require the Company to make certain accounting policy choices and could materially impact the reported financial position and results of operations. The Company is currently evaluating the impact that the adoption of these new standards will have on the Company's financial statements.

3. TEMPORARY SUSPENSION OF BUCKO MINE OPERATIONS

On November 16, 2009, the Company announced that it would be temporarily suspending all production mining and milling operations at the Bucko Lake Nickel Mine ("Bucko") located in the Thompson Nickel Belt near Wabowden, Manitoba for three months to complete ramp development, accelerate mine development and upgrade the backfill plant. Mill operations resumed in the first quarter of 2010.

Expenses incurred during the temporary shutdown were recorded either as capital or, if they were determined to be maintenance or support expenses, as temporary shutdown costs included in the statement of operations. Temporary shutdown costs were \$4.48 million for the three months ended March 31, 2010.

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three months ended March 31, 2010

4. INVENTORY

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

	March 31, 2010	December 31, 2009
Nickel ore stockpile	\$ 473,048	\$ -
Nickel in process	62,332	-
Nickel concentrate	393,292	41,336
Nickel in transit	533,101	324,361
Materials and supplies	514,958	666,037
	\$ 1,976,731	\$ 1,031,734

All inventory is valued at the lesser of cost or net realizable value. As at March 31, 2010 and December 31, 2009, nickel ore stockpile, 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 \$2.6 million for nickel inventory as at March 31, 2010 to net realizable value is included in cost of sales. The remaining amount of cost of sales for the three months ended March 31, 2010 represents the amount of inventory expensed in the period.

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	March 31, 2010 Net	December 31, 2009 Net
	\$	\$	\$	\$
Computers	527,661	(236,208)	291,453	338,078
Furniture	50,962	(14,418)	36,544	38,855
Field equipment	104,760	(73,645)	31,115	35,297
Vehicles	131,897	(36,168)	95,729	103,972
	815,280	(360,439)	454,841	516,202
Producing properties*				
Buildings & equipment	239,687	(1,924)	237,763	235,370
Plant & equipment	82,923,924	(665,652)	82,258,272	82,356,073
Deferred mine development costs	76,181,476	(611,530)	75,569,946	73,619,002
Asset retirement costs & adjustments	1,650,952	(13,253)	1,637,699	1,639,692
Bucko deferred project costs	9,307,346	(74,713)	9,232,633	9,243,865
Acquisition costs	4,745,185	(38,091)	4,707,094	4,706,182
Less: preproduction net revenue**	(3,167,192)	25,424	(3,141,768)	(3,145,590)
Less: write down to fair value	(30,601,829)	245,649	(30,356,180)	(30,601,829)
	141,279,549	(1,134,090)	140,145,459	138,052,765
	142,094,829	(1,494,529)	140,600,300	138,568,967

*Producing properties are amortized on a unit of production basis; all other assets are amortized on straight-line basis over their estimated useful life.

**Net revenue includes other metal revenue, pre-production treatment and refining charges and inventory adjustments to Cost of sales..

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three months ended March 31, 2010

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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 Deposit is also subject to a \$500,000 payment due on commencement of commercial production which has been accrued as at March 31, 2010.

6. DERIVATIVE INSTRUMENTS

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 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.

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 was used to repay the \$7,600,000 debt facility plus interest (see Note 9). Included in the net gain on derivative instruments for the three months ended March 31, 2009 is a net gain on this monetization of \$2,090,556.

In November 2009, the Company closed all outstanding forward sales contracts and the realized value of these instruments was recognized in the statement of operations. As at March 31, 2010, no contracts remained outstanding.

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

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three months ended March 31, 2010

7. EXPLORATION AND DEVELOPMENT PROPERTY AND DEFERRED EXPENDITURES

	MANITOBA			ONTARIO	TOTAL
	BUCKO DEPOSIT	THOMPSON NICKEL BELT	PURE NICKEL JV	SUDBURY	
		(\$)	(\$)	(\$)	
Balance, January 1, 2010	-	13,543,955	504,498	655,984	14,704,437
<i>Acquisition or property maintenance costs</i>	-	165,665	-	-	165,665
<i>Exploration costs</i>	-	108,443	-	-	108,443
Balance, March 31, 2010	-	13,818,063	504,498	655,984	14,978,545

	MANITOBA			ONTARIO	TOTAL
	BUCKO DEPOSIT	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>	5,849	(102,345)	-	-	(96,496)
<i>Project capital costs</i>	2,275,691	-	-	-	2,275,691
<i>Project development costs</i>	16,598,754	-	-	-	16,598,754
<i>Exploration costs</i>	1,615,067	1,196,859	8,549	-	2,820,475
<i>Asset retirement obligations</i>	612,442	-	-	-	612,442
<i>Less: preproduction revenue</i>	(3,167,192)	-	-	-	(3,167,192)
<i>Less: government assistance</i>	-	-	(17,158)	-	(17,158)
<i>Less: transferred to producing property*</i>	(155,125,853)	-	-	-	(155,125,853)
<i>Less: write off</i>	-	(2,991,072)	-	(144,869)	(3,135,941)
Balance, December 31, 2009	-	13,543,955	504,498	655,984	14,704,437

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

MANITOBA

Thompson Nickel Belt

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 \$6,000,000 to meet its expenditure commitment over the next four years as follows:

- \$1,500,000 by December 31, 2010 (\$447,000 incurred to March 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 are also subject to underlying agreements, specifically i) a 2% NSR; and ii) a 10% net proceeds of production royalty.

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three months ended March 31, 2010

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

MANITOBA (Continued)

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% NSR.

The Company received \$nil (Q1-2009 - \$17,158) in government assistance related to its exploration expenditures on the Pure Nickel JV properties during the three months ended March 31, 2010.

SUDBURY

AER Kidd Property

The Company wrote off the value of the property as at December 31, 2008. During the three months ended March 31, 2010, an amount of \$51,771 was paid to maintain the property in good standing and has been recorded to the statement of operations.

Peter's Roost Property

The Company holds a number of claims along the North Range of the Sudbury Basin, subject to an option agreement with Wallbridge Mining Company Limited ("Wallbridge"). In January 2008, Wallbridge earned an initial 50% interest in the Company's interests in the property. Wallbridge holds a further option to increase its ownership to a 70% vested interest in any or all of the four separate project areas by funding a further \$1,000,000 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 of that area reverting back to the Company. In April 2009, the Company granted Wallbridge an extension to the period required to complete minimum exploration expenditures for 2009. Wallbridge has committed to funding additional work on the property in 2010.

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three months ended March 31, 2010

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 Deposit whereby the Company can draw up to 75% of the prevailing spot price of the estimated quantity of nickel contained in each shipment. Per the Facility, these nickel quantities are forward sold at the prevailing spot prices and settled on delivery. At the end of each quarter, all outstanding sales contracts for the quarter are valued based on the three month forward price and offset against nickel sales. The Facility carries an interest rate of Libor + 6.75% and a fee of 2.5% in cash (paid) and 1,000,000 warrants of the Company priced at the weighted average price of the Company'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)). The grant date fair value of these warrants was estimated at \$107,597 using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield: 0%; expected volatility: 95%; risk-free interest rate: 1%; and expected life: 2 years.

9. LONG-TERM DEBT

At the end of 2008, the Company carried \$7,600,000 in debt related to an amended loan facility agreement entered into with First Rand Ireland Plc during 2008. Through this loan facility, the Company was required to enter into a price protection program, and acquired forward nickel and currency contracts. During the first quarter of 2009, the Company monetized these contracts for net proceeds of approximately \$10,000,000, of which \$7,600,000 was used to pay off the outstanding debt (Note 6). The restriction on a \$3,000,000 debt reserve that was required as part of this amended loan facility 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 incremental value of these warrants was estimated at \$4,569,188 and recorded during the year ended December 31, 2008.

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three months ended March 31, 2010

10. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations ("ARO") are based on management's estimates of costs to abandon and reclaim producing properties, 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 producing properties, exploration and development property, plant and equipment:

	March 31, 2010	December 31, 2009
Balance, beginning of period	\$ 918,387	\$ 359,000
Increase in asset retirement obligation	\$ -	\$ 616,803
Accretion expense	\$ 19,826	\$ (57,416)
Balance, end of period	\$ 938,213	\$ 918,387

The Company has estimated the present value of its total asset retirement obligations to be \$938,213 (Q1-2009 – \$914,026) at March 31, 2010 based on a total future liability estimated to be approximately \$2,284,000 (Q1-2009 - \$2,273,000). The credit adjusted risk-free rates used in estimating the site restoration obligation were 8.75% and 8.4%. Reclamation is expected to take place in 2021. As a result of increased reserves and a longer mine life, the Company revised the assumptions used to discount its asset retirement obligations, such that an adjustment to accretion expense was recorded in Q1-2009.

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

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three months ended March 31, 2010

11. CAPITAL STOCK (continued)

a) Common shares issued

	Shares	Value
Balance, December 31, 2008	293,304,323	\$ 99,289,864
Private placement, non flow through	215,411,765	47,820,000
Warrant valuation	-	(4,842,336)
Cost of issue	-	(825,012)
Shares issued through share compensation plan	562,464	113,130
Exercise of options	245,000	49,000
Exercise of options - option valuation	-	18,586
Flow-through share tax effect	-	(2,982,000)
Tax effect of cost of issue	-	117,671
Balance, December 31, 2009	509,523,552	\$ 138,758,903
Private placement, non flow through	72,200,000	11,552,000
Cost of issue	-	(125,000)
Shares issued through share compensation plan	97,909	16,644
Tax effect of cost of issue	-	37,625
Balance, March 31, 2010	581,821,461	\$ 150,240,172

On February 19, 2010, the Company closed a private placement financing by issuing an aggregate of 72,200,000 common shares of the Company at a price of \$0.16 per share for gross proceeds of \$11,552,000. Pala Investment Holdings Limited ("Pala"), through a wholly owned subsidiary, purchased 21,356,250 of the 72,200,000 common shares resulting in Pala holding approximately 25.3% of the issued and outstanding shares of the Company, based on public disclosure made by Pala of its security holdings in the Company.

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 three months ended March 31, 2010, 97,909 common shares were issued under the plan at a value of \$0.17 per share or \$16,644 being the fair market value on the dates of grant. Of this value, \$10,483 was charged to professional, consulting and management fees, and \$6,161 was charged to cost of sales.

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three months ended March 31, 2010

11. CAPITAL STOCK (continued)

b) Warrants

	March 31, 2010		December 31, 2009	
	Number of Warrants	Weighted Average Price (\$)	Number of Warrants	Weighted Average Price (\$)
Balance, beginning of period	93,846,682	0.24	19,705,586	0.61
Granted, private placements	-	-	67,705,882	0.11
Granted, broker options	-	-	2,760,000	0.17
Granted, facility loan	-	-	21,000,000	0.30
Expired	-	-	(17,324,786)	0.60
Balance, end of period	93,846,682	0.24	93,846,682	0.24

As at March 31, 2010, the following warrants were outstanding:

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

*These warrants are exercisable into units. 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.

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three months ended March 31, 2010

11. CAPITAL STOCK (continued)

c) Stock Options

The following are the stock option transactions during the period:

	March 31, 2010		December 31, 2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	33,530,000	\$ 0.34	19,644,375	\$ 0.55
Granted	5,650,000	\$ 0.16	24,645,000	\$ 0.22
Exercised	-	\$ -	(245,000)	\$ 0.20
Expired	(650,000)	\$ 0.26	(7,126,875)	\$ 0.52
Forfeited	(500,000)	\$ 0.21	(3,387,500)	\$ 0.23
Balance, end of period	38,030,000	\$ 0.32	33,530,000	\$ 0.34

CROWFLIGHT MINERALS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited

For the three months ended March 31, 2010

11. CAPITAL STOCK (continued)

c) Stock Options (continued)

As of March 31, 2010, the following stock options were outstanding:

Estimated Grant Date Fair Value	Number of Options	Number of Options Exercisable	Exercise Price	Expiry Date
\$ 7,100	50,000	50,000	\$ 0.200	July 14, 2010
300,303	1,510,000	1,510,000	\$ 0.225	March 13, 2011
84,740	350,000	350,000	\$ 0.280	July 5, 2011
3,446	15,000	15,000	\$ 0.300	August 9, 2011
31,394	100,000	100,000	\$ 0.365	August 15, 2011
44,295	150,000	150,000	\$ 0.350	September 28, 2011
607,030	1,785,000	1,785,000	\$ 0.405	January 10, 2012
6,423	56,250	56,250	\$ 0.500	February 20, 2012
138,600	200,000	200,000	\$ 1.020	April 9, 2012
1,197,330	1,865,000	1,865,000	\$ 0.940	June 28, 2012
612,000	1,500,000	1,500,000	\$ 0.600	September 17, 2012
71,550	150,000	150,000	\$ 0.710	November 21, 2012
101,760	240,000	240,000	\$ 0.630	November 22, 2012
36,540	105,000	105,000	\$ 0.520	February 1, 2013
64,620	180,000	180,000	\$ 0.540	March 31, 2013
46,400	100,000	100,000	\$ 0.680	April 30, 2013
1,372,143	3,002,500	3,002,500	\$ 0.690	May 26, 2013
20,735	65,000	65,000	\$ 0.480	June 30, 2013
15,742	75,000	65,625	\$ 0.320	July 31, 2013
2,384	25,000	18,750	\$ 0.150	October 31, 2013
9,309	75,000	56,250	\$ 0.190	November 30, 2013
10,221	80,000	50,000	\$ 0.200	January 31, 2014
3,570	30,000	18,750	\$ 0.185	February 28, 2014
253,318	2,047,500	1,279,688	\$ 0.200	March 20, 2014
43,666	315,000	157,500	\$ 0.240	May 6, 2014
3,956	35,000	17,500	\$ 0.200	May 31, 2014
20,118	180,000	90,000	\$ 0.200	June 30, 2014
204,393	1,780,000	667,500	\$ 0.210	August 19, 2014
1,584,762	16,313,750	4,078,437	\$ 0.220	October 14, 2014
109,970	2,000,000	250,000	\$ 0.160	January 15, 2015
132,092	3,650,000	456,250	\$ 0.160	March 15, 2015
\$ 7,139,910	38,030,000	18,630,000		

The weighted average exercise price of stock options that are exercisable as at March 31, 2010 is \$0.44.

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11. CAPITAL STOCK (continued)

c) Stock Options (continued)

The Company has a stock option plan designed to advance the interest of the Company by encouraging officers, directors, employees and consultants of the Company to have equity participation in the Company through the acquisition of common shares. The Company may issue options to purchase common shares equal to 10% of the issued and outstanding common shares of the Company. Options are non-transferable, non-assignable and may be granted for a term not exceeding five years. The exercise price of the options and vesting provisions, if any, are fixed by the Board of Directors of the Company at the time of grant at a price not below the market price of the common shares at the time of grant, subject to all applicable regulatory requirements.

During the three months ended March 31, 2010, 5,650,000 stock options (Q1-2009 – 2,765,000) 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 \$655,098 (Q1-2009 - \$344,882) 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 three months ended March 31, 2010 was \$0.10 (Q1-2009 - \$0.14). 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>Q1-2010</u>	<u>Q1-2009</u>
Expected dividend yield	0%	0%
Expected volatility	82%	87%
Risk-free interest rate	2.7%	1.7%
Expected average life (yrs)	5	5

d) Contributed Surplus

	March 31, 2010	December 31, 2009
Balance, beginning of period	\$ 15,698,606	\$ 13,485,751
Stock options granted and/or vested during the period:		
Directors, officers and employees	499,847	2,075,240
Consultants	155,251	156,201
Exercise of stock options, reallocation of valuation	-	(18,586)
Expiry of warrants, reallocation of valuation	-	-
Balance, end of period	\$ 16,353,704	\$ 15,698,606

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 March 31, 2010 an amount of \$18,729 (Q1-2009 - \$2,799) is payable in relation to these expenses. These amounts payable are unsecured, non-interest bearing with no fixed terms of repayment.

CROWFLIGHT MINERALS INC.

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12. RELATED PARTY TRANSACTIONS (continued)

During the three months ended March 31, 2010, \$5,280,483 was paid or accrued to Dumas Contracting Limited ("Dumas"), a subsidiary of Pala Investment Holdings ("Pala") a company that placed two directors on the Company's board as a result of a private placement in 2009. Included in accounts payable and accrued liabilities as at March 31, 2010 is \$2,076,124 owing to Dumas. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

During the three months ended March 31, 2010, the Company paid \$16,082 (Q1-2009 - \$4,836), and granted 225,000 (Q1-2009 - 30,000) stock options to individuals for legal and support services. These amounts are included in professional, consulting and management fees on the statement of operations. These same individuals also perform services for a company controlled by a director of the Company.

The Company was charged \$15,000 during the three months ended March 31, 2010 (Q1-2009 - \$15,000) by a company controlled by a director of the Company for administration services.

During the three months ended March 31, 2010, 2,250,000 stock options were granted to directors and officers of the Company compared to 1,700,000 options for the three months ended March 31, 2009.

13. FUTURE INCOME TAX LIABILITY

The Company recorded a future income tax recovery of \$2,716,575 (Q1-2009 - \$266,000) based on differences in the tax basis and carrying values of the Company's assets at March 31, 2010.

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.

14. CAPITAL MANAGEMENT

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

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

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

There were no changes in the Company's approach to capital management during the three months ended March 31, 2010.

The Company is not subject to externally imposed capital restrictions.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

Credit risk

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

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 March 31, 2010, the Company had a cash and cash equivalents balance of \$9,176,773 (2009 - \$10,040,475) to settle current liabilities of \$8,290,558 (2009 - \$9,327,431). Most of the Company's financial liabilities have contractual maturities of between 30 – 60 days and are subject to normal trade terms.

Market risk

(a) Interest rate risk

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

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is exposed to foreign exchange risk as a result of sales transactions being denominated in US dollars. Amounts receivable as at March 31, 2010 include an amount of US\$423,067 (2009 - \$987,330). The Company monetized its derivative currency contracts during the first quarter of fiscal 2009, and currently does not hedge for foreign exchange risk (Note 6).

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market risk (continued)

(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.

There were no significant changes to credit risk, liquidity risk and market risk during the three months ended March 31, 2010 compared to the year ended December 31, 2009.

Sensitivity analysis

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

As at March 31, 2010, 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%. At March 31, 2010, the amount owing on the working capital facility was \$nil.

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 March 31, 2010 will generate a decrease in interest income of approximately \$91,768.

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 March 31, 2010 will generate an increase or decrease in the receivable of approximately \$4,297. As production ramps up and the accounts receivable balance increases, the change could be significant.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair Value

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments. The fair value of short-term financial instruments approximates their carrying value due to the relatively short period of time to maturity. These include cash and cash equivalents, amounts receivable, accounts payable, in-process working capital facility, accrued liabilities and equipment leases. Fair value amounts represent fair value at a point in time and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and can be a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for fair values recognized on the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in GAAP. Level one includes quoted prices in active markets for identical assets or liabilities. Level two includes inputs that are that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data. Cash and cash equivalents of \$9,176,773 is considered to be Level one and is the only financial instrument measured at fair value for the Company, in accordance to the amendment to Handbook Section 3862.

16. COMMITMENTS AND CONTINGENCIES

(a) The Company is party to certain management contracts which require that additional payments of up to \$3,171,509 be made upon the occurrence of certain events such as events that may result from a change of control. As at July 23, 2009, a change of control occurred. As a result of this change of control, either the Company or the holder of the contract can terminate the contract before July 24, 2010, which would result in the contract holder receiving certain additional payments. As at March 31, 2010 there were no amounts owing relating to any such event having occurred. Minimum termination commitments under these contracts are approximately \$720,254, all of which are due within one year.

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

(c) Outstanding legal issues relate to a claim for damages made by the Company against 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 corrective measures is approximately \$230,000.

(d) In March 2010, the board of directors granted mine restart bonuses payable at 50% at the restart of milling operations following shut down in November 2009. The other 50% is payable upon the mill maintaining operations for a period of one month following restart. The total potential additional payments outstanding at March 31, 2010 were \$225,500.

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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 consolidated financial statements are as follows:

	Pure Nickel JV	
	March 31, 2010	December 31, 2009
Current assets	2,310	5,385
Exploration properties and deferred exploration expenditures	413,044	413,043
Current liabilities	-	-
Revenues	-	-
Expenses	-	-
Cash flows from operating activities	(12)	(12,761)
Cash flows from investing activities	-	7,708
Cash flows from contributions	-	-

18. SUBSEQUENT EVENTS

On April 6, 2010, the Company, announced it had received an offer letter (the "Offer") from Jinchuan Group Ltd. ("Jinchuan") to acquire all of the common shares of the Company in consideration for an aggregate cash payment of \$150,000,000. The offer is subject to all government, regulatory and shareholder approval as well as a due diligence review by Jinchuan.

On April 12, 2010, the Company granted options to purchase 450,000 common shares of the Company at an exercise price of \$0.215 per option, expiring 5 years from the date of grant to employees of the Company. All options vest one eighth every quarter from the date of grant over a two year term with the first instalment vesting on the date of grant.