

# **CROWFLIGHT MINERALS INC.**

## **Management Discussion and Analysis of financial condition and results of operations for the three months ended March 31, 2005**

Unless otherwise noted the information in this Management Discussion and Analysis (“M D & A”) is provided as at May 15, 2005.

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

The statements for the quarter ended March 31, 2005 have not been reviewed by the Company’s auditors.

References to the first quarter of 2005 and the first quarter of 2004 mean the three months ended March 31, 2005 and the three months ended March 31, 2004 respectively.

### **SIGNIFICANT ACCOUNTING POLICIES:**

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

### **OVERVIEW**

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

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

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

## **MINERAL PROPERTIES:**

### **THOMPSON NICKEL BELT PROPERTIES – MANITOBA**

#### Thompson Nickel Belt South Project

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

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

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

#### Crowflight - Falconbridge Agreements

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

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

Crowflight may elect to increase its interest to 100% in the Bucko Deposit by making a production decision and by arranging financing for development, subject to a 2.5% Net Smelter Return royalty payable to Falconbridge. As well, Crowflight can increase its interest to 50% in the TNB South Properties by incurring an additional \$7 million in exploration expenditures prior to the end of 2008. In order to increase its interest in these properties, Crowflight must issue 1,000,000 shares of the Company in each of June 2007 and June 2008.

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

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

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

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

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

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

The Company has advanced \$4,250,000 to Falconbridge directly or into a security account for expenditure on the TNB properties. Through March 31, 2005, Falconbridge has submitted expenditures of \$3,601,227 on the projects against the advances.

### **Thompson Nickel Belt North (“TNB North”) Project**

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

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

In addition to the expenditure, the Company issued Falconbridge, 400,000 common shares and warrants to purchase 1 million shares of the Company for a two year period from the date of issue. The 1 million warrants consist of 500,000 warrants exercisable at \$0.35 and 500,000 warrants exercisable at \$0.70. Also upon regulatory approval, the Company advanced \$1,000,000 to Falconbridge for spending on the project. Through March 31, 2005, Falconbridge has submitted expenditures of \$1,047,888.

### **Bucko Deposit**

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

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

### **BUCKO DEPOSIT - MINERAL RESOURCE SUMMARY**

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

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

### **2005 Exploration Program**

Following the signing of the agreement with Falconbridge on the Bucko Resource Block, Crowflight, as operator, undertook a compilation of the existing data and created a three dimensional resource model of the known mineralization based on the results from previous exploration work. As a result of this work, the Company considered an approximate 15,000 meter surface and underground diamond drilling program to better define the ultimate size and grade of the resources down to the 1,000 metre level to National Instrument 43-101 standards for Measured and Indicated Mineral Resources. In addition, Crowflight acquired the necessary permits with regards to the dewatering and rehabilitation of the historical shaft and underground workings on the property to permit an underground diamond drilling program to further explore the deposit at depth. The dewatering and rehabilitation program included installing a power supply and surface infrastructure to gain underground access. It was originally planned that this work would commence in January 2005 and would be completed by the second quarter 2005. Following this work, the Company would produce an updated mineral resource estimate compliant with NI 43-101. As a result of the time taken to compile and analyze the historical data for the Bucko Deposit it was decided to postpone the underground program until Crowflight's geologists have acquired a better understanding of the resources contained within the Deposit based on the historical data and additional geological data that is obtained from the surface program performed from December 2004 through to April 2005.

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

A MegaTEM airborne geophysical survey was completed over the entire 190 km<sup>2</sup> TNB South Properties package, including the Bucko Deposit. The objective of this deep penetrating airborne electromagnetic geophysical survey was to define potential Thompson-style massive and/or stringer sulphides. The survey was done late in the fourth quarter of 2004. As a result of this work, several discrete features were identified with features similar to those found over the Bowden and Bucko Deposits and consistent with potential nickel bearing ultramafic units.

Falconbridge began a surface diamond drill program for the TNB South Properties to explore for new high grade resources of nickel mineralization and to follow-up on previously identified historical nickel occurrences. Approximately 15,000 meters of diamond drilling had been planned for the 2005 winter program (January 2005 through to April 2005) on the TNB South Properties. As at the end of the quarter approximately three quarters of the planned drilling had been completed.

## **SUDBURY PROPERTIES**

In the Sudbury Basin Crowflight has an interest in four exploration properties. These include: (1) the 100% owned AER Kidd Project adjacent to Inco Limited's Totten Deposit (10.1 million tonnes @ 1.5% Nickel, 2% Cu, 4.8 g/t PGM's); (2) the Airport Property (a 50/50 joint venture with Millstream Mines Ltd.) located 4 km south, and on-strike, with Falconbridge's Nickel Rim South Deposit (13.2 million tonnes @ 3.5% Cu, 1.7% nickel, 0.8 g/t Au, 4.1 g/t PGM's); (3) the optioned (100% earn-in) Mystery Offset Dyke Property; and (4) the 100% owned Peter's Roost Property.

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

## **LIQUIDITY AND CAPITAL RESOURCES**

As at March 31, 2005, the Company had working capital of \$281,786 compared to working capital of \$5,086,479 as at December 31, 2004. The Company has used working capital during the first quarter to fund the Falconbridge agreements and to support corporate overheads.

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

## **RESULTS OF OPERATIONS**

The Company reported net income of \$839,518 during the first quarter of 2005 compared to a net loss of \$793,215 for the same period last year. Included in the income for the quarter under review is a non cash expense of \$92,573 (first quarter of 2004 - \$645,000) related to stock based compensation.

Upon removing the large non cash stock based compensation expense, the operating overheads for the first quarter of 2005 were \$245,964 compared to \$176,725 for the same period last year. The major items accounting for this increase of \$69,239 were increased professional and consulting expenses of \$26,924 and increased travel expenses of \$50,852. Professional and consulting increased due to the enhancement of the corporate management team including the recruitment and hiring of a new President and CEO. Travel increased due to heightened activity around the winter exploration program, the feasibility study, increased investor relations and increased travel around conferences including the PDAC.

The transaction that generated the net income for the quarter ended March 31, 2005 was a non cash future income tax recovery of \$1,164,240. The Company renounced \$3,234,000 related to proceeds from flow-through shares and consequently a future tax liability of \$1,164,240 was recognized. Future tax assets not previously recognized were recorded to the extent of eliminating this future tax liability recorded. The future tax recovery was recorded in accordance with CICA HB 3465 and EIC 146.

During the last quarter of 2004, the Company decided not to pursue its options on the Copenhagen and Marble Mountain properties and consequently expensed \$14,213 during the first quarter of 2005 related to maintaining the properties in good standing for return to the optioner. The Company also recognized interest income of \$12,116 during the first quarter of 2005 as compared to \$27,139 during the same period last year and recorded an expense recovery of \$15,912 during the quarter under review.

### Quarterly information

The quarterly results have been as follows:

Tabular amounts in \$000 except for per share amounts

### Summary Financial Information for the Eight Quarters Ended March 31, 2005

Period	Revenues	Total assets	Net Income (Loss)	Net Income (Loss) per Share	Long term liabilities
1 <sup>st</sup> Quarter 2005	Nil	17,752	840	0.01	Nil
4 <sup>th</sup> Quarter 2004	Nil	16,876	(1,003)	(0.02)	Nil
3 <sup>rd</sup> Quarter 2004	Nil	11,649	(805)	(0.03)	Nil
2 <sup>nd</sup> Quarter 2004	Nil	10,811	71	0.00	Nil
1 <sup>st</sup> Quarter 2004	Nil	10,604	(793)	(0.02)	Nil
4 <sup>th</sup> Quarter 2003	Nil	10,758	(881)	(0.02)	Nil
3 <sup>rd</sup> Quarter 2003	Nil	6,946	(224)	(0.01)	Nil
2 <sup>nd</sup> Quarter 2003	Nil	3,732	(157)	(0.01)	Nil

As the Company has no revenue at this point in time, the net loss results primarily from corporate overheads including stock based compensation.

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

The income in the first quarter of 2005 resulted from the non cash future income tax recovery of \$1,164,240 as discussed under the results of operations section of this report.

### CASH FLOWS

Cash used in Operating Activities was \$446,129 during first quarter of 2005, compared to \$254,966 during the first quarter of 2004. The cash usage related to corporate overheads was \$239,327 compared to \$174,735 for the same period last year as described in the operating results section of this report. The change in non cash working capital and other used \$206,802 compared to \$80,231 during the first quarter of 2004. The large net change in non cash working capital during the first quarter of 2005 resulted primarily from a reduction in the prepaid funds advanced to Falconbridge being spent and applied to the projects, offset by an increase in accounts payable.

Cash from Financing Activities generated \$nil due to the exercise of warrants as compared to \$54,693 during the first quarter of 2004.

Cash used in Investing Activities during the first quarter of 2005 was \$4,579,181 compared to \$1,596,033 used in investing activities for the same period last year. The Company invested \$3,029 in equipment during the first quarter of 2005, compared to \$44,427 during the first quarter of 2004.

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

Q1 2005	THOMPSON, MANITOBA			SUDBURY, ONTARIO				TOTAL
	Bucko Feasibility Study	Thompson Nickel Belt South	Thompson Nickel Belt North	AER Kidd	Airport	Mystery Offset Dyke	Peter's Roost	
Acquisition and property costs	1,331	500	-	50,000	-	-	-	51,831
<b>Exploration expenditures</b>								
Drilling	907,418	1,222,178	538,393	-	35,096	-	-	2,703,085
Analysis and laboratory	14,169	-	-	-	718	-	-	14,887
Geology and geological consulting	201,463	125,771	24,794	8,027	14,708	31,346	5,463	411,572
Travel and transportation	46,375	-	-	37	4,101	20	182	50,715
Geochemistry and geophysics	23,767	519,849	389,439	-	8,144	-	-	941,199
Environmental	5,431	4,278	-	-	-	-	-	9,709
Field and office support	34,550	23,598	-	5,158	8,113	2,786	1,537	75,742
Management fees	32,364	189,785	95,263	-	-	-	-	317,412
<b>Cash invested Q1, 2005</b>	<b>1,266,868</b>	<b>2,085,958</b>	<b>1,047,889</b>	<b>63,000</b>	<b>70,880</b>	<b>34,152</b>	<b>7,182</b>	<b>4,576,152</b>

Table includes cash expenditures only

Q1 2004	THOMPSON, MANITOBA			SUDBURY, ONTARIO					TOTAL	
	Bucko Feasibility Study	Thompson Nickel Belt South	Thompson Nickel Belt North	AER Kidd	Airport	Mystery Offset Dyke	Marble Mountain	Copenhagen		Peter's Roost
Acquisition and property costs	-	-	-	-	-	-	10,000	8,000	50,000	68,000
<b>Exploration expenditures</b>										
Drilling	-	-	-	1,007,885	-	-	-	-	-	1,007,885
Analysis and laboratory	-	-	-	14,026	4,371	-	392	-	-	18,789
Geology and geological consulting	-	-	-	120,147	47,923	-	58,500	-	72,668	299,238
Travel and transportation	-	-	-	9,417	3,675	-	-	-	600	13,692
Geochemistry and geophysics	-	-	-	121,300	-	-	-	-	-	121,300
Field and office support	-	-	-	15,015	5,858	-	338	-	1,491	22,702
<b>Cash invested Q1, 2004</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,287,790</b>	<b>61,827</b>	<b>-</b>	<b>69,230</b>	<b>8,000</b>	<b>124,759</b>	<b>1,551,606</b>

Table includes cash expenditures only

## **TRANSACTIONS WITH RELATED PARTIES**

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

The Company was charged \$78,500 (2004 - \$48,500) by directors or companies controlled by directors for professional and consulting fees for the quarter ended March 31, 2005.

The Company shares its premises with other companies that have common directors. The Company reimburses the related companies for their proportional share of the expenses. At March 31, 2005 an amount of \$133,100 (2004 - nil) is payable in relation to these expenses. As well, the Company is owed \$3,400 (2004 - nil) at March 31, 2005 for shared expenses.

## **OUTSTANDING SHARE DATA**

As at March 31, 2005 72,158,254 common shares of the Company were outstanding. Of the options to purchase common shares issued to service providers under the share option plan of the Company, 7,255,000 remain outstanding with exercise prices ranging from \$0.20 to \$0.70, with expiry dates ranging between September 18, 2006 and March 1, 2010. If exercised, 7,255,000 common shares would be issued for proceeds of \$2,190,375.

As at March 31, 2005, 27,033,465 share purchase warrants and 204,408 warrant units were outstanding with exercise prices ranging from \$0.20 to \$0.75, expiring between May 22, 2005 and January 18, 2007. If all warrants and units were exercised 27,033,465 common shares would be issued for proceeds of \$11,717,355.

## **SUBSEQUENT EVENTS**

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

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

In 1990 General MacKenzie was appointed commander of the United Nation's Observer mission in Central America. Two years later he was assigned to the United Nation's Protection Force in Yugoslavia. In May of that year he created and assumed command of Sector Sarajevo and with a contingent of soldiers from 31 countries opened the Sarajevo airport for the delivery of humanitarian aid during the height of the Bosnian civil war. As a result he became the only Canadian to be awarded a second Meritorious Service Cross. He retired from the Canadian Forces in 1993. His personal account of his military experiences, "Peacekeeper, Road to Sarajevo", became a number one best seller in 1993. A two hour TV documentary based on the book and hosted by the general was aired internationally and won a New York film festival award in 1997. Since his retirement from the military, Lew MacKenzie regularly appears on many of the international TV and radio networks as a commentator. He has been under contract to CBS, CTV, CBC and Southam News at various times during the past seven years.

Lew MacKenzie was made an Honorary Chief of the Metro Toronto Police Force in 1993. He holds Honorary Doctorates from numerous Canadian Universities and is a member of the Board of Advisors of the Canadian Federation of AIDS Research. He was Tourism Canada's Canadian of the Year in 1992 and he is an alumnus of the Maclean's role of Honour. In 2002 he was invested with the Order of Ontario for his humanitarian work in Eastern Africa. Following the attacks of 11 September 2002 General MacKenzie was appointed one of two advisors to the Government of Ontario on counter-terrorism and emergency measures.

## **RISKS AND UNCERTAINTIES**

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

## **OUTLOOK**

Crowflight's exploration strategy developed since the early part of 2004 has been two-fold and focussed on adding shareholder value in the near term by finding, developing and mining a significant nickel, copper and PGM mineralized orebody within Crowflight's current and acquired portfolio of 100% owned and joint venture properties, and also establishing a partnership with a major producer that would insure an

availability of quality projects in established base and precious metal producing regions, where the best place to find deposits is adjacent other deposits and processing facilities.

Further information is available on the Company's web site at [www.crowflight.com](http://www.crowflight.com).

## **FORWARD-LOOKING STATEMENTS**

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

May 15, 2005

**CROWFLIGHT MINERALS INC.**  
**(A Development Stage Company)**

**BALANCE SHEETS**  
**As at March 31, 2005**  
(Prepared by Management)

	March 31, 2005 (Unaudited)	December 31, 2004 (Audited)
<b>ASSETS</b>		
Current		
Cash and equivalents	\$ 780,145	\$ 5,805,455
Amounts receivable	192,565	113,834
Prepaid expenses	<u>1,088,906</u>	<u>65,648</u>
	2,061,616	5,984,937
Long-term		
Property, plant and equipment	41,822	45,430
Interest in mineral properties (Note 2)	<u>15,648,075</u>	<u>10,845,424</u>
	<u>\$ 17,751,513</u>	<u>\$ 16,875,791</u>

**LIABILITIES**

Current		
Accounts payable and accrued liabilities	<u>\$ 1,779,830</u>	<u>\$ 898,458</u>

**SHAREHOLDERS' EQUITY**

Common Shares (Note 3)	24,807,716	25,851,956
Warrants (Note 4)	3,265,858	3,159,359
Contributed surplus (Note 6)	3,141,772	3,049,199
Deficit	<u>(15,243,663)</u>	<u>(16,083,181)</u>
	<u>15,971,683</u>	<u>15,977,333</u>
	<u>\$ 17,751,513</u>	<u>\$ 16,875,791</u>

**Responsibility for Financial Statements**

The accompanying financial statements for Crowflight Minerals Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the December 31, 2004 audited financial statements. Only changes in accounting policies have been disclosed in these financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

**CROWFLIGHT MINERALS INC.**  
**(A Development Stage Company)**

STATEMENTS OF OPERATIONS AND DEFICIT  
For the three months ended March 31, 2005 and March 31, 2004

(Prepared by Management - Unaudited)

	March 31, 2005	March 31, 2004
<hr/>		
Expenses		
Professional and consulting	\$ 123,704	\$ 96,780
General and office expenses	26,573	30,471
Shareholder communications	35,164	44,782
Travel expenses	52,785	1,933
Stock-based compensation (Note 5)	92,573	645,000
Interest expenses and bank charges	1,101	769
Amortization	6,637	1,990
	<u>338,537</u>	<u>821,725</u>
Loss before the undernoted	(338,537)	(821,725)
Interest earned	12,116	27,139
Mining property expenses (Note 2)	(14,213)	-
Recovery of expenses	15,912	1,371
	<u>15,912</u>	<u>1,371</u>
Loss before income taxes	(324,722)	(793,215)
Future income tax recovery (Note 7)	1,164,240	-
	<u>1,164,240</u>	<u>-</u>
Net income (loss) for the period	839,518	(793,215)
DEFICIT, beginning of period	<u>(16,083,181)</u>	<u>(13,552,813)</u>
DEFICIT, end of period	<u>\$ (15,243,663)</u>	<u>\$ (14,346,028)</u>
Basic income (loss) per share	\$ 0.01	\$ (0.02)
Diluted income (loss) per share	\$ 0.01	\$ (0.02)
Weighted average common shares outstanding - basic	72,360,476	50,629,317
- diluted	75,450,730	50,629,317

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-- See Notes to the Financial Statements --

**CROWFLIGHT MINERALS INC.**  
**(A Development Stage Company)**

**STATEMENTS OF CASH FLOW**

For the three months ended March 31, 2005 and March 31, 2004

(Prepared by Management - Unaudited)

	March 31, 2005	March 31, 2004
<b>CASH (USED IN) PROVIDED BY:</b>		
<b>OPERATING ACTIVITIES:</b>		
Net income (loss) for the period	\$ 839,518	\$ (793,215)
Charges not affecting cash:		
Amortization	6,637	1,990
Stock-based compensation (Note 5)	92,573	645,000
Future income tax recovery (Note 7)	(1,164,240)	-
Net change in non-cash working capital	<u>(220,617)</u>	<u>(108,741)</u>
	(446,129)	(254,966)
<b>FINANCING ACTIVITIES:</b>		
Common shares issued upon exercise of warrants	-	54,693
<b>INVESTING ACTIVITIES:</b>		
Mining interest	(4,576,152)	(1,551,606)
Property, plant and equipment	<u>(3,029)</u>	<u>(44,427)</u>
	(4,579,181)	(1,596,033)
CHANGE IN CASH AND CASH EQUIVALENTS	(5,025,310)	(1,796,306)
CASH AND CASH EQUIVALENTS, beginning of period	<u>5,805,455</u>	<u>6,924,080</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 780,145</u>	<u>\$ 5,127,774</u>

Cash and cash equivalents consists of:

Cash	\$ 406,233	\$ 145,826
Equivalents	<u>\$ 373,912</u>	<u>\$ 4,981,948</u>
	<u>\$ 780,145</u>	<u>\$ 5,127,774</u>

**SUPPLEMENTAL INFORMATION**

Common shares issued for interest in mineral property	\$ 120,000	\$ -
Warrants issued for mineral properties	\$ 106,500	\$ -
Interest received	\$ 12,116	\$ 27,139
Interest paid	\$ 43,742	\$ -

**CROWFLIGHT MINERALS INC.**  
*(A Development Stage Company)*

**NOTES TO THE FINANCIAL STATEMENTS**

For the three months ending March 31, 2005 and March 31, 2004

(Prepared by Management - Unaudited)

**1. BASIS OF PRESENTATION**

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

The management of Crowflight Minerals Inc. (the "Company") has prepared these unaudited financial statements for the three months ended March 31, 2005 in accordance with generally accepted accounting principles in Canada. These financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2004.

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

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

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

**2. INTEREST IN MINERAL PROPERTIES**

	MANITOBA			SUDBURY, ONTARIO				TOTAL
	Bucko Feasibility Study	Thompson Nickel Belt South	Thompson Nickel Belt North	AER Kidd	Airport	Mystery Offset Dyke	Peter's Roost	
<u>Acquisition costs</u>								
Balance, December 31, 2004	1,227,100	154,515	-	891,858	356,403	-	102,887	2,732,763
Acquisition and property costs	1,331	500	226,500	50,000	-	-	-	278,331
<b>Balance, March 31, 2005</b>	<b>1,228,431</b>	<b>155,015</b>	<b>226,500</b>	<b>941,858</b>	<b>356,403</b>	<b>-</b>	<b>102,887</b>	<b>3,011,094</b>
<u>Exploration expenditure</u>								
Balance, December 31, 2004	568,792	1,223,154	-	4,869,853	671,733	163,868	615,261	8,112,661
Drilling	907,418	1,222,177	538,393	-	35,096	-	-	2,703,084
Analysis and laboratory	14,169	-	-	-	718	-	-	14,887
Geology and geological consulting	201,463	125,771	24,794	8,027	14,708	31,346	5,463	411,572
Travel and transportation	46,375	-	-	37	4,101	20	182	50,715
Geochemistry and geophysics	23,767	519,849	389,439	-	8,144	-	-	941,199
Environmental	5,431	4,278	-	-	-	-	-	9,709
Field and office support	34,550	23,598	-	5,158	8,113	2,786	1,537	75,742
Management fees	32,364	189,785	95,263	-	-	-	-	317,412
<b>Balance, March 31, 2005</b>	<b>1,834,329</b>	<b>3,308,612</b>	<b>1,047,889</b>	<b>4,883,075</b>	<b>742,613</b>	<b>198,020</b>	<b>622,443</b>	<b>12,636,981</b>
<b>TOTAL DEFERRED COSTS</b>								
<b>March 31, 2005</b>	<b>3,062,760</b>	<b>3,463,627</b>	<b>1,274,389</b>	<b>5,824,933</b>	<b>1,099,016</b>	<b>198,020</b>	<b>725,330</b>	<b>15,648,075</b>

**CROWFLIGHT MINERALS INC.**  
**(A Development Stage Company)**

**NOTES TO THE FINANCIAL STATEMENTS**

For the three months ending March 31, 2005 and March 31, 2004

(Prepared by Management - Unaudited)

**2. INTEREST IN MINERAL PROPERTIES (continued)**

	MANITOBA			SUDBURY, ONTARIO						TOTAL
	Bucko Feasibility Study	Thompson Nickel Belt South	Thompson Nickel Belt North	AER Kidd	Airport	Mystery Offset Dyke	Marble Mountain	Copenhagen	Peter's Roost	
<u>Acquisition costs</u>										
Balance, December 31, 2003	-	-	-	836,575	326,403	-	39,622	-	50,000	1,252,600
Acquisition and property costs	-	-	-	-	-	-	10,000	8,000	50,000	68,000
<b>Balance, March 31, 2004</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>836,575</b>	<b>326,403</b>	<b>-</b>	<b>49,622</b>	<b>8,000</b>	<b>100,000</b>	<b>1,320,600</b>
<u>Exploration expenditure</u>										
Balance, December 31, 2003	-	-	-	1,924,605	480,910	-	691	-	4,762	2,410,968
Drilling	-	-	-	1,007,885	-	-	-	-	-	1,007,885
Analysis and laboratory	-	-	-	14,026	4,371	-	392	-	-	18,789
Geology and geological consulting	-	-	-	120,147	47,923	-	58,500	-	72,668	299,238
Travel and transportation	-	-	-	9,417	3,675	-	-	-	600	13,692
Geochemistry and geophysics	-	-	-	121,300	-	-	-	-	-	121,300
Field and office support	-	-	-	15,015	5,858	-	338	-	1,491	22,702
<b>Balance, March 31, 2004</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,212,395</b>	<b>542,737</b>	<b>-</b>	<b>59,921</b>	<b>-</b>	<b>79,521</b>	<b>3,894,574</b>
<b>TOTAL DEFERRED COSTS</b>										
<b>March 31, 2004</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,048,970</b>	<b>869,140</b>	<b>-</b>	<b>109,543</b>	<b>8,000</b>	<b>179,521</b>	<b>5,215,174</b>

**Thompson Nickel Belt North, Manitoba**

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

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

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

**Sudbury, Ontario**

In the last quarter of 2004, the Company decided not to pursue its options related to the Marble Mountain and Copenhagen properties in Sudbury. During the three months ended March 31, 2005, the Company expensed \$14,213 related to returning the properties to the optionor in good standing.

**CROWFLIGHT MINERALS INC.**  
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**NOTES TO THE FINANCIAL STATEMENTS**

For the three months ending March 31, 2005 and March 31, 2004

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**3. COMMON SHARES**

Authorized

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

Common shares issued

	<u>No. of Shares</u>	<u>Value</u>
Balance, December 31, 2003	50,462,651	21,132,600
Adjustment	(110)	-
Private placement - non flow-through	10,880,713	3,058,250
Private placement - flow-through	8,085,000	3,234,000
Issue of warrants - warrant valuation	-	(1,765,139)
Shares issued in acquisition of properties	2,050,000	615,050
Exercise of warrants	255,000	51,000
Exercise of warrants - warrant valuation	-	24,026
Exercise of stock options	25,000	8,750
Exercise of options - option valuation	-	10,140
Cost of issue	-	<u>(516,721)</u>
Balance, December 31, 2004	71,758,254	\$ 25,851,956
Shares issued in acquisition of property (Note 2)	400,000	120,000
Flow through share tax effect	-	<u>(1,164,240)</u>
<b>Balance, March 31, 2005</b>	<b><u>72,158,254</u></b>	<b><u>\$ 24,807,716</u></b>

**4. WARRANTS**

	March 31, 2005		December 31, 2004	
	Number of warrants	Average price	Number of warrants	Average price
Balance, beginning of period	26,033,465	\$ 0.42	12,292,276	\$ 0.52
Granted, private placements	-	-	11,982,856	0.45
Granted, property acquisition (Note 2)	1,000,000	0.55	5,000,000	0.55
Exercised	-	-	(255,000)	0.20
Expired or cancelled	-	-	(2,986,667)	1.15
Balance, end of period	27,033,465	0.45	26,033,465	0.42

**CROWFLIGHT MINERALS INC.**  
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**NOTES TO THE FINANCIAL STATEMENTS**

For the three months ending March 31, 2005 and March 31, 2004

(Prepared by Management - Unaudited)

**4. WARRANTS (continued)**

A summary of the outstanding warrants as of March 31, 2005 is as follows:

Value (\$)	Number of Warrants	Exercise Price (\$)	Expiry Date
-	570,000	0.30	May 22, 2005
556,845	5,910,000	0.20	June 4, 2005
196,968	2,380,950	0.60	August 20, 2005
17,114	159,051	0.49	August 20, 2005
3,293	30,608	0.49	September 3, 2005
377,500	2,500,000	0.35	June 17, 2006
242,500	2,500,000	0.75	June 17, 2006
650,000	5,000,000	0.30	October 12, 2006
568,462	3,667,500	0.60	November 4, 2006
502,801	2,940,356	0.50	November 4, 2006
43,875	375,000	0.60	December 29, 2006
67,500	500,000	0.35	January 18, 2007
39,000	500,000	0.75	January 18, 2007
<b>3,265,858</b>	<b>27,033,465</b>		

**5. STOCK BASED COMPENSATION**

The following are the stock option transactions during the period:

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

**CROWFLIGHT MINERALS INC.**  
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**NOTES TO THE FINANCIAL STATEMENTS**

For the three months ending March 31, 2005 and March 31, 2004

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**5. STOCK BASED COMPENSATION (continued)**

As of March 31, 2005, the following stock options were outstanding:

VALUE \$	NUMBER OF OPTIONS	EXERCISE PRICE \$	EXPIRY DATE
60,840	150,000	0.60	September 18, 2006
19,000	100,000	0.30	December 31, 2007
973,440	2,400,000	0.20	June 5, 2008
121,680	300,000	0.35	June 5, 2008
152,100	375,000	0.35	July 18, 2008
20,280	50,000	0.70	November 17, 2008
40,560	100,000	0.56	November 21, 2008
76,050	187,500	0.62	December 11, 2008
86,000	200,000	0.56	January 20, 2009
37,312	187,500	0.62	June 17, 2009
11,150	50,000	0.35	June 17, 2009
4,050	30,000	0.20	October 1, 2009
285,000	1,425,000	0.25	October 12, 2009
14,850	50,000	0.39	October 20, 2009
40,050	150,000	0.35	November 8, 2009
19,600	100,000	0.30	January 10, 2010
* 6,761	200,000	0.28	February 14, 2010
39,600	200,000	0.29	February 21, 2010
* 26,612	1,000,000	0.33	March 1, 2010
7,255,000			

During the quarter ended March 31, 2005, 1,500,000 stock options (2004 – 1,500,000) were granted to directors, officers and consultants of the Company. Of these options granted, 1,200,000 options vest one eighth every quarter from the date of grant over a two year term (\*). The remaining options granted during the period vest immediately. The options expire 5 years from the date of issue. The fair value of each option was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions: dividend yield 0% (2004 – 0%); expected volatility of 89.78% (2004 – 100%); risk free interest rate of 3.6% (2004 – 4%); and an expected average life of 5 years (2004 – 5 years). This generated an expense to stock-based compensation of \$92,573 (2004 - \$645,000).

**CROWFLIGHT MINERALS INC.**  
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NOTES TO THE FINANCIAL STATEMENTS

For the three months ending March 31, 2005 and March 31, 2004

(Prepared by Management - Unaudited)

**6. CONTRIBUTED SURPLUS**

	March 31, 2005	December 31, 2004
Balance, beginning of period	\$ 3,049,199	\$ 1,808,655
Stock options granted and/or vested during the period		
Employee	\$ 53,173	\$ 110,000
Non-employee	\$ 39,400	\$ 1,028,122
Exercise of stock options, reallocation of valuation	\$ -	\$ (10,140)
Expiry of warrants, reallocation of valuation	\$ -	\$ 112,562
Balance, end of period	\$ 3,141,772	\$ 3,049,199

Units

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

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

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

# **CROWFLIGHT MINERALS INC.**

*(A Development Stage Company)*

## **NOTES TO THE FINANCIAL STATEMENTS**

For the three months ending March 31, 2005 and March 31, 2004

(Prepared by Management - Unaudited)

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### **7. INCOME TAXES**

Provision for income taxes:

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

	<u>3 Months</u>
Loss before income taxes	\$ <u>(324,722)</u>
Expected income tax recovery based on statutory rate	(116,900)
Adjustments to benefit resulting from:	
Write-down of mineral properties and deferred exploration expenditures	5,120
Stock based compensation	33,330
Future tax assets not previously recognized	<u>(1,085,790)</u>
Future income tax recovery	<u>\$ (1,164,240)</u>

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

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

### **8. RELATED PARTY TRANSACTIONS**

The Company was charged \$78,500 (2004 - \$48,500) by directors or companies controlled by directors for professional and consulting fees for the quarter ended March 31, 2005.

The Company shares its premises with other companies that have common directors. The Company reimburses the related companies for their proportional share of the expenses. At March 31, 2005 an amount of \$133,100 (2004 - nil) is payable in relation to these expenses. As well, the Company is owed \$3,400 (2004 - nil) at March 31, 2005 for shared expenses.

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

### **9. COMPARATIVE FIGURES**

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